

Department of Veterans Affairs—Continued

and has refused to pay the state the standard subvention of \$3.50 per person for persons in the domiciliary facility on the grounds that these veterans are capable of working and are therefore not disabled and because it already provides educational benefits.

We do not believe that the program is needed since we have been informed that there is no problem of overcrowding in the community colleges throughout the state. The veteran can live at home and receive the same education as is available at Napa. Additionally, the program is simply not appealing to the eligible veterans as evidenced by the fact that despite considerable publicity the department has only enrolled a maximum of 46 students at any one time and if the result of last semester is repeated, the number of participating students will have been reduced by 40 to 50 percent by the end of the semester.

We therefore recommend that the program be abolished.

ADVISORY COMMISSION ON THE STATUS OF WOMEN**Item 242 from the General Fund****Budget page 1283**

| | |
|-----------------------------------|----------|
| Requested 1970-71 | \$44,210 |
| Estimated 1969-70 | 44,210 |
| Actual 1968-69 | 44,873 |
| Requested increase—None | |
| Total recommended reduction | None |

GENERAL PROGRAM STATEMENT

The Advisory Commission on the Status of Women was originally established by Chapter 1378, Statutes of 1965, and was to terminate on June 30, 1967. However, the existence of the commission has been extended by subsequent legislation enacted in 1967 (Chapter 854) and in 1969 (Chapter 721). The current legislation requires the commission to submit a report to the Legislature no later than the fifth legislative day of the 1971 session and provides for the expiration of the commission on June 30, 1971.

The commission is a 17-member body consisting of the Superintendent of Public Instruction, the Chief of the Division of Industrial Welfare, one public member and three Assemblymen appointed by the Speaker of the Assembly, one public member and three Senators appointed by the Senate Committee on Rules, and seven public members appointed by the Governor. Authorized staff consists of 2.5 positions.

Members of the new commission have been appointed and will meet to determine the program emphasis of the commission during the 1970-71 fiscal year; that is, whether to (1) promote the implementation of the recommendations of past commissions or concentrate entirely on studies in new areas or (2) conduct a balanced program combining the above alternatives. As required by statute, the commission also will select an advisory committee of 15 experts in the areas selected for study by the commission.

Advisory Commission on the Status of Women—Continued

The commission is directed by statute to study (1) public and private employment practices relative to women, (2) state laws concerning hours, working conditions, benefits, etc., (3) state laws relative to the civil and political rights of women, and (4) the effect of social attitudes and pressures and economic considerations in shaping the roles of women in society.

The commission studied and made recommendations in the following general areas in its 1969 report: child care (matters ranging from the problems of mothers on Aid to Families with Dependent Children to migrant farmworkers); employment (occupational counseling and discrimination based on sex); and education (equality of admission requirements at the college level, counseling programs, etc.).

Commission's Additional Functions

The 1969 legislation mentioned above authorized the commission to encourage women's organizations and other groups to promote implementation of its recommendations and gather information concerning women's educational, employment and related needs at the local level. The commission had formed approximately 50 of these "local coalitions" of women's groups at the time of this analysis.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The 1970-71 budget request of \$44,210 is the same as the appropriation for the current year. This amount would allow the commission to continue its present level of service.

CALIFORNIA ARTS COMMISSION**Item 243 from the General Fund****Budget page 1285**

| | |
|-------------------|-----------|
| Requested 1970-71 | \$144,000 |
| Estimated 1969-70 | 171,466 |
| Actual 1968-69 | 158,967 |

Requested decrease \$27,466 (16.0 percent)

| | |
|-----------------------------|------|
| Total recommended reduction | None |
|-----------------------------|------|

GENERAL PROGRAM STATEMENT

The California Arts Commission was established by Chapter 1742, Statutes of 1963, to provide leadership and stimulate initiative and interest in the establishment of art programs and activities at both state and local levels.

The commission, which is composed of 15 members appointed by the Governor plus two Assemblymen and two Senators appointed by their respective houses, is representative of all fields of the performing and visual arts. The commission and its staff of seven positions assist communities in establishing local art councils and in developing their own cultural programs by providing technical advice and support when

California Arts Commission—Continued

requested. The commission also extends financial assistance to selected arts projects in anticipation of reimbursement if the events are financially successful.

Major projects in which the commission has participated during the current year are the Touring Fine Arts Gallery for the Sighted and Blind, a historical film on the art of film, and the Modular Touring Visual Arts System. The last-named project was made possible by a \$48,000 contribution from three savings and loan associations which are cosponsoring with the commission a touring visual arts exhibition that is being displayed at financial institutions around the state. The three financial institutions are extending their support of the exhibit through a \$20,000 contribution in the budget year.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

For the 1970-71 fiscal year, the commission proposes General Fund expenditures of \$144,000, a decrease of \$27,466 or 16 percent under estimated expenditures for the current year. The commission's total expenditure program for the budget year is estimated at \$200,363. This amount includes the \$20,000 contribution from the financial institutions mentioned above and a federal grant of \$36,363 from the National Endowment of the Arts. Of the commission's total proposed budget, \$92,241 is for staff salaries and wages.

PERSONAL SERVICES NOT ELSEWHERE REPORTED**Item 244 from the General Fund****Budget page 1286**

| | |
|--|-------------|
| Requested 1970-71 ----- | \$1,806,464 |
| Estimated 1969-70 ----- | 1,694,316 |
| Actual 1968-69 ----- | 1,360,585 |
| Requested increase \$112,148 (6.6 percent) | |
| Total recommended reduction ----- | None |

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

The General Fund under this program is required to assume the responsibility for funding the state contributions toward premium payments for health benefits plans of employees who retired from special fund agencies as well as employees who retired from General Fund agencies. We recommend that the Public Employees' Retirement System study and report to the Legislature on the feasibility of funding the state's contributions for health benefits premiums for retired employees of special fund agencies from those funds.

GENERAL PROGRAM STATEMENT

This statutorily required appropriation provides the state's contribution toward payment of the health benefits plan premiums of annuitants of retirement systems to which the state made contributions as an employer. These systems are the Judges' Retirement Sys-

Personal Services Not Elsewhere Reported—Continued

tem, the Legislators' Retirement System, the Public Employees' Retirement System (for retired state employees only), and the Teachers' Retirement System (for retired state employees only). The state contribution toward the premium for each participating annuitant is limited under current law to a maximum of \$8 per month or the total amount of the premium should it be less than that amount. Included in the appropriation is an amount equivalent to 3.7 percent of the total premiums paid which is deposited in the State Employees' Contingency Reserve Fund for administrative and contingent expenses. The annual support for the Health Benefits Division of the Public Employees' Retirement System (which administers the program) is derived from this fund.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The \$1,806,464 appropriation requested for fiscal year 1970-71 is to provide for payment of part or all (depending on the plan) of the health benefits plans premiums for an actuarially determined 19,043 annuitants of the state's retirement systems.

We note that although the system's estimates of annuitants participating in the program have been extremely accurate, the amounts requested and appropriated in support of the program have, in the past two fiscal years, been insufficient to meet the state's obligation and have required an actual allocation of \$138,000 and an estimated allocation of \$101,040 from the Emergency Fund in fiscal years 1968-69 and 1969-70, respectively.

The objective of this program is to provide a degree of postretirement security for employees by defraying up to \$8 per month towards the premiums of a state-sponsored health insurance plan. The program is similar to one covering active employees as described on Analysis page 67. The difference, however, is in the manner of funding. The state's contribution for the active employee appears in the staff benefits portion of the personal services category of individual agency budgets and is paid by the fund from which the employing agency is supported. However, this program for the retired employee is funded entirely from the General Fund.

