

**Department of Veterans Affairs
UNITED SPANISH WAR VETERANS COMMISSION**

ITEM 276 of the Budget Bill

Budget page 688

**FOR SUPPORT OF UNITED SPANISH WAR VETERANS
COMMISSION, FROM THE GENERAL FUND**

Amount requested	\$3,400
Estimated to be expended in 1962-63 fiscal year	3,400
 Increase	 None
TOTAL RECOMMENDED REDUCTION	\$3,400

GENERAL SUMMARY

Chapter 430 of the Statutes of 1957 created the five-member United Spanish War Veterans Commission. The duty of the commission is to promote and provide for the welfare of and assist in the maintenance of the Department of California, United Spanish War Veterans.

ANALYSIS

The \$3,400 budgeted includes \$1,000 for travel and general expenses of the commission and \$2,400 for maintenance of the Department of California United Spanish War Veterans headquarters.

We question the total amount as an unnecessary expenditure of state funds.

We recommend disapproval of the item.

PROVISION FOR SALARY INCREASE FUND

ITEMS 277-282 of the Budget Bill

Budget page 689

**FOR SUPPORT OF PROVISION OF SALARY INCREASE FUND
FROM THE GENERAL FUND**

Amount requested	\$21,830,000
TOTAL RECOMMENDED REDUCTION	\$21,830,000

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget Page</i>	<i>Line</i>
Provision for salary increases	\$21,830,000	689	83

ANALYSIS

Items 277, 278, 279, 280, 281, and 282 propose appropriations of \$21,830,000 from the General Fund for the 1963-64 fiscal year to provide salary increases for civil service employees, state college and university academic personnel, judges, and statutory positions.

Table I gives a breakdown of the proposed appropriations from the General Fund of \$21,830,000 for the 1963-64 fiscal year. The cost to special funds is also shown.

Provisions for Salary Increase Fund—Continued

Table I

Employee group	Percent salary increase	1963-64	
		General Fund	Special funds
Civil service classes	5 ¹	\$11,600,000	\$8,800,000
University of California			
Academic	5	3,700,000	---
Nonacademic	5 ¹	1,850,000	---
State colleges			
Academic	5	2,900,000	---
Nonacademic	5 ¹	600,000	---
Judges	10	800,000	---
Statutory positions	---	200,000	100,000
Other exempt	---	180,000	20,000
Total	---	\$21,830,000	\$8,920,000

¹ The funds shown for civil service classes, state college nonacademic classes and University of California non-academic classes will not provide a 5-percent salary increase for all employees in those categories. It appears that the funds are sufficient to provide a 5-percent salary increase for one-half of the employees. In the civil service category it would appear that in addition to a 5-percent salary increase for one-half of the employees there is also \$2,100,000 for other salary adjustments.

On November 29, 1962, the State Personnel Board submitted its report to the Governor and the Legislature on matters relating to civil service personnel in accordance with Government Code Section 18712. In regard to salary matters the board made the following findings and recommendations:

- "1. Surveys of industry salaries conducted by the Personnel Board in October 1962 showed that the salaries of state employees were approximately 2.4 percent behind their industry counterparts in the Los Angeles and San Francisco areas. If the present trend in salary increases continues in industry, the salaries for a large number of state occupational groups will be 5 percent or more behind industry salaries paid in Los Angeles and San Francisco by July 1963.
- "2. Most local governmental agencies and the federal government have increased salaries during the 1962-63 fiscal year. A comparison of the 24 percent of state employees in governmental type classes whose counterparts are found only in these other public agencies indicates that a large number of these state classes have fallen behind their counterparts in the other large jurisdictions.
- "3. Survey data support a one-step salary increase for about one-quarter of state employees, two-step adjustments for about one-half of state employees and no increase for about one-quarter of state employees.
- "4. The largest group of employees for whom salary increases are not currently supported are those in clerical classes. Special adjustments for these classes in recent years to meet rates paid by other employers have established state clerical salaries at a level equal to or above those paid in private industry and by other public jurisdictions. It is unlikely that salary increases will be supported for most clerical classes by July 1963.
- "5. A large number of employees for which two-step adjustments are required results from the fact that funds appropriated for

Provisions for Salary Increase Fund—Continued

inequity adjustments in fiscal year 1962-63 fell substantially short of meeting the inequity adjustment needs reported by the Personnel Board.

