

PROVISIONS FOR EMPLOYEE COMPENSATION

Civil Service, Exempt, Statutory and Academic Employees

Item 379 from the General
Fund Item 380 from special
funds and Item 381 from
other funds.

Budget p. 1023

Requested 1977-78	\$150,500,000
Total recommended augmentation	\$127,552,000 ^a

^a Recommendation pending relative to salary increases of academic employees of the University of California and the California State University and Colleges.

1977-78 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
379	Compensation Increase. Civil service, exempt, statutory, University of California and California State University and Colleges employees.	General	\$99,800,000
380	Compensation Increase. Civil service, exempt and statutory employees.	Special funds	18,900,000
381	Compensation Increase. Civil service, exempt and statutory employees.	Other funds	31,800,000
	Total of Budget Bill Items relative to Compensation Increases.		\$150,500,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. *Salary Increase. Augment Item 379 by \$44,627,955 (General Fund), Item 380 by \$21,399,281 (special funds) and Item 381 by \$32,700,764 (other funds). Recommend 9.3 percent increase for state civil service, exempt and statutory employees.* 1039
2. *Salary Increase. Recommend control language be added to compensation increase Items (379-381) prohibiting State Personnel Board (SPB) from granting salary increases which would cause any state salary to exceed prevailing rates.* 1040
3. *Red Circle Rates. Recommend a control section be added prohibiting funds appropriated by the Budget Act from being used to pay an employee above the maximum of his salary range following his demotion from a career executive assignment.* 1040
4. *Compaction. Recommend \$2.5 million of the funds for salary increases be earmarked for reducing compaction of state civil service employees.* 1041
5. *Employee Benefits. Augment Item 379 by \$5,550,600 (General Fund), Item 380 by \$1,252,800 (special funds) and Item 381 by \$1,896,600 (other funds). Recommend state contribution ratio for employee health insurance be maintained for state civil service and related employees and Cali-* 1042

ifornia State University and Colleges employees and that comparable benefit improvements be authorized for University of California employees.

6. Employee Compensation. Recommend all funds available for employee compensation increases, other than those for maintaining state contribution ratio for health insurance, be applied to salary increases. 1043
7. Salary Increase. Recommend academic salary increases for the University of California and the California State University and Colleges be deferred until April when comparative salary data become available. 1043
8. *Salary Increase. Augment Item 379 by \$20,124,000 (General Fund).* Recommend an increase for non-academic employees at the University of California and California State University and Colleges to correspond with SPB recommendation. 1046

ANALYSIS AND RECOMMENDATIONS

Governor's Budget Misleading

The budget request states that \$235.8 million is proposed for 1977-78 "which will provide increases of approximately 7.5 percent for state employees' compensation." This statement is misleading. Of this amount, \$73.1 million, (which is included within budgets of the various state agencies) is required simply to finance provisions of existing law, as follows:

1. \$8.4 million is included in agencies' budgets for the purpose of maintaining the state contribution ratio for employee health insurance premiums at an average level of 85 percent for employee coverage and 60 percent for coverage of dependents in accordance with Section 22825.1 of the Government Code. Therefore, this finances current law and is not an increase in compensation.

2. \$22.2 million is for a one percent increase in the state contribution rate for retirement as required by Section 20740 of the Government Code to amortize the unfunded liability from benefit increases granted in prior years. Therefore, this finances current law and is not an increase in compensation.

3. \$42.5 million is for providing merit salary increases to employees who have not reached the maximum step of their salary ranges and are performing satisfactorily. Under the merit increase procedure, which is prescribed by Section 18852 of the Government Code and which is a basic component of the state pay program, an employee enters a state job class at the lowest step of a pay range and with satisfactory service advances until attaining the top step. Because the merit increase concept is imbedded within the present compensation policy, funds required for such increases cannot be considered general increases in compensation. Moreover, eliminating such increases would discriminate against the 40 percent of state employees who have not yet reached the top of their salary ranges and who are performing in a satisfactory manner.

*Chick
M.D.*

Civil Service, Exempt, Statutory and Academic Employees—Continued

Five Percent Proposed for All But CSUC Academic Employees

The amount contained in the Governor's Budget for providing *new* increases in employee compensation is \$162.7 million. As stated in the budget, the amount would provide for salary increases of:

1. Five percent for state civil service and related employees. (The Budget Bill, however, would provide only a one percent increase for statutory employees.)