We recommend that the Public Employees' Retirement System study and report to the Legislature on the feasibility of funding the state's contributions toward premium payments of annuitants who were employees of special or other fund agencies from those sources rather than the General Fund.

REFUND OF TAXES, LICENSES, AND OTHER FEES**Item 245 from the General Fund****Budget page 1287**

| | |
|---|----------|
| Requested 1970-71 ----- | \$20,000 |
| Estimated 1969-70 ----- | 28,000 |
| Actual 1968-69 ----- | 4,489 |
| Requested decrease \$8,000 (28.4 percent) | |
| Total recommended reduction ----- | None |

ANALYSIS AND RECOMMENDATIONS

We recommend approval as budgeted.

Funds appropriated by this item provide refunds for noncontroversial claims due to overpayment or erroneous payment by persons receiving permits, taking examinations, or seeking inspections. The item is also used to pay prior judgments, liens, and encumbrances under Government Code Section 12516. A few tax refunds are made from this item although most are paid from feeder funds prior to deposit in the General Fund.

PAYMENT OF INTEREST ON GENERAL FUND LOANS**Item 246 from the General Fund****Budget page 1299**

| | |
|---|--------------|
| Requested 1970-71 ----- | \$13,200,000 |
| Estimated 1969-70 ----- | 2,500,000 |
| Actual 1968-69 ----- | 1,658,999 |
| Requested increase \$10,700,000 (428 percent) | |
| Total recommended reduction ----- | Pending |

GENERAL PROGRAM STATEMENT

Temporary loans are required at various times during each year when the General Fund lacks the necessary cash to pay its bills. The interest paid will depend upon the total amount borrowed and the length of the borrowing period in conjunction with the current rate of interest. Normally, the General Fund will borrow from other state funds during 7 of the 12 fiscal months with the intensive period of borrowing occurring in the first half of the fiscal year when disbursements exceed receipts.

The General Fund borrows from three internal sources, the State Highway Fund, directly from various other special funds, and from the Pooled Money Investment Account. Column 1 of Table 3 shows the estimated loanable funds available from these three sources on a monthly basis. The Department of Finance has indicated that the loanable funds available are higher than previously estimated for the following reasons:

1. The proportion of nonrestricted funds in the Architectural Revolving Fund has increased since the state began to finance higher education capital outlay from current rather than bond sources.

Payment of Interest on General Fund Loans—Continued

2. Payments from the Architectural Revolving Fund have been made more slowly than originally anticipated, thus increasing the lending capacity of this fund.

3. The Controller had not previously included deposits in transit as a source of loanable funds.

4. Proceeds from the temporary increase in the motor vehicle fuel tax have not all been encumbered and are therefore a continuing source of loanable funds.

The General Fund paid a total of \$1,658,999 in interest for loans from the other state funds in 1968-69. The budget estimates that the total cost of borrowing in 1969-70 will be \$2.5 million. In 1970-71, however, the Department of Finance estimates that approximately \$13.2 million will be required to meet interest payments on an expected much higher rate of borrowing activity. Table 1 shows that the General Fund, in contrast to previous years, will be in a net borrowed position in all 12 months of fiscal 1970-71.

The fact that the General Fund will begin fiscal 1970-71 with approximately \$350 million less in cash than it had available at the beginning of 1969-70 is the primary reason that borrowings will be so heavy in the budget year. The General Fund began fiscal 1969-70 with a \$309 million cash surplus, whereas it will begin fiscal 1970-71 with a cash balance of \$1.2 million and a \$42 million debt.

Table 1
General Fund Cash Flow 1969-70 and 1970-71
(In millions)

| Month | Receipts | Disbursements ^a | Current deficiency or excess | Net new borrowing | Total borrowing |
|---------------|----------|----------------------------|------------------------------|-------------------|-----------------|
| July, 1969 | \$173 | \$342 | —\$170 | — | — |
| August | 310 | 397 | —87 | — | — |
| September | 309 | 337 | —27 | — | — |
| October | 362 | 366 | —5 | — | — |
| November | 396 | 327 | 69 | — | — |
| December | 293 | 348 | —54 | — | — |
| January, 1970 | 269 | 398 | —130 | \$96 | \$96 |
| February | 374 | 485 | —139 | 139 | 235 |
| March | 419 | 605 | —186 | 185 | 420 |
| April | 899 | 394 | 505 | —420 | — |
| May | 338 | 374 | —36 | — | — |
| June | 357 | 447 | —90 | 42 | 42 |
| 1970-71 | | | | | |
| July | 329 | 398 | —69 | 69 | 111 |
| August | 343 | 470 | —127 | 127 | 238 |
| September | 234 | 377 | —143 | 143 | 381 |
| October | 372 | 383 | —11 | 11 | 392 |
| November | 595 | 400 | 194 | —194 | 198 |
| December | 234 | 385 | —151 | 151 | 349 |
| January, 1971 | 265 | 391 | —126 | 126 | 475 |
| February | 389 | 450 | —61 | 61 | 536 |
| March | 410 | 594 | —184 | 184 | 720 |
| April | 1,071 | 375 | 697 | —697 | 23 |
| May | 364 | 345 | 19 | —19 | 4 |
| June, 1971 | 374 | 390 | —16 | 16 | 20 |

^a Adjusted for the proposed \$60 million salary increase in 1970-71.

Payment of Interest on General Fund Loans—Continued

ANALYSIS AND RECOMMENDATIONS

We recommend that this item be held open until after the June 1970 election because the amount budgeted to pay the interest costs on General Fund loans assumes that Proposition 7 will be approved by the voters. If this proposition fails, then these interest costs could double.

The General Fund cash flow statements in this budget, and the estimated \$13.2 million in interest costs, are based upon the following assumptions:

1. During 1969–70, the state will have to loan \$149 million to three bond funds because it cannot sell bonds at the existing 5 percent maximum interest rate. The amounts that will be loaned are:

- a. \$100 million to the California Water Resources Development Bond Fund.
- b. \$35 million to the State Construction Program.
- c. \$14 million to the State School Building Aid Fund.

2. The above loans will come from two sources: (a) \$107 million from the General Fund cash surplus, and (b) \$42 million from the Pooled Money Investment Account. These loans will be unpaid on June 30, 1970, and therefore will be carried over to the budget year.

3. The budget assumes that Proposition 7 at the June 1970 election will be approved by the voters. This proposition would allow the state to sell its bonds at a higher interest rate (i.e., 7 percent).

4. If Proposition 7 is approved, the budget assumes that the following amounts of bonds or bond anticipation notes can be sold at the time periods specified:

- a. July 1970-----\$150 million in water notes. From this sale, \$100 million would be used to repay the previous loan, and \$50 million would be used to finance construction during the budget year.
- b. September 1970---- \$50 million in school bonds. From this sale, \$20 million would be used to repay the previous loan and to finance \$6 million of loans that will be made during the first part of the budget year. The other \$30 million would be used to finance new state school building aid loans.
- c. November 1970----\$100 million in water notes. These funds, and the excess from the July sale will be used to finance construction during 1970–71.
- d. January 1971----- \$50 million in state construction bonds. These funds will be used to repay the \$35 million loan from the previous year and the \$15 million that will be loaned to this program in the first half of the budget year.
- e. February 1971----- \$50 million in school bonds, for new building aid loans.
- f. April 1971----- \$50 million in water notes, for continuation of the financing of this program.

Total-----\$450 million

5. Actual revenue receipts will be at the midpoint between the high and low economic forecasts.

Payment of Interest on General Fund Loans—Continued

If Proposition 7 fails, then the General Fund will not receive the \$170 million in loan repayments which are assumed in this budget, and in addition, \$200 million will be needed to continue the financing of the water project. Table 2 shows the sources of this additional financial burden which may be imposed on the General Fund. Excluded from this table is \$80 million in school building aid bonds for new projects. These projects would have to be postponed if the bonds could not be sold.