- "6. In addition to the improvement in the salary structure for psychiatric technician classes to be effective on January 1, 1963, the recommendation for salary increase funds for the 1963-64 fiscal year includes sufficient funds to provide an additional two-step increase for these classes. The two-step adjustment is being recommended to avoid increasing the salary differential between psychiatric technicians and correctional officers, with the expectation that duties of a custodial, clerical or nonpatient care nature will be eliminated from the psychiatric technician series. Employees in the psychiatric technician series represent about one-fourth of the employees for which two-step salary adjustments are being recommended."

The total annual costs of salary adjustments as recommended by the Personnel Board for civil service classes would have been \$23,400,000 from the General Fund and \$20,800,000 from special funds. Included in the fund estimates were \$1,500,000 from the General Fund and a comparable amount from special funds for "inequity" adjustments.

It should be noted that the budget proposes \$11,600,000 from the General Fund and \$8,800,000 from special funds for salary increases for civil service classes.

In our analysis that follows we discuss the salary proposals for each grouping of employees.

A. Proposed Salary Increases for Civil Service Employees

We have no way of telling how the total amount of \$11,600,000 proposed from the General Fund and the \$8,800,000 from special funds for civil service classes is to be used. Preliminary discussions with the Department of Finance indicated the possibility that funds would be included in the budget sufficient to grant a 5-percent salary increase for those employees that the Personnel Board recommended should receive a 10-percent salary increase. If this is the case we have estimated the cost for such an increase to be approximately \$9,500,000 from the General Fund. It would appear that \$2,100,000 is included in the budget for salary adjustments for classes other than those which the board recommended should receive a 10-percent salary increase.

We recommend that no salary increase funds be provided for 1963-64 for civil service employees for the following reasons, each of which is further discussed in the analysis which follows.

1. Significant improvements have been made within recent years in benefits to state employees and in the relationship between state employment generally and that in private industry.

2. The cost of salary adjustments of the magnitude recommended in this budget, even though less than the amounts recommended by the Personnel Board, will constitute increased costs not only for the budget year, but will increase the level of operations in the following fiscal year

Provisions for Salary Increase Fund—Continued

and hasten the time at which new taxes will have to be considered to finance state government.

3. The Personnel Board finds that large numbers of classes will require two-step adjustments while others will warrant no adjustment, even though \$62,000,000 in salary increase costs were authorized for the current fiscal year. This suggests that inequities are not due entirely to failure of the Legislature last year to appropriate the full amount requested for special adjustments, but are due in large part to the fact that funds both in this current and in prior years were requested for and were applied as general adjustments to classes which were not behind their industry counterpart.

4. The finding of the State Personnel Board as contained in its November report to the effect that "As of October 1962, salaries of state employees were approximately 2.4 percent behind their industry counterparts in the Los Angeles and San Francisco areas" presents a misleading, if not completely erroneous picture of the relationship between salaries being paid by the State of California and by private industry as of that date.

In addition to other findings of the Personnel Board which are based chiefly upon measurement of the trend in industry wage actions, the Personnel Board has in recent years reported also what purports to be a direct comparison as of a given point in time between the level of salaries paid by industry and by the State. Although there are many limitations upon this type of computation since it involves averaging broad groups, each of which will contain many different kinds of relationships, the direct comparison has real significance to the Legislature in making its decision as to whether to appropriate for salary adjustments, particularly of the general adjustment type, and if so, how much.

We have reviewed the data of the Personnel Board and the techniques used in the construction of this direct comparison, and although we do not disagree with the basic data, we believe that the method of interpreting these data contains a significant bias. This can be illustrated by the application of the steps in this comparison to a single class of positions. To determine the salary paid in industry for a given position the board expresses the industry rate as a range representing the first and third quartiles. *This is the interquartile range for rates actually being paid in all the positions surveyed without regard to the range of rates which might be applicable to any of the private industry positions surveyed, although it is common practice for industry to apply a range of rates to its positions, as does the State.*

This interquartile range of the industry rates is then compared to the beginning and the ending step of the range of the state rate for the comparable state position without regard to the place within that range occupied by the average or typical employee in that class. This type of comparison would introduce no bias if a situation existed in which the typical state employee was now being compensated at the middle step of the five-step range. However, within recent years, because of the application of the automatic progression which results from our "merit system" for salary increases, the typical state employee is not in the

Provisions for Salary Increase Fund—Continued

third step of the range, but is at a rate closer to the fifth or highest step. This is indicated by data of the Personnel Board which shows that as of July 1962, a total of 52.9 percent of state employees are in the fifth step of the range.

