

## ITEM 275 of the Budget Bill

## ANALYSIS

This item is identical to Item 268 of the Budget Act of 1958. It provides that the State Controller upon approval of the State Board of Control shall transfer to this item, from any appropriation in Section 2 of this act made from the General Fund, that part of such appropriation intended for the purchase of automobiles. These funds shall be available for augmentation of the Purchasing Revolving Fund.

This item provides the machinery whereby funds appropriated from the General Fund to the various state agencies for the replacement of or purchase of additional automobiles may be used to augment the Revolving Fund which finances the Department of Finance car pool.

We recommend approval.

## PROVISION FOR SALARY INCREASE FUND

ITEMS 276 and 277 of the Budget Bill

Budget page 621

FOR PROVISION OF SALARY INCREASE FUND  
FROM THE GENERAL FUND

Amount requested .....	\$17,966,627
<b>TOTAL RECOMMENDED REDUCTION .....</b>	<b>\$138,809</b>

## GENERAL SUMMARY

The request for \$17,966,627 from the General Fund for a salary increase fund is being requested to provide a general 5 percent increase for all state employees and includes \$5,013,492 for the University of California. In addition, funds are also included for correcting internal inequities in the salary range structure.

## ANALYSIS

The table below shows the breakdown of the proposed \$17,966,627 from the General Fund. Not included is \$1,378,306 in contributions to the State Employees' Retirement Fund.

Civil service classes .....	\$9,859,268
State colleges .....	
Academic salaries .....	1,351,580
Nonacademic salaries .....	904,343
Statutory positions .....	138,809
Other exempt positions .....	171,260
University of California .....	
Academic salaries .....	1,881,081
Nonacademic salaries .....	2,755,411
Provision for special adjustments .....	
Civil service classes .....	500,000
Exempt classes .....	28,875
University employees .....	207,000
Provision for academic retirement contributions .....	170,000

Total amount of proposed appropriation .....	\$17,966,627 <sup>1</sup>
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<sup>1</sup> Due to a \$1,000 error in the budget the various parts of the breakdown do not add up to the proposed appropriation.

With the above proposed appropriation and the contributions to the State Employees' Retirement Fund, the cost to the General Fund for the proposed salary increase would be \$19,344,933.

## Provision for Salary Increase Fund—Continued

The cost to state special funds for a general 5 percent increase will be \$9,211,232.

The Legislature has delegated to the State Personnel Board the authority to set and adjust salary ranges for civil service and state college employees and has directed it to:

- a. Consider the salaries for comparable service in private employment and in other governmental agencies;
- b. Consider the proper internal salary relationships between state classes; and
- c. Keep expenditures for salary adjustments within appropriation limits.

Salaries of other state employees and the University of California are budgeted for on a comparable basis to those set by the State Personnel Board.

On December 5, 1958, the board, in accordance with Government Code Section 18712, submitted its annual report relating to civil service personnel to the Governor and members of the Legislature.

Surveys of industry wages were conducted by the Personnel Board in both 1957 and 1958. These surveys covered approximately 70 industry classes comparable to state classes. The board reported that even though there was a general reduction in business activity between 1957 and 1958, salaries and wages in industry continued to rise. The report indicated that from March, 1957, to October, 1958, salaries paid in private industry increased approximately 7 percent.

The last general salary adjustment for state employees was effective July 1, 1957, based on March, 1957, salary data. That increase averaged 6.3 percent.

Based upon its analysis of the status of state salaries and wage trends in private industry and other governmental agencies, the Personnel Board in its annual report dated December 23, 1957, recommended an appropriation of funds for a 3 percent general salary adjustment for all employees for the 1958-59 Fiscal Year. Funds were not appropriated for any salary adjustments for this fiscal year and as a result no salary increases were granted.

In the past, we have questioned the sole use of trend data in determining the relationship of state salaries to salaries paid in private industry. Depending upon the base year used there will always be a variation in the percentage of difference between industrial and state employees salaries. We do feel that trend data is very important and should be analyzed. However, we also recommended that there should be a direct comparison made between the actual salaries paid for specific jobs in private industry and the actual salaries paid for similar work in state service. In its most recent survey the board made this direct comparison and also made a comparison from its data of October 1, 1957. The comparison figures are shown below.

<i>Month</i>	<i>Percentage that private industry salaries were higher than state employees' salaries</i>
October, 1957 -----	1.4
October, 1958 -----	5.7

## Provision for Salary Increase Fund—Continued

The Personnel Board in its current report states that it is aware of increases granted since the October, 1958, survey and other guaranteed increases that will take effect before its next survey, March, 1959. By March, 1959, a direct comparison between salaries in private industry and salaries in state service may be expected to show that salaries in private industry will exceed those for corresponding positions in state service by more than 7 percent. The trend data would indicate this also. Thus, the board in its report stated that a 7½ percent general adjustment of state salaries as of July 1, 1959, would be needed in order to maintain parity at that time.