2. Five percent for both academic and nonacademic employees at the University of California (UC).

3. 2.2 percent for California State University and Colleges (CSUC) academic employees and five percent for CSUC nonacademic employees.

Allocation of the \$162.7 million in this manner is indicated in Table 1.

Table 1
Allocation of Funds Requested for Increases in Employee Compensation

Employee Group	Funding Source			Total	Percent increase
	General	Special	Other		
Civil service and related	\$51,900,000	\$25,000,000	\$37,900,000	\$114,800,000	5%
University of California (UC):					
Faculty and related.....	15,900,000	—	—	15,900,000	5%
Nonfaculty	13,400,000	—	—	13,400,000	5%
(Total UC).....	(\$29,300,000)	—	—	(\$29,300,000)	
California State University and Colleges (CSUC):					
Instructional and related	8,600,000	—	—	8,600,000	2.2%
Noninstructional.....	10,000,000	—	—	10,000,000	5%
(Total CSUC).....	(\$18,600,000)	—	—	(\$18,600,000)	
Total Cost	\$99,800,000	\$25,000,000	\$37,900,000	\$162,700,000	
Less continuing appropriations to Department of Transportation	—	-6,100,000	-6,100,000	-12,200,000	
Total Amounts in Budget Items	\$99,800,000 (Item 379)	\$18,900,000 (Item 380)	\$31,800,000 (Item 381)	\$150,500,000	

Administration Is to Meet and Confer With Employee Organizations

There is no indication as to what proportion, if any, of the funds requested are to be applied for employee benefits. The budget states that final recommendations will be submitted to the Legislature subsequent to meet and confer proceedings with state employee organizations.

Furthermore, it is unclear as to whether all or only a part of the \$235.8 million budget request is to be subject to the meet and confer process. We believe it would be inappropriate for the \$22.2 million budgeted for retirement benefits or the \$42.5 million budgeted for merit increases to be subject to negotiation in a meet and confer process. Failure to increase the retirement contribution as required by law would jeopardize the soundness of the fund, and not providing merit increases when earned would constitute a reduction in the existing salary program.

Apparent Conflict With Stated Objective

The budget states that an objective of the employee compensation increase program is to maintain salary and benefit equity for state employees when compared to prevailing compensation practices in other public employment and private industry. It is unclear whether the meet and confer proceedings will impede the ability of the State Personnel Board (SPB) to adjust state salaries in relation to those in comparable nonstate employment.

The traditional approach to adjusting state civil service salaries has been to close the gap by which such salaries trail prevailing salary rates in comparable nonstate employment.

Special Consideration Given Lower-Salaried Employees During the Last Two Years

The Legislature did not adopt the Governor's proposal to provide a flat \$90 monthly increase for the 1975-76 fiscal year. Instead, it provided for a one-time bonus of \$400 to be paid to 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 in addition to the individual class-by-class adjustments as determined by the salary setting authorities.

Last year the Legislature adopted the Governor's proposed flat salary increase program which provided for (1) a flat monthly increase of \$70 to all state employees, except highway patrolmen who received \$120 monthly and (2) an additional 2.5 percent increase to certain classes for salary realignments. The Legislature adopted the flat increase with the Governor's assurance that it would apply during the 1976-77 fiscal year only.

In contrast with the traditional approach of adjusting state salaries in relation to prevailing rates on a class-by-class basis, the flat increase provided proportionately larger increases to those employees who (1) are lower paid and (2) have smaller salary gaps.

Flat Increase Caused Distortions

As we pointed out in the 1976 Analysis, the flat increase concept is fundamentally unsound. Stated simply, it deliberately underpays one state employee in order to overpay another state employee. On July 1, 1976 some state civil service salaries exceeded prevailing rates by almost 18 percent at the same time that others continued trailing such rates by as much as 13 percent.

Underpaying persons in certain classes makes it progressively difficult for the state to attract and hold qualified career employees. This has applied particularly to leadership positions.

Overpaying certain classes of individuals constitutes unfair competition to nonstate employers, especially those in small business and rural communities. It also results in unnecessary expenditure of public funds.