Percent of State Civil Service Employee by Salary Step
December 1958-July 1962

Step	December 1958	December 1959	December 1960	December 1961	July 1962
1 -----	19.6%	9.7%	10.2%	8.9%	9.9%
2 -----	15.2	12.8	12.8	12.0	12.7
3 -----	12.9	15.7	12.6	13.2	12.7
4 -----	10.2	16.3	11.7	12.2	11.8
Maximum -----	42.1	45.5	52.7	53.7	52.9

Source: State Personnel Board Table 38

If the method of expressing the rate actually being paid to state employees in any given classification were to be expressed in exactly the same way as that for the private industry counterparts, the results would be significantly different and the state average rate would be found to be higher by a percentage in the magnitude of 5 percent. In other words, had this method of calculation been used to express the direct comparison, then the finding would have been that on October 1962 state salaries, on the average, were 2.5 percent ahead of their industry counterparts rather than 2.4 percent behind.

2. Proposed Academic Salary Increases for the University of California and the California State Colleges

The budget proposes \$3,700,000 from the General Fund for a 5 percent salary increase for University of California academic classes and \$2,900,000 from the General Fund for a 5 percent salary increase for the state college academic classes.

(1) University of California Salary Increases

For many years the University of California has compared its salaries to the salaries paid the faculty of five "eminent" universities. Those universities were Yale, Harvard, Columbia, the University of Michigan, and the University of Chicago. In 1960, the University of Chicago showed a deterioration of salaries and was dropped and data from Princeton University was used in its place. These five institutions are selected since the University of California states that it is with these institutions that it competes for faculty and with which it has been ranked over the past two decades.

We have reviewed the data from these institutions and the data prepared by the Co-ordinating Council for Higher Education and recommend that no funds be appropriated for salary increases for academic personnel of the University of California.

The reason for our recommendation is based on the comparability data gathered by the University and reported by the co-ordinating council. The following table shows the average salaries paid by rank at the university and the five schools used for comparison.

Provisions for Salary Increase Fund—Continued

Average Salaries by Rank, 1962-63

<i>Rank</i>	<i>University of California</i>	<i>Five universities</i>	<i>University of California percentage differential</i>
Professor -----	\$14,669	\$15,153	-3.2%
Associate professor -----	10,441	10,175	+2.6
Assistant professor -----	8,148	7,947	+2.5
Instructor -----	6,703	6,473	+3.6

With the exception of professor rank, the University of California faculty salaries exceed the average salaries paid the faculty of the five universities used for comparative purposes. An additional factor to consider is the fact that the average of the five schools is significantly affected by the inclusion of Harvard University which pays significantly higher salaries and through endowments intends to maintain such a differential. It must be emphasized that these five institutions represent the highest salary level of major universities in the country.

If, as a matter of policy, the Legislature does not appropriate any funds for a salary increase of state employees, there appears to us to be no justification for a salary increase for academic and nonacademic personnel at the University. In terms of the broad market for academic personnel the University stands in an extremely favorable competitive position, and even in relation to the "eminent five" it is at parity or better.

(2) California State Colleges

Prior to 1961 the state colleges were under the administration of the State Department of Education. During that time, the State Personnel Board was the salary-fixing authority for the academic and non-academic classes of the colleges. When the board had the salary-fixing authority, it surveyed salaries paid many colleges and universities that it and the Department of Education felt were comparable to the state colleges. The specific schools changed from year to year depending upon the schools that supplied data. For the 1959-60 fiscal year, data was received from 16 schools.

When the Trustees assumed administration of the state colleges the principle of salary comparability with other institutions was continued; however, the institutions used for comparison are changing. In their most recent salary survey, the Trustees used 11 of the previous 16 institutions plus 4 others.