Table 2
Additional General Fund Burden During 1970-71 if Proposition 7 Is Not
Approved by the Voters
(In Millions)

| Bond programs | 1969-70 | 1970-71 | | Total |
|---------------------------|---------|---------|---------------|-------|
| | Loans | Loans | New financing | |
| State construction ----- | \$35 | \$15 | -- | \$50 |
| School building aid ----- | 14 | 6 | -- | 20 |
| Water ----- | 100 | -- | \$200 | 300 |
| Totals ----- | \$149 | \$21 | \$200 | \$370 |

The General Fund *cannot support* an additional burden of this magnitude. Table 3 shows that the budget estimates the total internal borrowing capacity will be \$481 million in September 1970, but, if Proposition 7 fails, the General Fund will need to borrow \$541 million, or \$60 million above this capacity. The inability of the state to meet its borrowing needs from internal funds will create a cash flow crisis this fall. The crisis will start in September 1970 and will continue until March 1971 when there could be a \$277 million deficiency in borrowing capacity. This critical shortage of borrowing funds would force the state to either:

1. Adopt new sources of revenue that will provide the *timely* tax receipts necessary to avoid this crisis, or
2. Issue registered warrants in order for the state to pay its bills. This latter action would have a devastating impact on the state's credit rating.

Table 3 also shows that the state would have \$390 million in outstanding loans on June 30, 1971, if Proposition 7 failed, and no new tax revenues were adopted.

Even if Proposition 7 is approved, the state might encounter cash flow problems during the budget year because some of the assumptions made in the budget might not materialize. For example, revenues could be lower than estimated, or the bond market may not be able to absorb a total of \$450 million in new bonds, even at the higher interest rates.

Payment of Interest on General Fund Loans—Continued

Table 3

Estimate of General Fund Borrowing and Borrowing Capacity During 1970-71
(In millions)

| Month | Revised budget estimates ^a | | | Results if Proposition 7 is defeated ^b | |
|---------------------|---------------------------------------|-----------------|---------------------------|---|---------------------------|
| | Borrowing Capacity | Total Borrowing | Unused Borrowing Capacity | Total Borrowing | Unused Borrowing Capacity |
| June, 1970 ----- | — | \$42 | — | \$42 | — |
| July, 1970 ----- | \$585 | 111 | \$474 | 231 | \$354 |
| August ----- | 509 | 238 | 271 | 378 | 131 |
| September ----- | 481 | 381 | 100 | 541 | —60 |
| October ----- | 530 | 392 | 138 | 592 | —62 |
| November ----- | 440 | 198 | 242 | 416 | 24 |
| December ----- | 434 | 349 | 85 | 582 | —148 |
| January, 1971 ----- | 673 | 475 | 198 | 723 | —50 |
| February ----- | 795 | 536 | 259 | 849 | —54 |
| March ----- | 771 | 720 | 51 | 1,048 | —277 |
| April ----- | 640 | 23 | 617 | 365 | 275 |
| May ----- | 561 | 4 | 557 | 360 | 201 |
| June ----- | 558 | 20 | 538 | 390 | 168 |

^a Adjusted for the proposed \$60 million salary increase.^b Assumes that the state will be unable to repay the \$149 million in bond loans which will be outstanding on June 30, 1970, and will not be able to sell \$200 million in additional water bonds, and \$21 million in other bonds during 1970-71.

AUGMENTATIONS FOR SALARY INCREASES

Items 247 through 249 from the General Fund Budget page 1307

| | |
|-----------------------------------|--------------|
| Requested 1970-71 ----- | \$60,000,000 |
| Total recommended reduction ----- | None |

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

| | Analysis Page |
|---|------------------|
| 1. Policy Question on Premium Pay for Overtime for Eligible State Employees. | 927 |
| The Personnel Board again has recommended that this policy be implemented by legislation. | |
| 2. Policy Question on Payment of Night Shift Differentials for Eligible State Employees. | 927 |
| The Personnel Board recommends annual appropriation of funds for this purpose. | |
| 3. Policy Question of Increasing State's Share of Premium Payment for Basic Health Benefits Plans. | 927 |
| The Personnel Board recommends that the state pay the entire premium for basic health plans of its employees. | |
| 4. Policy Question of Providing Unemployment Insurance Protection for State Employees. | 927 |
| The Personnel Board recommends that the state establish an unemployment insurance program for its employees. | |

Augmentations for Salary Increases—Continued
ANALYSIS AND RECOMMENDATIONS

The proposed augmentation items for salary increases in the budget year total \$92,000,000. This amount is requested to provide the equivalent of a 5 percent general salary increase for all employees except statutory positions under the following four salary setting authorities: (1) the Department of Finance for certain exempt positions, (2) the State Personnel Board for the state civil service employees, (3) the Trustees of the State Colleges for its employees and (4) the Regents of the University of California for its employees. The total amount requested is funded as follows: \$60,000,000 from the General Fund, \$21,000,000 from special funds, and \$11,000,000 from other funds. These latter two amounts are not included in the Budget Bill but are allocated by the Department of Finance in accordance with language included in the salary augmentation items of the Budget Bill governing the General Fund appropriations. Table 1 summarizes the proposed salary adjustments by funding source. No funds have been requested for special inequity adjustments.

Table 1
Summary of Proposed Augmentations for Salary Increases
General Fund

| | | |
|--|--|--------------|
| Item 247 | (a) 5.0 percent general increase (civil service and exempt)----- | \$30,000,000 |
| | (b) 5.0 percent general increase (nonfaculty classes of University)----- | \$6,700,000 |
| | (c) 5.0 percent general increase (noninstructional classes of state colleges)--- | \$4,700,000 |
| Total Item 247 ----- | | \$41,400,000 |
| Item 248 | (a) 5.0 percent general increase (University faculty classes)----- | \$5,800,000 |
| | (b) 5.0 percent general increase (University faculty-related classes)----- | \$2,800,000 |
| | Total Item 248 ----- | \$8,600,000 |
| Item 249 | (a) 5.0 percent general increase (State college instructional classes)----- | \$9,700,000 |
| | (b) 5.0 percent general increase (state college instructional-related classes)--- | \$300,000 |
| | Total Item 249 ----- | \$10,000,000 |
| Total General Fund ----- | | \$60,000,000 |
| Special and Other Funds¹ | | |
| Special Funds | 5.0 percent general increase (civil service and exempt)----- | \$21,000,000 |
| Other Funds | 5.0 percent general increase (civil service and exempt)----- | \$11,000,000 |
| Total Special and Other Funds ----- | | \$32,000,000 |
| GRAND TOTAL, all funds ----- | | \$92,000,000 |

¹ "Other funds" are nongovernmental cost funds for which moneys are derived from sources other than general or special taxes, licenses, fees or other state revenues. Examples are the Compensation Insurance Fund, Unemployment Compensation Disability Fund, Correctional Industries Revolving Fund and the Professional and Vocational Standards Fund.

**Augmentations for Salary Increases—Continued
1969-70 Salary Adjustment Program**

Civil Service and Related Classes

The State Personnel Board's annual report of December 1968 recommended an appropriation of \$39,713,000 from the General Fund and \$36,078,000 from special and other funds to provide a 5-percent general salary increase for all civil service employees except that included in the recommended appropriation, was \$14,963,000 in General Fund and \$6,058,000 in special and other funds for special inequity adjustments to provide a greater than 5-percent increase in the salaries of certain occupational groups whose salaries lagged behind those paid for similar work in private and public employment within the state. The total funding of this recommendation, if followed, would have resulted in an average salary adjustment for civil service employees of 6.7 percent.