\$14 Million to Pay Above Prevailing Rates

As of July 1, 1976 salaries of approximately 27 percent of the state civil service work force exceeded those in comparable nonstate employment as determined by the SPB. Based on information provided by the board, the 1976-77 fiscal year cost to pay these employees above prevailing rates

Civil Service, Exempt, Statutory and Academic Employees—Continued

totals \$12,149,806 (\$6,047,265 to General Fund) as indicated in Table 2.

In addition, University of California (UC) and California State University and Colleges (CSUC) nonacademic salaries generally are established and adjusted in relation to state civil service salaries. Information provided by the UC and CSUC indicates that a total of 11,404 nonacademic employees whose salaries are paid from the General Fund were also paid above prevailing rates as of July 1, 1976. The General Fund cost during the 1976-77 fiscal year of paying these employees above prevailing rates totals \$1,870,407.

Continuation of Flat Increase Program?

The administration stated last year that the flat salary increase was to be for one year only. However, until further details are provided by the Administration as to how the 1977 compensation increase program is to be implemented, we are unable to determine what the actual policy will be.

Table 2
Cost of Paying State Civil Service Employees
Above Prevailing Rates

<i>Employee Category</i>	<i>Personnel-Years</i>	<i>Percent Average Salary Exceeded Prevailing Rates On July 1, 1976</i>	<i>Cost of Exceeding Prevailing Rates*</i>	
			<i>General Fund</i>	<i>All Funds</i>
Food service assistant	1,039	17.8%	\$1,897,087	\$1,936,535
Cook	620	14.1	1,134,473	1,222,278
Biologist	948	5.7	263,046	1,141,309
Junior clerk	2,331	4.4	344,234	776,525
Janitor	2,305	2.7	180,161	626,290
Intermediate clerk.....	22,134	2.5	2,047,247	6,008,986
Key punch operator	1,927	2.1	168,370	390,329
Duplicating machine operator	372	.7	8,152	31,500
Chemist	259	.3	4,495	16,054
Totals.....	31,935		\$6,047,265	\$12,149,806

* Includes 17 percent for salary related benefits.

CIVIL SERVICE AND RELATED EMPLOYEES' SALARIES

As stated previously, the Governor's Budget requests \$162.7 million for compensation increases to all categories of state employees. It indicates that the funds will be apportioned in a manner which will equate to a five percent salary increase for civil service and related employees, except for statutory employees who will receive only a one percent increase.

The budget states that final recommendations are to be submitted to the Legislature subsequent to meet and confer proceedings with employee organizations. It is unclear as to what proportion of the funds is to be applied to employee benefits rather than salaries or how salary increases among job classes are to be implemented (e.g., by the SPB based on prevailing rates or in accordance with agreements reached by the Administration in its meet and confer proceedings with employee groups).

Statutory Salaries Have Lost Ground

Table 3 shows the average salary increases received by state civil service employees and by statutory employees since the 1966-67 fiscal year. It is emphasized that not all civil service employees received these percentage adjustments, because they are made individually on a class-by-class basis.

The table shows that the cumulative effect of salary increases from 1966-67 through 1977-78 (assuming increases of 5 percent and one percent are granted to civil service and statutory employees respectively in 1977-78) is (1) an almost doubling of the average civil service salary (a 99.4 percent increase) and (2) an increase of only half that amount (49.4 percent) for statutory employees.

Table 3
Comparison of Civil Service Salary Increases With
Those of Statutory Employees
1966-67 through 1977-78

Fiscal Year	Percent Increase		
	For Civil Service Employees (Increase in Total Payroll)	For Civil Service Employees (Average Increase per Employee)	For Statutory Employees (Average Increase per Employee)
1966-67	5.5%	4.5%	—
1967-68	4.9	5.1	—
1968-69	5.3	5.7	5.0
1969-70	5.6	5.6	11.5
1970-71	5.0	5.2	—
1971-72	—	—	—
1972-73	8.3	8.95	5.0
1973-74	12.9	11.7	12.5
1974-75	5.3	5.0	5.0
1975-76	7.1 ^a	6.7 ^a	—
1976-77	6.6	^b	1.9
1977-78	5.0 (proposed)	5.0 (proposed)	1.0 (proposed)
(Amount average 1977-78 salary would exceed 1965-66 salary)	(99.4%)	—	(49.4)

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

^b Not calculated by SPB because of flat salary increase.