We have reviewed the data from the 15 institutions used by the state colleges for comparison purposes and the data prepared by the Co-ordinating Council for Higher Education and recommend that no funds be appropriated for academic personnel of the California State Colleges.

The following table shows the average salaries paid by rank at the state colleges and the 15 comparable institutions from which salary data was received.

Provisions for Salary Increase Fund

Items 277-282

Provisions for Salary Increase Fund—Continued

Average Salaries by Rank, 1962-63

Rank	State colleges	15 comparable institutions	State college percentage differential
Professor -----	\$12,173	\$11,641	+4.6%
Associate professor -----	9,425	9,256	+1.8
Assistant professor -----	7,774	7,639	+1.8
Instructor -----	6,601	6,192	+6.6

The salaries paid the faculty of the state colleges exceed the average salaries paid the faculty of the 15 comparable institutions.

Should no salary increase be granted civil service employees and the University of California employees we can see no justification of a salary increase for state college academic and nonacademic personnel of the California State Colleges.

We also recommend that the state colleges, in conjunction with the Department of Finance, select a constant list of institutions, selected on the basis of appropriate criteria, which would be used year after year for comparative purposes.

The Co-ordinating Council for Higher Education made the same recommendation in its report of December 19, 1962 on "1963-64 Faculty Salaries, University of California and the California State Colleges." However, the council staff went on to suggest nine out-of-state institutions on the basis that 32.5 percent of the newly appointed faculty in the state colleges received their degrees from those schools. The nine institutions were:

University of Illinois
University of Indiana
University of Minnesota
University of Oregon
University of Wisconsin

University of Washington
Purdue University
Ohio State
Michigan State

Of the above list, the University of Oregon and Purdue University were the only schools that the Trustees used in their comparison.

We do not believe that the fact that a given percentage of faculty receive their degrees from a specific group of institutions is any basis for using that group of schools for salary comparisons. Most of the schools listed above have educational purposes and goals that are far different than those of the California State Colleges. Also, if this principle were adopted the state colleges would be compared to the University of California since that institution produces more graduates that teach in the state colleges than any other single school.

C. Proposed Salary Increase for Justices and Judges

A total of \$800,000 from the General Fund is budgeted to provide an increase for judicial salaries. The last general salary increase in 1962 omitted judges. Sufficient funds are included to permit an approximate salary increase of 10 percent. Legislation will be necessary to bring about any judicial salary change. *We recommend deletion of this amount on a broad fiscal policy basis.*

Provisions for Salary Increase Fund—Continued

D. Proposed Salary Increase for Statutory Positions

The budget proposes \$200,000 from the General Fund and \$100,000 from special funds for salary increases for employees whose salaries are set by statute. The administration proposes a complete salary revision program through legislative action and we assume will introduce legislation to achieve such action. We do not know at this time what specific proposals will be made in any statutory salary bill, thus we can make no recommendation as to the adequacy or inadequacy of the budgeted funds, but believe it should generally be dealt with on the same fiscal policy basis as other salaries, and *recommend deletion*.

E. Proposed Salary Increase for Other Exempt Positions

The budget proposes \$180,000 from the General Fund and \$20,000 from special funds for salary increases for exempt positions other than statutory positions. The funds budgeted will provide a 5-percent salary increase for those exempt positions which did receive a salary adjustment in 1962 and a 10-percent salary increase for those positions that did not receive any adjustment in 1962 due to maximum salary limitations in the 1962 Budget Act. *We recommend deletion.*

General Fund Cost of 1962 Special Salary Adjustments
by State Personnel Board

Item 282 of the Budget Act of 1962, Second Extraordinary Session, contained \$2,625,000 for special salary adjustments for civil service classes paid out of the General Fund. The item also appropriated from each special fund an amount sufficient to provide increases in compensation for each officer or employee whose salary is paid from such fund. In addition \$1,058,857 was appropriated from the Motor Vehicle Fund by item 137 of the Budget Act for salary increases for uniformed employees of the Department of the California Highway Patrol.

During 1962 the State Personnel Board granted salary increases to various classes in the State Department of Mental Hygiene that on an annual basis were considerably in excess of the funds available.