The Legislature appropriated \$26,450,200 from the General Fund for a 5-percent general salary increase for all civil service and exempt employees and, in addition, appropriated \$6,900,000 from the General Fund to provide special adjustments for civil service employees whose salaries (1) did not exceed \$950 per month (2) were lagging 7 percent or more behind prevailing data. This amount was reduced by the Governor to \$2,760,000, which provided a total 6 percent increase for approximately 46,000 employees.

In addition, through Chapter 1479, Statutes of 1969, the Legislature appropriated \$3,676,633 to provide an extra 5 percent adjustment for the psychiatric technician classes. The Governor reduced this amount to \$1,838,317 which, when added to the 6-percent salary increase granted these classes through the budget act, resulted in a total increase of 8 percent for the nearly 10,500 employees in these classes.

The above-described legislative and executive actions resulted in an average salary adjustment factor of 5.6 percent for civil service classes. In addition to providing these salary adjustments, the Legislature, in complying with the overtime pay provision of the federal Fair Labor Standards Act, appropriated \$777,000 (Chapter 32, Statutes of 1969) to provide retroactive payment for overtime worked by state employees who are covered by that federal act. An additional \$345,000 was included in the Budget Act for such overtime payments in the current year.

Statutory Salary Adjustments

All statutory salaries of state government officials were adjusted by Chapters 1581 and 1599, Statutes of 1969, the former covering members of the Governor's immediate staff and the latter covering all remaining officials whose salaries are set by statute. The increases, which, range from a low of 7.1 percent to a high of 24.1 percent over the 1968-69 salaries of these officials, represented the first all-inclusive statutory salary legislation since Chapter 145, Statutes of 1964, with the exception of two 5-percent adjustments which were made through the Budget Acts of 1968 and 1969. For elective officials the effective date of the 1969 salary adjustments is January 1, 1971, and for

Augmentations for Salary Increases—Continued

appointive officials the effective date was November 10, 1969. Chapter 1599 also established a nine-member Committee on Executive Salaries which will report to the Legislature every two years, starting in 1971, on the equitability of executive salaries in state government. There are no salary increases proposed for these positions.

Legislative Salary Adjustments

Chapter 119, Statutes of 1969, provided for a 20-percent adjustment to legislators' salaries effective January 4, 1971. This is the first adjustment in legislators' salaries since January 1967, during which time civil service and judicial salary increases exceeded 20 percent.

Personnel Board Salary Adjustment Recommendations for the Budget Year

Following several public hearings at which the salary recommendations of its staff and numerous employee organizations were considered, the board formulated and presented its recommendation for salary adjustments in its annual report to the Governor and the Legislature dated December 4, 1969. The total funding requirement of the board's recommendation is \$86,237,000, consisting of \$45,485,000 from the General Fund and \$40,752,00 from special and other funds. The recommended allocation of these proposed amounts is shown in Table 2.

General Salary Increase

The board recommends a 5-percent general salary increase for all state civil service employees and estimates the total funding requirement for this purpose from all funds to be \$58,740,000. Of this amount, the General Fund portion is \$26,609,000 and the special and other funds' share is \$32,131,000.

Special Inequity Adjustments

A total of \$27,497,000 is recommended by the board for special inequity adjustments to state employee classes in which (1) serious recruitment and retention difficulties exist because of lagging state salaries, (2) problems of compaction with statutory executive salaries prevented adequate adjustments prior to the enactment of Chapter 1599, Statutes of 1969 and, (3) realignment of pay plans is desirable. The funding of the proposed special inequity adjustments totals \$18,876,000 from the General Fund and \$8,621,000 from special and other funds. The tentative distribution of this portion of the board's proposed salary adjustment program is shown in Table 3.

These special inequity adjustments, many of which reflect carryover funding requirements of prior-year recommendations which were not implemented, would provide adjustments of 2.5 percent to 7.5 percent for approximately 47,000 employees in addition to the general 5-percent increase applicable to almost all civil service employees.

All of the recommended salary adjustments discussed above were based on the board's acceptance of its staff's estimate of a projected increase of 2.3 percent in private industry salary levels between the fall salary survey of October 1969, and the March survey of 1970 which, when added to the 3.2-percent increase occurring between March and October of 1969, results in a total increase of 5.5 percent for the

Augmentations for Salary Increases—Continued

period March 1969 to March 1970. The board noted that the March-October increase of 3.2 percent was higher than that for any other such period since 1956 with the exception of 1968 when the increase was 3.9 percent. The board also noted that the salary adjustments granted by the 25 largest cities and 25 largest counties in California averaged 6.7 percent in 1969, and it anticipates that the increases to be granted by these public entities in July 1970 will be comparable to those granted in private industry.

Table 2
State Personnel Board Recommendations
General Fund

| | |
|--|---------------------|
| 5.0 percent general increase (civil service classes) ----- | \$26,609,000 |
| 2.5 percent to 7.5 increase (special inequity adjustments) ----- | 18,876,000 |
| Total General Fund ----- | \$45,485,000 |
| Special and Other Funds | |
| 5.0 percent general increase (civil service classes) ----- | \$32,131,000 |
| 2.5 percent to 7.5 percent increase (special inequity adjustments) ----- | 8,621,000 |
| Total Special and Other Funds ----- | \$40,752,000 |
| GRAND TOTAL ALL FUNDS ----- | \$86,237,000 |

Table 3
State Personnel Board Tentative Allocation of Proposed Special Inequity Adjustments

| <i>Occupational groups</i> | <i>Number employees</i> | <i>Increase</i> | <i>General Fund cost</i> | <i>Special fund cost</i> |
|--|-------------------------|-----------------|--------------------------|--------------------------|
| 14 | 14,149 | 2.5 | \$2,965,989 | \$1,512,687 |
| 2 | 10,047 | 3.0 | 2,471,684 | 12,469 |
| 25 | 17,968 | 5.0 | 7,225,397 | 2,864,299 |
| 10 | 5,368 | 7.5 | 4,823,404 | 351,457 |
| Totals 51 | 47,532 | | \$17,486,474 | \$4,740,912 |
| Tentative allocation to (1) adjust by one step certain salary ranges which were compacted under statutory salary levels prior to enactment of Chapter 1599, Statutes of 1969, and (2) realign salary ranges of certain classifications ----- | | | | |
| | | | 1,389,526 | 3,880,088 |
| Grand Total; Special Inequity Adjustment Recommendation ----- | | | \$18,876,000 | \$8,621,000 |

Failure to Meet Special Inequity Adjustment Funding

The board's inequity adjustment recommendations as outlined in Table 3 are developed in response to its statutory responsibility for insuring general comparability of state salaries with those paid in private and other governmental agencies for similar or comparable occupations and are based on staff salary surveys which are conducted in March and October of each year. The board's recommendations for special inequity adjustments from the General Fund have not been fully implemented in the past several years and, as a result, the funding lag for this purpose has increased from a shortage of \$7.8 million in meeting the recommendations for fiscal year 1967-68 to \$12.8 million in fiscal year 1968-69 and \$14.9 million in fiscal year 1969-70.

**Augmentations for Salary Increases—Continued
Policy Issues****Premium Pay for Overtime**

The board again has stated its support of legislation to require premium payment for overtime at the time-and-one-half rate. It notes that virtually all private industries in California pay such premium pay for overtime, and that approximately 15,000 state employees are covered by the overtime pay provisions of the Fair Labor Standards Act while 34,000 other state employees in similar occupations receive only compensating time off for overtime worked or pay at the straight time rate. Thus, the board contends that the state's overtime pay policy violates two recognized principles: (1) It ignores the prevailing practice in private industry, and (2) it lacks internal consistency in that it pays overtime premium pay to some employees but not to others in comparable circumstances. The board estimates the annual added funding requirements for a uniform premium pay program to be \$1.5 million from the General Fund and \$3.6 million from special and other funds.