State Personnel Board Projects 9.3 Percent Salary Gap

We recommend that the budget be increased to (1) provide a 9.3 percent average salary increase for state civil service and related employees to close the gap in state salaries as reported and recommended by the SPB, and (2) provide a corresponding increase for statutory employees. (Augment Item 379 \$44,627,955 (General Fund), Item 380 \$21,399,281 (special funds) and Item 381 \$32,700,764 (other funds)).

The SPB in its January 7, 1977 report states that a 9.3 percent average salary increase for state civil service employees will be required to close the gap projected as of July 1, 1977 between state civil service salaries and salaries in comparable nonstate employment. Because we believe it is sound public policy to pay state employees in line with prevailing rates and because sufficient funds are expected to be available for this purpose, we suggest that the budget be increased in order to close the gap in state

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salaries entirely as of July 1, 1977.

As a result of smaller and less frequent increases, statutory salaries have lost a considerable amount of purchasing power in relation to civil service salaries, as we indicate in Table 3. In order to prevent statutory salaries from falling even further behind, we propose that they also be increased by 9.3 percent.

State Salaries Should Not Exceed Prevailing Rates

We recommend that control language be added to the compensation increase items (379-381) to prohibit the SPB from granting salary increases in a manner which would cause the salary of any state civil service classification to exceed prevailing rates effective July 1, 1977, as projected by the board, pursuant to its spring 1977 salary survey.

In accordance with the recommendation in our March 8, 1976 *Supplemental Analysis Items 95-99, State Civil Service Salaries*, language was added to the salary increase items in the 1976 Budget Act prohibiting the SPB from granting salary increases which would cause the salary of any state civil service class to exceed prevailing rates effective July 1, 1976. This provision was negated, however, by Chapter 341, Statutes of 1976, the annual Total Equivalent Compensation (TEC) measure which superceded the salary increase provisions in the Budget Act by providing for the flat salary increase which we discuss above.

The Legislature adopted the flat increase last year with the understanding that it apply during the 1976-77 fiscal year only. However, as we pointed out in the 1976-77 Analysis, the *effects* of the increase will continue into future years unless corrective action is taken because, as a practical matter, it seems unlikely that future salary increases will be withheld from the lower-salaried classes which continue to exceed prevailing salary rates.

In our judgement, the traditional approach of adjusting state salaries in relation to prevailing rates class-by-class on a catch-up basis, while in no case exceeding such rates, is both equitable and fiscally sound and, therefore, should be reinstated.

In the two prior fiscal years the Legislature gave special consideration to lower-paid employees by permitting them to be paid above prevailing rates so as to help reduce the effects of the high rate of inflation. If it is the intention of the Legislature to restore the prevailing rate principle in adjusting state salaries, specific action should be taken to prevent state employees being paid above prevailing rates in future years. For this reason, we suggest that the Legislature add control language to the Budget Act again this year specifically prohibiting salary increases which would cause state civil service salaries to exceed prevailing rates.

Red Circle Rates Should Not be Paid to Employees Terminated From Career Executive Assignments

We recommend that a control section be added prohibiting funds appropriated by the Budget Act from being used to pay an employee above the maximum of his present salary range following his demotion from a career executive assignment.

The Government Code (Sections 18546-7) authorizes the "career ex-

ecutive assignment" (CEA) program, which permits the appointing power to promote state employees having permanent civil service status into "high administrative and policy influencing positions" in accordance with SPB procedures. An employee receiving such an assignment retains his permanent civil service status and his assignment may be terminated by the appointing power upon 30 days notice. It is our understanding that over 500 CEA positions presently exist within state service.

Government Code Section 18860 provides for "red circle rates". Under that provision, the SPB may authorize an employee having a minimum of ten years state service to be paid above the maximum step in his job class pursuant to being demoted as a result of reductions in force or "other management initiated changes."

The SPB in a June 7, 1976 memorandum announced its adoption of a rule requiring that an employee terminated from a CEA who has at least ten years state service to receive a red circle rate unless the termination was voluntary or based on unsatisfactory performance.

The CEA is intended as a special temporary appointment, which the employee accepts at his own risk with the understanding that he may be removed upon short notice at the discretion of the appointing power. For this reason, we believe it inappropriate to pay an employee above the maximum step of a class he occupies pursuant to termination of a career executive assignment.

Salary Compaction

We recommend that \$2.5 million of the funds provided for salary increases be earmarked for reducing salary compaction of state civil service employees.