We have reviewed the wage surveys made by the Personnel Board and the methods used in these surveys, and are of the opinion that the amounts provided in this budget bill item although less than the amount recommended by the Personnel Board will maintain the existing state policy of reasonable comparability between private industry and the State of California wage rates to the end that the State can attract and retain qualified personnel in a competitive labor market.

## Statutory Salaries

It should be noted that \$138,809 is included in the General Fund salary increase fund item to provide for a 5 percent increase in statutory salaries.

Section 11570 was added to the Government Code in 1957 to provide that in any year for which the Legislature appropriates additional funds to augment statutory salaries, each such statutory salary shall be increased by an equal percentage for each such statutory officer. If any constitutional provision prevents an increase in the salary of a state officer during all or part of the fiscal year for which such funds are appropriated, the increase in salary shall become operative with the commencement of the next succeeding term of office if it occurs during such fiscal year. At the time this legislation was introduced, it was stated that its purpose was to provide a basis whereby during a budget session year the Legislature could be in a position to adjust the level of statutory salaries in the event that salaries generally had changed during the year sufficiently to warrant an immediate adjustment rather than waiting until the next general session of the Legislature.

It should be pointed out that this is not a budget session year. The Legislature has the authority to consider adjustments in statutory salaries outside of the budget bill. The very nature of statutory salaries is that they are distinct by law and function from civil service salaries. These salaries set the pattern and ceiling for salaries of subordinate positions. While the Legislature through Section 11570 has the authority to prevent serious compaction problems which would result in a budget session year from giving substantial advances to civil service employees while being unable to adjust statutory salaries, this problem does not occur in a general session.

We believe the 5 percent salary increase provided for in this item at a General Fund cost of \$138,809 and special fund cost of \$21,302 should be stricken for this item, and should be considered by the Legislature in a separate bill. We also recommend that when a statutory

## Provision for Salary Increase Fund—Continued

salary bill is reviewed it should be accompanied, as it has been in the past, by a special salary survey of these positions. No such survey has been conducted as the basis for the budget request. There is no direct relationship between these salaries and any proposed increase for civil service salaries, in any case, and by definition and function such salaries should be considered in a separate statute.

## State College Academic Salaries

The proposed appropriation includes \$1,351,580 for state college academic salary adjustments. This amount will provide a general 5 percent increase.

In the report to the Governor and the Legislature discussed previously, the board included the state college academic personnel in its recommendation for a general 7½-percent increase and also recommended funds to grant them an additional 5-percent increase. Although this additional 5 percent was not included in the budget the recommendations of the Personnel Board should be examined further. The considerations given as being most significant are quoted below along with our discussion concerning them.

1. "Data on faculty salaries in other states cannot be compared directly to California faculty salaries because salary levels for most nonacademic occupations in these other states are lower than salary levels for similar occupations in California. These data are significant, however, in measuring rate of change."

This position is a reversal of that taken by the board in previous years. We cannot accept the statement that the comparison cannot be made between the state colleges and the schools used in the sample. For several years the Personnel Board and the Department of Education have agreed upon a group of schools that could be compared with our state colleges in so far as curricula offered, academic standing and salaries paid. Also it was felt that it would be this representative group of schools that the state colleges would be competing with in the recruitment of academic personnel. The following is the list of 16 schools used for the comparison:

Bowling Green University	University of Arizona
Brooklyn College	University of Colorado
Oberlin College	University of Connecticut
Paterson State College	University of Nevada
Rutgers University	University of Oklahoma
Southern Illinois University	University of Oregon
State College of Washington	University of Toledo
State University of New York College for Teachers at Buffalo	Western Michigan University

Of this list of 16 schools, there have been nine that have consistently reported to the board salaries paid for the past three years. The following shows the overall median salary paid to all academic personnel for the past three years by both the nine reporting colleges and by the state colleges.

	1956-57	1957-58	1958-59	Two-year percentage increase
9 reporting colleges	\$6,114	\$6,577	\$6,805	11.3
State colleges	6,812	7,486	7,568	11.1

## Provision for Salary Increase Fund—Continued

Even with no general increase granted state college personnel for this current year, the median salary paid to all state college personnel has increased at the same rate for two years as has the salaries paid by the nine reporting schools. It also should be noted that the median for the state college salaries is \$763, or 11.2 percent higher than the median salary paid by the reporting schools.

In addition to the out-of-state schools surveyed, the Personnel Board also surveyed the salaries of four agreed upon California schools, the University of Redlands, Pomona College, Mills College, and College of the Pacific. The following is a table showing by rank the median salary for these four schools and the state colleges for 1958-59. Also included is the percentage difference between the two groups.

	<i>Instructor</i>	<i>Percent difference</i>	<i>Asst. Prof.</i>	<i>Percent difference</i>	<i>Assoc. Prof.</i>	<i>Percent difference</i>	<i>Prof.</i>	<i>Percent difference</i>
4 California colleges -----	\$5,000	--	\$5,600	--	\$6,515	--	\$7,465	--
State colleges -----	5,496	9.9	6,672	19.1	8,112	24.5	10,860	45.5

From the foregoing table it is evident that state college academic salaries are substantially higher than those paid in other California colleges.