Night Shift Differential

The board reports that over 8,000 state employees are assigned to shift work for which 80 to 90 percent of private employers in the major metropolitan areas of the state pay a differential (that is an extra hourly amount which varies for each shift) for night shift employment. It further states that about 500 state employees are now granted such night shift differential pay because the agencies for which they work—such as the Toll Bridge Authority—have special fund moneys with which to pay the higher rates. The board recommends that all state employees who qualify for night shift differential be so paid and estimates the annual funding requirements to be \$1.8 million from the General Fund and \$275,000 from special and other funds.

Health Benefits

The board states that the trend in both private and public employment is to fund the total cost of employees health benefit plans. The state now contributes \$8 per month (or the actual amount of the premium if it is less than that sum) towards the premium cost of each state employee having basic health plan coverage. According to the Public Employees' Retirement System which administers the program, the state's contribution toward premium payments in 1968-69 totaled \$9.4 million while the employees' share was \$21.0 million. The employee's share includes the added cost for family coverage and other benefit features in addition to that portion of his own basic health plan premium which is not covered by the state's contribution. The board recommends that the state's share of the premium for basic health plans be increased from \$8 to \$14 per month. This recommendation has an annual estimated increased cost of \$5.8 million from all funds.

Unemployment Insurance for State Employees

The board's annual report states that unemployment insurance is generally available to employees of private industry in the state through

Augmentations for Salary Increases—Continued

an employer payroll tax required under state and federal law. State employees do not have this protection in the case of layoff.

The board recommends that the state establish an unemployment insurance plan to provide on the average 16 weeks of unemployment insurance coverage with payments averaging \$60 per week for state employees who may be laid off from permanent or probationary positions due to budgetary reductions or other reasons of economy. Based on a five-year average of 262 layoffs annually, the board estimates the annual cost of this program at \$251,000 from all funds.

Fiscal Year 1970-71 Budget Proposal**Civil Service and Related Classes**

We recommend approval of Item 247, which provides for a 5.0 percent general salary increase for civil service, exempt and comparable employee classes of the University and state colleges.

Item 247 appropriates \$41,400,000 from the General Fund for the purpose stated above. This salary increase would be effective on July 1, 1970.

SALARY STRUCTURE AT THE UNIVERSITY AND STATE COLLEGES**Faculty Salaries**

We recommend approval of a 5-percent increase for faculty salaries at the University and state colleges. The budget includes funds to provide the equivalent of a 5-percent salary increase to all faculty classes at the University of California and the California State Colleges. A total of \$5.8 million is included in Item 248 for faculty at the University and \$9.7 million is in Item 249 for faculty at the state colleges.

This 5-percent increase corresponds to the proposal to provide a general 5-percent increase to other state employees and is the same basis for determining the faculty salary increase in 1969-70. Table 1 shows the percentages appropriated for academic salary increases since 1959-60 for the University and state colleges. During this period academic salary increases at the state colleges exceeded those of the University on three occasions thereby narrowing the differences between these institutions.

Table 1
Faculty Salary Increases 1959-60 Through 1970-71

| | <i>University of California</i> | <i>California State Colleges</i> | <i>Effective date</i> |
|--------------------------|-------------------------------------|--------------------------------------|---------------------------|
| 1959-60 ----- | 5.0% | 5.0% | 7/1/59 |
| 1960-61 ----- | 7.5 | 7.5 | 7/1/60 |
| 1961-62 ----- | --- | --- | --- |
| 1962-63 ----- | 6.0 | 6.0 | 4/1/62 |
| 1963-64 ----- | 5.0 | 5.0 | 1/1/64 |
| 1964-65 ----- | --- | --- | --- |
| 1965-66 ----- | 7.0 | 10.0 | 7/1/65 |
| 1966-67 ----- | 2.5 ¹ | 6.6 | 7/1/66 |
| 1967-68 ----- | 5.0 | 5.0 | 7/1/67 |
| 1968-69 ----- | 5.0 | 7.5 | 7/1/68 |
| 1969-70 ----- | 5.0 | 5.0 | 7/1/69 |
| 1970-71 (proposed) ----- | (5.0) | (5.0) | (7/1/70) |

¹ Plus employer contributions equivalent to 3 percent for an annuity to complement the retirement system.

Augmentations for Salary Increases—Continued
Comparison of University and State College Salaries

On the basis of internal comparisons between the two segments it is significant to note that the state colleges compare favorably with University salaries for the four faculty ranks of professor, associate professor, assistant professor and instructor.

For academic year appointees, the University employs one paystep for instructors, six steps for assistant professors, five for associate professors and six for professors. At the state colleges two paycales have been established for each rank. Class I is for faculty without doctorates and Class II is for those with doctorates or their equivalents, and all ranges include five steps. Normal salary practice at the state colleges is to require one year at each step while at the University the normal periods per step are two years for assistant professors, two years for the first three steps of associate professors and three years for the first three steps of professors. This difference makes comparisons of salary ranges and average salaries difficult. In addition, both segments may vary from this normal pattern by hiring at the second, third or fourth steps of a range. For comparative purposes we have assumed that an employee is hired at the first step of each range and follows the normal time period for each step in the range. For example, the range for full professors at the University is from \$16,100 to \$25,700 which is higher than the state college Class II range of \$15,804 to \$19,224 for professors. An employee hired at the first step at the University would receive \$16,100 but since the normal period at each step is three years he would not move to the second step of \$17,900 until his fourth year. At the same time, the Class II state college professor would start at the lower figure of \$15,804, but by the second year would move to \$16,608 and would be making \$508 more than the University professor. Actually the state college appointee stays ahead of the University professor until the seventh year. This is illustrated in Table 2 which compares the salaries for the four ranks by normal periods at each step.

Table 2
Comparison of Salary Ranges by Normal Salary Steps
University of California—California State Colleges
1969-70 Academic Year

| <i>Rank</i> | <i>Year</i> | <i>State colleges</i> | <i>University</i> |
|---------------------------|-------------|-----------------------|-------------------|
| Instructor ----- | 1 | \$8,892 | \$8,800 |
| | 2 | 9,324 | --- |
| | 3 | 9,804 | --- |
| | 4 | 10,284 | --- |
| | 5 | 10,800 | --- |
| Assistant Professor ----- | 1 | 9,804 | 10,200 |
| | 2 | 10,284 | 10,200 |
| | 3 | 10,800 | 10,700 |
| | 4 | 11,340 | 10,700 |
| | 5 | 11,904 | 11,400 |
| | 6 | --- | 11,400 |
| | 7 | --- | 12,200 |
| | --- | --- | 13,000 |
| | --- | --- | 13,800 |

Augmentations for Salary Increases—Continued

Table 2—Continued

Comparison of Salary Ranges by Normal Salary Steps
University of California—California State Colleges
1969-70 Academic Year

| <i>Rank</i> | <i>Year</i> | <i>State colleges</i> | <i>University</i> |
|---------------------------|-------------|-----------------------|-------------------|
| Associate Professor ----- | 1 | 12,384 | 13,100 |
| | 2 | 13,008 | 13,100 |
| | 3 | 13,644 | 13,900 |
| | 4 | 14,328 | 13,900 |
| | 5 | 15,036 | 14,800 |
| | 6 | -- | 14,800 |
| | -- | -- | 16,000 |
| | -- | -- | 17,800 |
| Professor ----- | 1 | 15,804 | 16,100 |
| | 2 | 16,608 | 16,100 |
| | 3 | 17,424 | 16,100 |
| | 4 | 18,288 | 17,900 |
| | 5 | 19,224 | 17,900 |
| | 6 | -- | 17,900 |
| | 7 | -- | 19,800 |
| | 8 | -- | 19,800 |
| | 9 | -- | 19,800 |
| | 10 | -- | 21,700 |
| | -- | -- | 23,700 |
| | -- | -- | 25,700 |