The SPB has pointed out that salary compaction is a serious problem. We have discussed this problem in detail in prior analyses and the Legislature has taken action to alleviate it. The SPB states that it has no formal plan for solving this and that "long-term relief for the State of California's compacted executive salary structure must be ultimately accomplished through the combined efforts of the Governor, Legislature, Department of Finance and State Personnel Board."

According to the SPB, a significant portion of existing compaction could be eliminated at a cost of approximately \$2.5 million. We therefore suggest that this amount be reserved for that purpose. This can be funded from savings resulting from not increasing state salaries above prevailing rates, in accordance with our prior recommendation. This action would have the effect of reforming the salary structure in two areas.

EMPLOYEE BENEFITS

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

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meet any TEC lag.

Lump Sum Budgeted

The budget requests \$162.7 million for providing new compensation increases for state employees. It does not indicate what, if any, portion of this amount would be applied to employee benefits.

State Health Contribution Ratio Should be Maintained.

We recommend that the state's contribution ratio for employee health insurance be maintained for state civil service and related employees and CSUC employees and that comparable benefit improvements be authorized for University of California employees. (Increase Item 379 \$5,550,600 (General Fund); Item 380, \$1,252,800 (special funds); and Item 381 \$1,896,600 (other funds)).

The state presently pays a portion of employee health insurance premiums. Because the cost of the premiums continues to rise, the state's percentage of the contribution would diminish, unless adjusted upward periodically. In order to provide for such adjustments, Section 22825.1 of the Government Code requires the SPB to recommend the funding required in order for the state contribution level to be maintained at an average of 85 percent for coverage of employees and 60 percent for coverage of dependents.

In compliance, the SPB reported that health insurance premiums are expected to increase effective August 1, 1977 by about 20 percent and that \$10.1 million from all funds would be required to maintain the state's percentage for civil service employees and their dependents.

We believe that funding of this provision should be given highest priority of funds available for employee benefits because it represents legislative intent as specified in Section 22825.1 and prevents a reduction in employee take home pay.

The funding required to implement our recommendation cannot be determined accurately at this time because new premiums will not be adopted until April 1977. Our estimate of \$8.7 million was developed from (1) the original State Personnel Board estimate, using the same proportional relationships found in the salary increase items and (2) reduced by the \$6.9 million which we understand is contained in the Governor's Budget for this purpose. (According to the budget document, \$8.4 million is included within the various agency budgets for maintaining the state health contribution ratio. We are advised by the Department of Finance, however, that of this amount, \$1.5 million is for annuitants, leaving a balance of \$6.9 million budgeted for active state employees.)

Total Equivalent Compensation (TEC) Lag Reported by the State Personnel Board

Technically, the TEC lag is the added state cost which would result to provide benefits to state employees commensurate with benefits provided in comparable nonstate employment.

The SPB in its January 7, 1977 annual report estimates that a fund of \$16,500,000 would be required to overcome the projected TEC lag as of

July 1, 1977. This represents the equivalent of a .7 percent increase in salaries.

Maintaining the state health contribution ratio, as we recommend above, would virtually eliminate the TEC lag by reducing it to the equivalent of a .28 percent lag in salaries.

Salary Gaps of Some Employees Should Not be Used for Providing Fringe Benefits to Other Employees.

We recommend that all funds provided for employee compensation increases, other than those required for maintaining the state health insurance contribution ratio be applied to salary increases.

As we state above, as a result of last year's salary increase program, some civil service salaries exceeded prevailing rates by almost 18 percent as of July 1976 while others trailed such rates by as much as 13 percent at that time.

Because the calculated TEC lag indicates that state employee benefits are generally in line with prevailing rates, and because of the distortions created as a result of the Governor's flat increase program, we believe great emphasis should be placed in adjusting state salaries so as to realign them with prevailing rates.

If it is the intention of the Legislature to apply the prevailing rate principle in the 1977 employee compensation program, we suggest that all funds available for employee compensation, other than those required for maintaining the state health insurance contribution ratio, be applied to providing salary increases.

POSTSECONDARY EDUCATION SALARIES (Item 379)

Academic Salaries

We recommend that a decision on 1977-78 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 April 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 Postsecondary 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 a selected group of national institutions. A preliminary report is prepared in December for use in formulating the Governor's Budget and a second report, corrected for actual current year salaries at comparison institutions, is published in April. In addition, these computations by the CPEC include a Consumer Price Index adjustment for California institutions.