The Legislature appropriated \$2,625,000 from the General Fund for special salary adjustments, and the action of the Personnel Board created an annual cost of \$4,221,753.

For some years the Legislature added restrictive language to the salary increase items in budget bills in order to prevent changes in salary ranges by the Personnel Board that would cost more on an annual basis than the amount appropriated by the Legislature. We recommend that similar language be reinstated in the 1963-64 Budget Bill.

The language last used in the 1959 Budget Act would seem appropriate. Item 276 of the 1959 Budget Act stated:

Before the State Personnel Board or other administrative salary-fixing authority establishes any increased salary range during the 1959-60 fiscal year, a certification shall be obtained from the Director of Finance that sufficient money either is available in funds authorized for the agencies or may be made available from the appropriation in this item, to meet the cost of the increased salary

Provisions for Salary Increase Fund—Continued

range; provided, that, except for increases authorized under Section 18853 of the Government Code or by specific statute, increases in compensation provided by increased salary ranges established during the 1959-60 fiscal year by the State Personnel Board for each state officer or employee whose compensation, or portion thereof, is payable from the General Fund shall not result in total annual salary increases of more than \$12,614,191. For purposes of determination of such annual cost, computations may be based upon the number of employees in such classes as of June 30, 1959, as reported by the State Personnel Board. Salary adjustments payable from funds other than the General Fund and salary adjustments fixed by other than the State Personnel Board shall be limited so as to provide equitable treatment as to the foregoing limitation.

The \$12,614,191 in the above quote was the amount appropriated for salary increases for the 1959-60 fiscal year.

Our reason for making the above recommendation results from a review of the action taken with special adjustment funds by the Personnel Board during 1962. The following section outlines the history of the administrative and legislative action with the salary increase funds during 1962.

December, 1961, Personnel Board Recommendation

On December 15, 1961, the State Personnel Board submitted its annual report to the Governor and the Members of the State Legislature on matters relating to civil service personnel under the jurisdiction of the board.

In regard to salary increase matters the board made the following recommendations:

1. A 5 percent salary increase effective January 1, 1962.
2. To recognize changes in internal relationships and in rates prevailing in government and industry, the board recommended that an appropriation of \$3,300,000 would be needed from the General Fund to provide for special salary adjustments for the remaining six months of the 1961-62 fiscal year. The annual cost to the General Fund would be \$6,000,000. Commensurate amounts would be needed from special funds.
3. The board further recommended that funds in the amount of \$2,750,000 from the General Fund be appropriated for special salary adjustments during the 1962-63 fiscal year, plus a commensurate amount from the special funds.

The board thus recommended that the 1962 Legislature appropriate \$12,650,000 from the General Fund for special salary adjustments for the 1961-62 and 1962-63 fiscal years with most adjustments to be effective January 1, 1962. The board recommended that a "commensurate" amount be appropriated from the various special funds. This recommendation, in total, thus would have provided for a 7.7 percent salary increase for state employees.

Provisions for Salary Increase Fund—Continued
Governor's Budget, 1962-63 Fiscal Year

The Governor's 1962-63 Budget proposed a deficiency appropriation of \$11,455,796 from the General Fund to provide for a 5 percent salary adjustment for most state employees retroactive to January 1, 1962. The proposed deficiency appropriation included \$120,000 to permit special salary adjustments retroactive to January 1, 1962. The \$120,000 amount was broken down to \$100,000 for civil service classes and \$20,000 for exempt positions.

Items 282 and 283 of the Budget Bill proposed appropriations of \$26,767,580 from the General Fund for the 1962-63 fiscal year to provide for the continuation of the 5 percent increase for most state employees, including employees of the University of California. The proposed budget appropriation included \$2,880,000 from the General Fund for additional special salary adjustments for the 1962-63 fiscal year. The \$2,880,000 was broken down as follows:

Civil service classes -----	\$2,100,000
State colleges -----	300,000
Exempt positions -----	80,000
University of California -----	400,000
	<hr/>
	\$2,880,000

The Governor thus proposed that the 1962 Legislature appropriate \$3,000,000 from the General Fund for special salary adjustments for the 1961-62 and 1962-63 fiscal years with most adjustments to be effective July 1, 1962. The Personnel Board was to be allocated \$2,200,000 of the total amount for increases for civil service classes. In addition, item 137 of the budget proposed \$1,058,857 from the Motor Vehicle Fund for a 5 percent salary increase for uniformed members of the Highway Patrol.