Coordinating Council Recommendations

The increases budgeted for faculty salaries do not correspond to the recommendations of the Coordinating Council for Higher Education. The council recommended a 7.2-percent increase for University faculty and a 7-percent increase for state college faculty. These recommendations were based on the council's annual report on faculty salaries, fringe benefits and related salary data. The report was prepared in accordance with Senate Concurrent Resolution No. 51 of the 1965 General Session. The purpose of this report is to inform the Governor and the Legislature on the economic status of the faculty personnel within California's public higher education system and to recommend salary and fringe benefit increases when deemed appropriate by the council. House Resolution No. 250 of the 1964 First Extraordinary Session designates the information to be included in the report and the method in which salary comparison calculations are to be made. The legislative policy enunciated in these documents is to grant salary increases on the basis of maintaining a competitive position between faculty compensation paid by other selected universities and colleges throughout the country.

Last year we concluded that the council was comparing the state colleges to the wrong institutions for salary purposes. We noted that the comparison list was composed of institutions with University-type functions and therefor was not comparable. We further noted that the use of these institutions had resulted in excessive increases to the state college faculty when compared to the University. On the basis of this recommendation the report of the Conference Committee on the Budget directed the Coordinating Council for Higher Education to

Augmentations for Salary Increases—Continued

“critically evaluate and revise the state colleges’ list of comparative institutions used for salary and other justification purposes to more properly reflect institutions assigned the same functions as the colleges. In addition, the council should investigate alternate methods of recommending salary increases.”

In response to this directive in July 1969, the council approved a new method for calculating salary increase needs and a new list of comparison institutions for each segment. The December 1969 council salary report departs from the method specified in House Resolution No. 250 and uses the new method and a new list of comparison institutions.

The New Salary Comparison Method

Prior to the 1969 report, salary data were collected directly from the comparison institutions for each of the four faculty ranks. The data were adjusted to compensate for the differences in staffing patterns at the comparison institutions as well as for differences at the University and state colleges.

The new method uses the average salary data reported to the American Association of University Professors (AAUP) rather than collecting the data separately. Although this is a much easier procedure for collecting data, the information is not separately reported by each rank and this precludes the adjustment for differences in staffing patterns. The council staff believed that weighing of the data by ranks is inappropriate because there is lack of uniformity between institutions in the appointment of faculty members to the four ranks.

Use of the AAUP data also requires a two year projection rather than the one year required by the old survey data. This did not appear to be a significant problem to the council staff.

For comparison purposes the council used the median salary of a large list of comparison institutions rather than the average salary of a small list. This was done to eliminate the distorting effect of large increases at one or two institutions.

Comparison Institutions

In the last year’s survey the council used eight comparison institutions for the University and 18 for the state colleges. These are as follows:

University of California Comparison Institutions

- | | |
|-------------|-----------------|
| 1. Cornell | 5. Stanford |
| 2. Harvard | 6. SUNY-Buffalo |
| 3. Illinois | 7. Wisconsin |
| 4. Michigan | 8. Yale |

Augmentations for Salary Increases—Continued

State College Comparison Institutions

- | | |
|--|---|
| 1. Bowling Green State University | 10. University of Minnesota |
| 2. Brandeis University | 11. State University of New York (Albany) |
| 3. Brooklyn College | 12. Northwestern University |
| 4. Brown University | 13. University of Oregon |
| 5. University of Colorado | 14. Pennsylvania State University |
| 6. Iowa State University | 15. Purdue University |
| 7. University of Kentucky | 16. Rutgers State University |
| 8. University of Massachusetts (Amherst) | 17. Southern Illinois University |
| 9. Michigan State University | 18. Wayne State University |

The new lists of institutions used by the council in this year's report were developed on the concept that comparisons should be made to institutions from which faculty are recruited rather than those that have similar functions. A second assumption used in choosing comparison institutions was that existing salary trends and salary levels should be maintained.

For the University 19 institutions were chosen. These included the Ivy League institutions (minus Dartmouth because of its lack of graduate emphasis) and the "Big Ten" institutions plus Chicago and Stanford. The listing of these schools follows:

University of California Comparison Institutions
Used in Council's 1969 Report

- | | |
|-------------------|----------------|
| 1. Brown | 11. Ohio State |
| 2. Columbia | 12. Purdue |
| 3. Cornell | 13. Illinois |
| 4. Harvard | 14. Iowa |
| 5. Princeton | 15. Michigan |
| 6. Pennsylvania | 16. Minnesota |
| 7. Yale | 17. Wisconsin |
| 8. Indiana | 18. Chicago |
| 9. Michigan State | 19. Stanford |
| 10. Northwestern | |

For the state colleges three groups of institutions were combined to form a list of 102 universities. The first group represents the major public university from each of the 50 states. The second group adds 20 more public universities that have a minimum of two professional schools and confer an annual average of 15 doctorates in at least three nonrelated disciplines. The third group was comprised of 32 private universities that meet the criteria shown for the second group. The complete list of state college comparison institutions follows:

State College Comparison Institutions Used in Council's 1969 Report

Group I (50 Institutions)

*The Major Public University Within
Each State*

University of Alabama
University of Alaska
University of Arizona
University of Arkansas
University of California
University of Colorado
University of Connecticut

University of Delaware
University of Florida
University of Georgia
University of Idaho
University of Illinois
Indiana University
University of Iowa

Augmentations for Salary Increases—Continued

Group I (50 Institutions)

*The Major Public University Within
Each State*

University of Kansas
University of Kentucky
Louisiana State University
University of Maine
University of Maryland
University of Massachusetts
University of Michigan
University of Minnesota
University of Mississippi
University of Missouri
University of Montana
University of Nebraska
University of Nevada
University of New Hampshire
Rutgers State University
University of New Mexico
SUNY at Buffalo
University of North Carolina

University of North Dakota
Ohio State University
University of Oklahoma
University of Oregon
University of Rhode Island
University of South Carolina
University of South Dakota
University of Tennessee
University of Texas
University of Utah
University of Vermont
University of Virginia
University of Washington
West Virginia University
University of Wisconsin
University of Wyoming
University of Hawaii
Pennsylvania State University

Group II (20 Institutions)

Other Public Universities

Auburn University
Arizona State University
Colorado State University
Florida State University
Purdue University
Iowa State University
Kansas State University
Michigan State University
Wayne State University
Mississippi State University

New Mexico State University
North Dakota State University
University of Cincinnati
Oklahoma State University
Oregon State University
University of Houston
Texas A & M University
Texas Technological College
Utah State University
Washington State University

Group III (32 Institutions)

*Private Institutions Classified As
Universities*

Stanford University
University of Southern California
Yale University
George Washington University
Illinois Institute of Technology
Northwestern University
University of Chicago
Tulane University
Johns Hopkins University
Boston University
Brandeis University
Clark University
Harvard University
Massachusetts Institute of Technology
Tufts University
Washington University, St. Louis

Princeton University
Columbia University
Columbia Teachers College
Cornell University
New York University
Syracuse University
University of Rochester
Duke University
Case Western Reserve
Lehigh University
Temple University
University of Pennsylvania
University of Pittsburgh
Brown University
Vanderbilt University
Rice University

The results of the council survey using these lists and the new method are shown in Tables 3 and 4. These include six years of actual salary data and 2 years of projected data.