The preliminary report issued in December indicates that total compensation for faculty at UC must be increased by 5.2 percent in order for the University to maintain salary parity with its comparison institutions. The required increase for CSUC is reported at 2.2 percent as shown in Table 4.

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Table 4
CPEC Preliminary Salary Data

Segment	Total		
	Compensation	Salary	Benefits
UC	5.2%	6.8%	-2.6%
CSUC	2.2	5.3	-13.0

The Governor's Budget for 1977-78 provides funds sufficient to cover a 5 percent increase for UC faculty (\$15,900,000) and a 2.2 percent increase for CSUC faculty (\$8,600,000).

Unprecedented Action

It should be noted that the salary budgeted for UC and CSUC is equivalent to the total compensation figures shown above, not the salary compensation figures. This is unprecedented. There does not appear to be a rational explanation for such action. It has always been the policy of the state to separately budget salary and fringe benefits, not to offset them. In addition, this was not the method utilized in determining civil service salary increases. If the CPEC salary figures were utilized, the differences (in millions) to the budget would be:

	CPEC		Governor's Budget		Difference	
	Percent	Amount ^a	Percent	Amount ^a	Percent	Amount ^a
UC	6.8%	\$21.7	5.2%	\$15.9	1.6%	\$5.8
CSUC	5.3	20.1	2.2	8.6	3.1	11.5

^a In millions.

Comparison institutions for the University of California reported by CPEC are:

- Cornell University
- Harvard University
- Stanford University
- State University of New York at Buffalo
- University of Illinois
- University of Michigan
- University of Wisconsin at Madison
- Yale University

Comparison institutions for the California State University and Colleges reported by CPEC are:

EAST

- State University of New York at Albany
- State University of New York at Buffalo
- Syracuse University
- Virginia Polytechnic Institute and State University

WEST

- University of Southern California
- University of Hawaii
- University of Nevada
- University of Oregon
- Portland State University

OTHER

- University of Colorado
- Illinois State University
- Northern Illinois University
- Southern Illinois University
- Indiana State University
- Iowa State University
- Wayne State University
- Western Michigan University
- Bowling Green State University
- Miami University (Ohio)
- University of Wisconsin at Milwaukee

Tables 5 and 6 indicate the estimated UC and CSUC academic salary relationships with those of the comparison institutions in 1976-77.

Table 5
Estimated UC and Comparison Institutions Average Salaries (9 Month)
(1976-77)

	Comparison Group	University of California	Difference	
			Amount	Percent
Professor	\$29,008	\$28,178	-\$830	-2.9%
Associate Professor	19,699	19,531	-168	.8
Assistant Professor	15,472	16,267	+795	5.1
Instructor	12,307	12,300	7	—

Table 6
Estimated CSUC and Comparison Institutions Average Salaries
(1976-77)

	Comparison Group	California State University and Colleges	Difference	
			Amount	Percent
Professor	\$25,028	\$25,008	-\$20	—%
Associate Professor	19,069	19,101	-32	—
Assistant Professor	15,438	15,793	+355	2.3
Instructor	12,173	13,621	+1,448	11.8

While this situation occurs with the selected comparison institutions, the average salary levels paid to professors in California public institutions of higher education compares favorably with average public institution salaries nationally in 1976-77 as shown in Tables 7 and 8.

Table 7
Comprehensive Public Universities ° Average Salaries
1976-77

	Professor	Associate Professor	Assistant Professor	Instructor	All Ranks
Arkansas	\$21,680	\$17,820	\$14,420	\$11,250	\$17,950
California	27,000	19,000	15,000	11,000	22,000(3)
Connecticut	27,220	19,370	15,050	12,480	20,510
Florida	—	—	—	—	22,600(1)
Georgia	28,000	22,000	17,000	12,000	20,000
Hawaii	28,010	20,260	16,640	13,170	21,910(4)
Idaho	21,690	16,880	14,420	12,070	18,110