Whereas the Personnel Board recommended \$12,650,000 from the General Fund for special salary adjustments for civil service employees for 18 months, the Governor's budget proposed \$2,200,000 for special adjustments for the same group of employees.

Legislative History

1. Assembly Bill No. 50

In order to accomplish the proposed retroactive salary increase, Assembly Bill No. 50, Z'berg, was introduced on March 21, 1962, in the First Extraordinary Session. The bill proposed an appropriation of \$11,395,859 from the General Fund to the Department of Finance to be allocated to the various departments, boards, commissions, the University of California, and the Trustees of the California State Colleges. The funds were to be allocated upon the establishment of new salary ranges by the State Personnel Board or other salary-fixing authority. The bill also appropriated from each special fund an amount sufficient to provide increases in compensation for those employees paid from such funds.

During the legislative hearings on Assembly Bill 50, questions of both constitutionality and policy were raised concerning the aspect of paying a retroactive salary to employees for work already com-

Provisions for Salary Increase Fund—Continued

pleted. As a consequence, the bill was amended to provide a 6 percent increase for all employees effective April 1, 1962, for the months of April, May and June and a 1-percent increase for the 1962-63 fiscal year.

2. Items 282 and 283 of the 1962 Budget Bill

At the time the hearings on Assembly Bill 50 were conducted, the legislative committees also were considering items 282 and 283 of the 1962 Budget Bill. On April 3, 1962, the Conference Committee of the Senate and Assembly reported the Budget Bill out with some changes in item 282. The committee added \$645,000 for 1½ percent salary increase for state college faculty and "\$525,000 to inequity fund, made available by savings in items 55 and 56." Item 55 was the support item for the California Rehabilitation Center and item 56 was the support item for the State Prison at San Quentin.

The Legislature adjourned without adopting the budget, thus the Governor called a special session to consider a new budget. On April 9, 1962, the Governor had a Budget Bill introduced that was substantially in agreement with the version of the bill approved by the conference committee on April 3. In regard to item 282 the Governor deleted the \$645,000 for the 1½ percent salary increase for the state college personnel and included the \$525,000 that was added to the inequity, or special adjustment funds.

The final budget approved by both houses of the Legislature on April 12, 1962, and signed by the Governor on April 23 contained a total of \$3,405,000 for special salary adjustments out of the General Fund, of which \$2,625,000 was to be for civil service classes. In addition, the budget act provided that "there is hereby appropriated from each special fund from which such officers and employees are paid an amount sufficient to provide increases in compensation for each such officer or employee, in accordance with this item, which amount is to be made available by executive order of the Director of Finance in augmentation of their respective appropriations for support or for other purposes." Item 137, which proposed \$1,058,857 from the Motor Vehicle Fund for a 5 percent salary increase for uniformed members of the Highway Patrol, remained as introduced.

It should be noted that a key section of previous budget act salary increase items, commonly referred to as the Hatfield Amendment, was not included in the 1962 Budget Act. It was also not included in the 1960 Budget Act. The 1961 Budget Act contained no salary increase item.

The Hatfield Amendment, added to the budget act many years ago, provided that increases in compensation provided by increased salary ranges established by the Personnel Board during the year affected by the budget act for each state officer or employee whose compensation is payable from the General Fund shall not result in total annual salary increases of more than the amount appropriated for that year. For purposes of determination of such annual cost, computations were to be based upon the number of employees in such classes as of the beginning of the fiscal year.

Provisions for Salary Increase Fund—Continued
 Personnel Board Action

General Salary Adjustment

Prior to the signing of the budget by the Governor, the State Personnel Board on April 5, 1962, adopted a resolution raising all salary ranges for state employees by 6 percent effective April 1 as a result of the passage of Assembly Bill No. 50. No increases were granted to persons earning \$15,000 or more annually, as provided by the bill.

The Regents of the University of California and the Trustees of the State Colleges also increased their ranges by 6 percent with the same \$15,000 limitation.