2. The second consideration in recommending the extra 5 percent was that:

"The faculty salaries of other representative colleges have been adjusted during 1958 while no change was made in California state college faculty salaries."

Although this statement is true, for the year previous to that there had been a general 10 percent increase for most academic personnel and a 15 percent for some in the full professor range. This had the effect of placing state college salaries further ahead of those paid in comparable institutions.

3. The report continued:

"The representative colleges surveyed estimate that further faculty salary increases will be granted for the 1959-60 academic year."

The board, however, states that the estimated average increase is 7.3 percent, not 12.5 percent as the Personnel Board proposes for California.

4. "The exceptional growth of the state college system requires that more than an 'average salary' be offered to attract the quantity and quality of faculty members needed."

The report does not state what "more than an average salary" means. If it means that we pay more than 10 percent above what is being paid in comparable institutions, then we are already doing this, as the previous tables indicate.

## Provision for Salary Increase Fund—Continued

5. "Salaries in California junior colleges provide further indication of the need for special salary action."

While it is a fact that the median salary paid academic personnel in the junior colleges is slightly higher than the median paid state college personnel, we do not believe that there is any comparability in the two situations. The use of a median figure is only of value if both types of academic personnel had comparable growth histories. However, such is not the case. The following table shows the five-year growth in numbers and percentage of academic personnel in the junior colleges and the state colleges.

	<i>Total number of academic personnel</i>		<i>Percent increase</i>
	<i>1953-54</i>	<i>1957-58</i>	
Junior colleges -----	3042	4136	35.9
State colleges -----	1674	3198	91.0

It is clear that there has been a much more rapid growth within the past five years in the state colleges than there has been in the junior colleges. This means that the median salary for the state colleges will be relatively low in this comparison since the vast majority of those hired are hired at the beginning steps and the rate of hires in the state colleges is much higher than in the junior colleges.

A more accurate picture of the junior college salary and the state college salary situation is a comparison of the annual ranges. The Personnel Board and Department of Education have selected 12 junior colleges that can most closely be compared to the state colleges. The annual ranges for those 12 schools run from a low of \$4,347 to a maximum of \$9,600. The minimum for the instructor class in the state colleges is \$4,980 and the maximum for full professor is \$10,860. Both types of schools can and do hire at above the minimum rates.

6. "The increasing demand for college training and the increasing recognition of the relatively low level of academic salaries which prevailed for many years are resulting in a more continued and a more extensive increase in faculty salaries than in the level of salaries in general. This trend has been noted in both public and private colleges."

This is a true statement and the state colleges have had their salaries increased consistently in keeping with the state policy of comparable pay for comparable outside employment. The rate of increase of state college salaries since 1951 has been greater than that of state employees in general.

## University of California

Of the \$17,966,627 requested for salary increases, \$5,013,492 is requested to provide a general 5 percent salary increase for employees of the University of California.

The University compares itself for salary purposes with five eminent universities. These are the Universities of Chicago, Michigan, Columbia, Harvard, and Yale. The University states that it is with these schools that it generally competes in recruiting academic personnel.

**Provision for Salary Increase Fund—Continued**

The following table shows the average salary paid in the five institutions in comparison with the University of California:

	<i>Professor</i>	<i>Associate professor</i>	<i>Assistant professor</i>	<i>Instructor</i>
Average of five universities -----	\$12,900	\$8,643	\$6,611	\$5,231
California -----	12,550	8,522	6,646	5,464

As the table indicates, the University pays slightly higher in the bottom two academic steps and slightly lower in the top two academic steps. But it can be stated generally that the University is paying comparable salaries with these five eminent universities.

With the salary increases expected to be granted in the other institutions, the requested amount for a 5 percent increase appears justified. We also feel that since the State Personnel Board does not review the salaries paid nonacademic personnel, allocations made to the University should be made upon certification by the Board of Regents that proposed salary ranges for nonacademic personnel are substantially comparable to those granted state officers and employees of the civil service.

**RESERVES FOR CONTINGENCIES  
EMERGENCY FUND**

ITEM 278 of the Budget Bill

Budget page 624

**FOR THE EMERGENCY FUND TO BE EXPENDED ONLY ON WRITTEN  
AUTHORIZATION OF THE DEPARTMENT OF FINANCE FOR EMER-  
GENCIES FROM THE GENERAL FUND**

Amount requested -----	\$1,000,000
Estimated to be expended in 1958-59 Fiscal Year -----	1,000,000

Increase -----	None
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TOTAL RECOMMENDED REDUCTION -----	None
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**ANALYSIS**

The amount of \$1,000,000, the same amount as authorized for the current year, is requested for the Emergency Fund to be expended for emergencies and only on written authorization of the Department of Finance. Emergencies are defined as contingencies for which no appropriation, or insufficient appropriation, has been made by law. This item further authorizes the Department of Finance to make loans from the Emergency Fund to state agencies supported from sources other than the General Fund.

We believe the establishment of a single emergency fund to be sound fiscal policy and recommend approval of the amount requested.