Augmentations for Salary Increases—Continued

Table 3
University of California Faculty Salary Comparisons

| Year | Comparison institutions | | University of California | | |
|-----------|-------------------------|--------------------------------|--------------------------|--------------------------------|--------------------|
| | Median average salary | Percent change over prior year | Average salary | Percent change over prior year | Percent salary lag |
| 1963-64 | \$10,366 | -- | \$11,054 | -- | -- |
| 1964-65 | 11,450 | 10.5 | 11,175 | 1.2 | 2.5 |
| 1965-66 | 12,451 | 8.7 | 11,899 | 6.5 | 4.6 |
| 1966-67 | 13,124 | 5.4 | 12,281 | 3.2 | 6.9 |
| 1967-68 | 13,855 | 5.6 | 13,174 | 7.3 | 5.2 |
| 1968-69 | 14,603 | 5.4 | 13,965 | 6.0 | 4.6 |
| Projected | | | | | |
| 1969-70 | 15,267 | 4.5 | 14,895 | 6.7 | 2.5 |
| 1970-71 | 15,962 | 4.6 | 15,962 | 7.2 | -- |

Table 4
State College Faculty Salary Comparisons

| | Comparison Institutions | | California State Colleges | | |
|-----------|-------------------------|--------------------------------|---------------------------|--------------------------------|--------------------|
| | Median average salary | Percent change over prior year | Average salary | Percent change over prior year | Percent salary lag |
| Actual | | | | | |
| 1963-64 | \$9,257 | -- | \$9,210 | -- | 0.5 |
| 1964-65 | 9,769 | 5.5 | 9,692 | 8.5 | 0.8 |
| 1965-66 | 10,438 | 6.8 | 10,613 | 9.5 | (+1.7) |
| 1966-67 | 10,947 | 4.9 | 11,272 | 6.2 | (+2.9) |
| 1967-68 | 11,969 | 9.3 | 11,850 | 5.1 | 1.0 |
| 1968-69 | 12,724 | 6.3 | 12,882 | 8.7 | (+1.2) |
| Projected | | | | | |
| 1969-70 | 13,647 | 7.3 | 13,583 | 5.4 | .05 |
| 1970-71 | 14,534 | 6.5 | 14,534 | 7.0 | -- |

Table 4 shows a salary increase requirement of 7 percent but if state college faculty salaries are compared to institutions with similar functions, no increase would be justified. The council study stated that present faculty salaries at the state colleges are approximately 10 percent greater than salaries paid by institutions having similar functions and this differential has existed for more than five years. This is a reflection of past policy to provide higher salaries at the state colleges in recognition of the importance of the teaching function and its requirement for high quality faculty.

A list of institutions and a method for calculating these increases could have been developed by the council that would have recognized this policy but the council apparently chose the 102 institutions largely because they produced the desired salary level. We are unable to recommend the list of 102 institutions for determining state college salary increase. This list is justified by the council on the basis that it is comprised of those institutions from which faculty are recruited but this is difficult to verify because there are no recent studies on the flow of faculty members to and from the state colleges. A 1963 CCHE study that reported the sources of staff appointments from 1957 to 1962 showed that the state colleges recruited faculty from a wide range of institutions including universities, colleges, junior colleges and high schools. Although these data are 10 years old there is no basis for

Augmentations for Salary Increases—Continued

assuming that the state college faculty market has changed to the extent that it is limited solely to public and private universities.

Our greatest reservation to the list is the inclusion of the 32 private universities which have a considerable influence on the median salary. If these institutions are removed, leaving only the 70 public universities, the salary comparisons would show a requirement for a 3.5 percent increase in 1970-71 rather than the 7 percent proposed. We cannot justify inclusion of the 32 private universities unless it can be demonstrated that these universities constitute a significant portion of the market where state college faculty are recruited.

We believe the council could have complied with the legislative directive to provide a list of institutions with comparable functions to the state colleges and concurrently devise a calculating method that would preserve the existing level of salaries. If such comparisons resulted in significant reductions to existing salary levels, these could be adjusted upwards by a percentage factor that would provide for a stated policy of higher salaries at the state colleges. Another alternative would be to compare salaries to the upper quartile of the list rather than the median.

Fringe Benefits

No provision has been included in the Governor's Budget for faculty fringe benefits. The Coordinating Council recommended increases of 5.2 percent at the University and 4.5 percent at the state colleges. The decision not to include these corresponds to the decision not to grant fringe benefit increases to other employees of the state. The council recommendations are for overall percentage increases only and no specific proposals have been recommended. We believe it is inappropriate to provide funds for increased employee retirement, health and other benefits without prior review of specific proposals as to how these funds would be used.

The council recommendations were based on the new lists of institutions used for salary purposes. In the state college list, 43 of the 102 institutions are excluded because the retirement contributions at these institutions do not become vested in the individual faculty member within five years. This may result in upward distortion because many of the 43 institutions are those with low fringe benefits and if they were included they would reduce the fringe benefit differential reported by the council.

Academic Related Classes

We recommend approval of the requested 5-percent increase for academic related salaries at the University and state colleges. The budget includes funds to provide the equivalent of a 5-percent salary increase to all academic related classes at the University of California and the California State Colleges. A total of \$2.8 million is included in Item 248 for faculty related classes at the University and \$300,000 is in Item 249 for instructional related classes at the state colleges.

The Coordinating Council for Higher Education did not make a specific recommendation for increases in academic-related classes. This

Augmentations for Salary Increases—Continued

5-percent increase corresponds to that proposed for all civil service and exempt classes of state employees.

Problem of Defining Academic and Academic-related Salary Bases

For several years we have attempted to clarify the definitions used to separate the salary base for determining salary increases at the University and state colleges. The problem is to determine what classes should receive salary increases in accordance with State Personnel Board recommendations and Coordinating Council for Higher Education recommendations.

The State Personnel Board survey relates to all civil service classes under its classification and salary-setting jurisdiction. Both the University and state colleges use the State Personnel Board survey data for salary increases for personnel classes that correspond to civil service duties. Other independent salary setting authorities usually rely on the State Personnel Board data for this purpose.

Academic salaries have traditionally been excluded from the State Personnel Board survey. The Coordinating Council has the responsibility to survey and recommend the percentage increase required to maintain academic salaries on a parity with comparable higher education institutions. The council survey has been limited to the full-time faculty in the regular ranks, specifically the classes of professor, associate professor, assistant professor and instructor.

There is a large group of so-called "academic" employees who were excluded from both the Personnel Board survey and the Coordinating Council survey. These classes include other teaching positions, administrative positions with academic rank, librarians, and miscellaneous positions related to the instructional process or peculiar to institutions of higher education.

We also noted last year that the state colleges used different criteria to classify academic and nonacademic employees from the criteria used by the University. This was indicated by the fact that the state colleges classified as "academic" certain administrative positions occupied by "tenured" faculty members while positions with the same duties at the University might be classified in the nonacademic group. In addition, different criteria were used by each segment, as well as the Department of Finance, in further dividing the academic classes into "academic" and "academic-related" bases for cost estimating and decisionmaking purposes. At the University this division was made on the basis of "faculty" and "faculty-related" classes where the definition of faculty related to those positions where tenure was granted. The separation of the academic base at the state colleges into "instructional" and "instructional-related" groups was approached on the basis of duties.

Council Requested to Define Salary Base

In an attempt to obtain standardized definitions of these various classes we recommended last year that the Coordinating Council develop uniform definitions for "academic" and "nonacademic" personnel and to formulate criteria for the logical division of personnel into these two classes. We also requested the council to define and formulate criteria

Augmentations for Salary Increases—Continued

that would separate from the academic base those classes with instructional duties. This recommendation was included in the supplementary report of the Committee on Conference of the Budget Bill.