June 23, 1962, Special Salary Adjustment

On June 23, 1962, the Personnel Board granted 5 percent salary increases effective July 1, 1962, to those persons not receiving increases on April 1, 1962, due to the \$15,000 limitation. Increases were granted to those persons earning less than \$19,800 annually which was the salary increase limitation in items 282 and 283 of the 1962 Budget Act.

On June 23, 1962, the board also provided 5 percent salary increases to several classes from special salary adjustment funds available to it. In all cases the increases were to be effective July 1, 1962. These increases were in addition to the general 6 percent granted to all state employees April 1, 1962.

The Personnel Board and the Department of Finance stated that the General Fund costs for the classes were \$1,954,397 and the cost to various special funds was \$3,031,000. The cost to special funds was higher than the cost to the General Fund due to the additional appropriation of \$1,058,857 from the Motor Vehicle Fund for salary increases for uniformed members of the California Highway Patrol.

On July 20, 1962, the Personnel Board granted a two-step, 10 percent, salary increase to the referee, Unemployment Insurance Appeals Board, series of classes, effective July 1, 1962. In addition, the board granted an additional one-step, 5 percent, salary increase to California Highway Patrol supervising traffic inspectors, state traffic inspectors, and state traffic captains. Employees of the enforcement series of the Department of Fish and Game were also granted an additional one-step, or 5 percent, increase effective July 1, 1962.

The July 20, 1962, action of the Personnel Board thus provided a two-step, 10 percent increase, for the following classes:

- Supervising traffic inspector
- State traffic inspector
- State traffic captain
- Fish and game patrol inspector
- Senior warden—pilot
- Warden—pilot
- Fish and game patrol captain
- Warden—captain, fish patrol boat
- Fish and game warden
- Principal referee, Unemployment Insurance Appeals Board
- Senior referee, Unemployment Insurance Appeals Board
- Referee, Unemployment Insurance Appeals Board

Provisions for Salary Increase Fund—Continued

Referee, Unemployment Insurance Appeals Board Series

The July 20, 1962, action of the Personnel Board granting a two-step (10 percent) salary increase to the referee, Unemployment Insurance Appeals Board, series of classes brought about changes in the pay scales of the following three classes:

<i>Class</i>	<i>Monthly salary range prior to July 1, 1962</i>	<i>Monthly salary range after July 1, 1962</i>
Principal referee, UIAB -----	\$1,166-\$1,419	\$1,286-\$1,564
Senior referee, UIAB -----	1,008- 1,225	1,111- 1,351
Referee, UIAB -----	914- 1,111	1,008- 1,225

The above increases were in addition to the 6 percent salary increase granted April 1, 1962.

The cost of the two-step (10 percent) increase for the 54 employees in the above classes was approximately \$65,616. Ninety-one percent of the cost comes out of the Unemployment Administration Fund and 9 percent comes out of the Unemployment Compensation Disability Fund.

We find no justification for the increase granted to this series of classes. In the past we have never been critical of the Personnel Board's action in changing the salary range of a specific class or series of classes. However, we feel that this action by the board will have an effect upon all legal, hearing officer, and referee classes in state services. Employees in a great majority of these classes are paid out of the General Fund. In taking the action of increasing the salaries of those persons in the referee, UIAB series, the Personnel Board apparently gave very little consideration to the effect this action would have upon other classes. It is reasonable to assume that requests to have their ranges adjusted will be made by employees in other legal, hearing officer, and referee classes in state service who have been paid on a parity with the referee, UIAB classes. If the classes are adjusted that have historically been related to referee, UIAB, by the same two steps (10 percent), the cost to the General Fund will be \$376,136 and the cost to special funds will be \$239,064.

This action by the Personnel Board places the referee, UIAB, two steps above other referee, hearing officer, and legal classes requiring admission to the State Bar. It is not required that a referee, Unemployment Insurance Appeals Board, be a member of the State Bar.

We are concerned over the apparent capacity of the Personnel Board to take action granting increases to classes paid from special funds that will then affect the General Fund. There may very well have been justification to increase the salaries paid all legal classes on the basis of what is being paid legal positions in private industry. However, the Personnel Board had \$2,625,000 in General Fund money available to it for salary increases, and at the time the board adjusted salaries in June 1962 it apparently did not think the legal salaries were as badly out of line as some other classifications. It would appear that increasing the salaries of one group of employees and not another group that has comparable duties simply invites much greater pressure by those who do not receive the salary increases.