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Iowa	28,250	21,100	17,260	12,810	21,610(5)
Kansas	24,000	18,300	15,000	11,600	—
Maryland	28,290	20,540	15,830	12,660	19,330
Minnesota	26,030	18,960	15,350	12,720	20,060
Mississippi	20,070	16,970	13,860	10,650	16,310
Nebraska	23,700	18,900	15,800	11,500	18,700
New York	29,400	20,990	15,730	12,020	22,180(2)
North Carolina	24,690	18,410	14,970	11,650	19,040
Oklahoma	23,380	18,410	14,940	12,220	15,060
Rhode Island	25,270	18,960	15,580	12,460	19,320
Tennessee	23,380	18,550	15,210	11,310	18,300
Texas	22,890	17,990	14,950	11,610	15,620
Utah	23,770	18,680	15,630	12,590	18,900
Virginia	—	—	—	—	19,700
Washington	24,290	17,940	14,970	12,170	19,680
Wisconsin	25,000	18,000	16,000	13,000	21,000

^a Major universities with a range of doctoral programs and professional schools.

Table 8
Public Colleges^a Average Salaries
1976-77

	Professor	Associate Professor	Assistant Professor	Instructor	All Ranks
Arkansas	\$17,250	\$15,020	\$12,890	\$10,550	\$13,870
California	24,000	18,000	15,000	13,000	19,000(2)
Connecticut	21,600	18,040	15,010	13,250	16,580
Georgia	18,000	15,000	13,000	11,000	14,000
Hawaii	25,560	19,010	15,660	13,630	19,100(1)
Idaho	19,120	15,730	13,920	11,510	14,980
Kansas	18,300	15,600	14,000	11,800	—
Maryland	22,840	16,680	15,440	12,410	16,840
Nebraska	19,980	15,960	13,930	11,530	15,100
New York	23,580	18,520	14,870	12,010	18,190(3)
North Carolina	19,350	16,130	13,710	11,360	15,020
Oklahoma	19,350	17,020	14,930	11,810	14,670
Rhode Island	22,910	17,860	14,980	11,690	16,920
Utah	20,140	16,560	14,180	11,720	15,540
Virginia	—	—	—	—	15,400
Washington	20,970	17,020	14,740	12,120	17,710(4)
Wisconsin	22,000	18,000	15,000	13,000	17,000(5)

^a Four year institutions that have no doctoral programs or professional schools.

Source: National Association of State Budget Officers.

Actual salary tables for 1976-77 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.

Nonacademic Salaries

We recommend approval of a 9.3 percent salary increase for the University of California (UC) and California State University and Colleges (CSUC) nonacademic employees (Augment Item 379 by \$20,124,000 (General Fund)).

The Governor's Budget would provide a five percent increase for UC and CSUC nonacademic employees at a cost of \$23,400,000.

Our recommendation is based on the policy that UC and CSUC nonaca-

demic employees should be treated equitably in relation to other state employees. To provide nonacademic salary increases commensurate with those recommended for state civil service employees would require an additional General Fund cost of \$20,124,000.

Judges' Salaries Frozen

Judicial salaries formerly were, by law, adjusted annually as of September 1, based on the increase in the California Consumer Price Index (CCPI) of the prior calendar year.

Chapter 1183, Statutes of 1976 (AB 3844) eliminates the CCPI adjustment factor for 1977 and freezes judicial salaries on January 1, 1977 for a period of 18 months. Consequently, no funds are proposed in 1977-78 for this item. Beginning July 1, 1978 and each July 1 thereafter, the new law restores the annual CCPI adjustment for judicial salaries, but limits it to a maximum of five percent.

RESERVE FOR CONTINGENCIES—EMERGENCY FUND

Item 382 from the General
Fund

Budget p. 1027

Requested 1977-78	\$1,500,000
Appropriated by the 1976-77 Budget Act	1,500,000

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item appropriates \$1,500,000 for expenditure from the Emergency Fund. 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.

Also, this item appropriates an additional \$1,500,000 to provide for temporary loans to state agencies whose operations would be curtailed because of delayed receipt of reimbursements or revenue. These loans are returned or accrued for return by the end of the fiscal year in which they are made.

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.

Table 1 details the amounts budgeted and allocated along with the deficiency appropriations since 1970-71.

Table 1
Emergency Fund, Appropriations and Allocations
1970-71 to 1977-78

<i>Fiscal year</i>	<i>Appropriated</i>	<i>Allocated to agencies</i>	<i>Deficiency appropriation</i>
1970-71	1,000,000	4,919,594	4,375,000
1971-72	1,000,000	4,993,871	4,918,009