Table II. Cost of Special Adjustments

The following table details the cost of the General and Special Funds of the salary increase adjustments made by the State Personnel Board for the 1962-63 fiscal year. The annual cost is also shown.

	1962-63 cost		Annual cost			
	General Fund	Special funds	General Fund	Special funds		
July 1, 1962, one- and two-step (5-percent and 10-percent) increases granted to numerous classes-----	--	\$1,954,397	\$3,275,980	--	\$1,954,397	\$3,275,980
Mental hygiene classes:						
Clinical psychologist, laboratory, X-ray and pharmacy classes, July 1, 1962 -----	\$151,356	--	--	\$151,356	--	--
Nursing classes, January 1, 1963----	211,000	--	--	422,000	--	--
Psychiatric social worker classes, January 1, 1963 -----	97,000	--	--	194,000 ¹	--	--
Psychiatric technician classes, January 1, 1963 -----	90,000	--	--	1,500,000 ²	--	--
Total, mental hygiene classes----	549,356	--	--	2,267,356	--	--
Total, all classes-----	\$2,503,753	\$3,275,980	\$4,221,753	\$3,275,980		

¹ Included in this group are 4 classes employing 38 persons which are used by the Department of Youth Authority.

² The Department of Finance and the Department of Mental Hygiene estimate the 1962-63 cost to be \$90,000 and the 1963-64 cost between \$400,000 and \$500,000, and the annual cost thereafter at \$1,100,000. We estimate the annual cost to be \$1,500,000 on the basis that the Department of Mental Hygiene has stated that approximately 70 percent of the employees in the psychiatric technician series of classes will be moving into range B.

Provisions for Salary Increase Fund—Continued

Cost of Special Adjustments

Item 282 of the Budget Act of 1962, Second Extraordinary Session, contained \$2,625,000 for special salary adjustments for civil service classes paid out of the General Fund. The item also appropriated from each special fund an amount sufficient to provide increases in compensation for each officer or employee whose salary is paid from such fund. In addition \$1,058,857 was appropriated from the Motor Vehicle Fund by item 137 of the Budget Act for salary increases for uniformed employees of the Department of California Highway Patrol.

On May 10, 1962, the Director of the Department of Finance authorized the State Personnel Board to use \$2,000,000 from item 282 for salary increases from the General Fund and the "amount necessary" for increases out of special funds. The director withheld authorization of \$625,000 "pending any recommended action by the State Personnel Board in relation to Senate Resolution No. 31 which refers to various personnel classifications used by the State Department of Mental Hygiene."

On June 22, 1962, the Director of the Department of Finance released the \$625,000 from the General Fund for "special salary inequity adjustments that may be approved by the State Personnel Board during the 1962-63 fiscal year, provided that such adjustments will not exceed an annual cost of \$1,250,000."

By looking at Table II, it can be seen that the annual cost of the adjustments granted the various classes in the State Department of Mental Hygiene is considerably in excess of the amount mentioned in the letter of the Director of the Department of Finance. The annual cost of the Mental Hygiene adjustment is \$2,267,356 compared to the \$1,250,000 mentioned in the letter.

Of even greater significance is the fact that the Legislature appropriated \$2,625,000 from the General Fund for special salary adjustments and the action of the Personnel Board created an annual cost of \$4,221,753. Thus, the action of the board created an annual cost to the General Fund of \$1,596,753 in excess of the amount appropriated by the Legislature.

RESERVES FOR CONTINGENCIES—EMERGENCY FUND

ITEM 283 of the Budget Bill

Budget page 690

FOR SUPPORT OF THE EMERGENCY FUND TO BE EXPENDED
ONLY UPON THE WRITTEN AUTHORITY OF
THE DEPARTMENT OF FINANCE
FROM THE GENERAL FUND

Amount requested	\$1,000,000
Estimated to be expended in 1962-63 fiscal year	1,000,000
Increase	None

TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS

Appropriations to the emergency fund provide moneys for allocation to state agencies for contingencies for which appropriations were not