The Coordination Council's Response

The council responded with the following definitions of academic and nonacademic employees.

Academic Personnel

An "academic" appointee is one who is primarily and professionally engaged in teaching, research, or public service work, or whose duties are closely and professionally involved in the instructional, research, and public service functions of higher education.

Nonacademic Personnel

A "nonacademic" appointee is one who provides or manages the provision of supporting services to academic appointees and students.

In addition to these definitions the council developed five criteria for use in classifying an academic employee.

Criteria

1. Through interpersonal relations, academic appointees directly and professionally influence students in their intellectual, personal and esthetic development.
2. Through research, academic appointees extend the boundaries of knowledge or develop new applications of existing knowledge.
3. Through public service, academic appointees disseminate and apply existing knowledge to individuals and communities in society.
4. Through libraries, museums and the like, academic appointees conserve knowledge and artifacts of all societies and civilizations.
5. Through institutional leadership or direct supervision of academic appointees, academic managerial personnel are directly involved in instruction, research, and public service.

Definitions Are Too General

We feel that the definitions and criteria developed by the council are too general in scope and they do not assist in the uniform classification of academic employees. For example, using these criteria an administrative position such as a University chancellor or a state college president could be classified as an academic employee which is existing practice at the state colleges but not at the university. Rather than providing a mechanism for attaining uniformity of salary bases between the segments, the criteria were apparently developed to allow each segment the flexibility necessary to continue the existing classification system.

The council did provide for a specific definition of faculty which stated that "Faculty are defined as those academic appointees whose major regular assignment is instruction, including those with released time for research, department chairmen without other administrative

Augmentations for Salary Increases—Continued

titles, and faculty members on sabbatical leave with full or part pay at their regular academic year salaries.”

This definition is the one used in the salary comparison report of the Coordinating Council and is specific and can be applied uniformly. We suggest that any future academic salary increases based on Coordinating Council salary surveys be limited to those employees included in this definition of faculty.

Reserve for Contingencies**EMERGENCY FUND****Item 250 from the General Fund****Budget page 1310**

| | |
|--|-------------|
| Requested 1970-71 | \$1,000,000 |
| Appropriated by the 1969-70 Budget Act | 1,000,000 |
| Requested increase—None | |
| Total recommended reduction | None |

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The Emergency Fund provides a source from which the Department of Finance can allocate funds to state agencies for expenses resulting from unforeseen contingencies not covered by specific appropriations. This item also provides authorization for the Department of Finance to make loans to agencies whose operations would be curtailed due to delayed receipt of reimbursements or revenue.

The Emergency Fund request of \$1,000,000 is a token of the amount actually needed in every year since 1959-60. To meet the actual requirements a deficiency appropriation has been necessary toward the end of each fiscal year. For 1969-70, the department anticipates a deficiency of \$2,000,000. Listed below are the 1969-70 allocations of more than \$100,000 each exclusive of transfers to meet salary increases. Salary increases added \$59 million to the allocations shown.

| Support | |
|---|-------------|
| Secretary of State, ballot pamphlet expense | \$175,000 |
| Franchise Tax Board, temporary help for workload deferrals and property tax rebates | 186,127 |
| Department of Conservation | |
| Contracting counties | 140,915 |
| Emergency fire suppression and detection | 1,300,000 |
| Increased number of annuitants | 101,040 |
| State college instructional faculty salary increase | 173,810 |
| Other: 19 items of less than \$100,000 each | 409,471 |
| Total allocations | \$2,486,363 |

Emergency Fund expenditures in 1969-70 have not been subjected to legislative review. Where appropriate, we comment on such expenditures in the analysis of the individual agency budgets. Control lan-

Item 251**Legislative Claims****Emergency Fund—Continued**

guage in the 1969 Budget Act limited the use of the Emergency Fund to purposes which had been specifically approved by the Legislature in the budget act or other bills.

Shown below are the amounts budgeted and allocated along with the deficiency appropriations for years since 1963-64.

**Emergency Fund, Appropriations and Allocations
1963-64 to 1970-71**

| <i>Fiscal year</i> | <i>Appropriated</i> | <i>Allocated to agencies</i> | <i>Deficiency appropriation</i> |
|--------------------------|---------------------|----------------------------------|-------------------------------------|
| 1963-64 ----- | \$1,000,000 | \$4,297,640 | \$4,750,000 |
| 1964-65 ----- | 1,000,000 | 5,106,500 | 4,436,500 |
| 1965-66 ----- | 1,000,000 | 5,148,643 | 5,400,000 |
| 1966-67 ----- | 1,000,000 | 9,321,117 | 8,341,951 |
| 1967-68 ----- | 1,000,000 | 4,238,515 | 3,908,000 |
| 1968-69 ----- | 1,000,000 | 4,954,513 | 5,086,631 |
| 1969-70 ----- | 1,000,000 | 2,486,363 | 2,000,000 |
| 1970-71 (proposed) ----- | 1,000,000 | -- | -- |

LEGISLATIVE CLAIMS**Item 251 from the Several Funds****Budget page 1315**

| | |
|---|-----------|
| Requested 1970-71 ----- | \$166,921 |
| Estimated 1969-70 ----- | 231,039 |
| Actual 1968-69 ----- | 645,364 |
| Requested decrease \$64,118 (-27.7 percent) | |

ANALYSIS AND RECOMMENDATIONS

These funds pay all claims awarded by the Board of Control and approved by the Legislature, and miscellaneous claims awarded on direct appeal to the Legislature. Claims awarded by the Board of Control between March 1969 and November 1969 are included in this budget request and claims awarded between November 1969 and March 1970 will be presented as a supplemental request to the Legislature for review and payment in 1970-71.

Because the amount originally requested in each budget covers only an eight month period it always appears lower than the amount actually spent in the previous year and the increase is assumed to be due to legislatively sponsored amendments. In reality the Legislature has given the claims bill a very critical review and has reduced or eliminated many of the awards each year. For example, \$140,039 was originally requested to fund eight months of claims in the 1969-70 Budget, but during subsequent hearings the Department of Finance informally presented \$169,239 in additional requests. This latter figure represented only four months of claims but was more than the eight months total already included in the budget. Of this \$309,277 actually presented for review, \$81,665 (26.4 percent) was eliminated during hearings by the Legislature.

Legislative Claims—Continued

Table 1

Action on Claims Bill, 1969

| | |
|----------------------------------|-------------|
| Submitted in Budget Bill ----- | \$140,089 |
| Submitted prior to hearing ----- | (+) 169,238 |
| Total submitted ----- | \$309,277 |
| Legislative reduction ----- | (—) 81,665 |
| Legislative addition ----- | (+) 3,427 |
| Total approved for payment ----- | \$231,039 |

Because the list of claims which will eventually be presented to the Legislature is incomplete as of this time, we will present a supplemental analysis of the claims when the item is heard by the Legislature.

TEMPORARY LOANS TO THE GENERAL FUND

Item 252 from the California Water Fund

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item, which is similar to Item 307 of the Budget Act of 1969, would authorize temporary transfers from the California Water Fund to the General Fund in the event the cash position of the General Fund would require such transfers. Under the terms of Section 16310 of the Government Code transfers made from special funds to the General Fund, upon a determination of necessity by the Governor and Controller, are to be returned to the fund from which transferred as soon as there is sufficient money in the General Fund for this purpose. This section also provides that no transfers can be made from a special fund which would interfere with the object for which the fund was created.

Section 16310, amended by Chapter 1457, Statutes of 1968, provides that when loans from the California Water Fund exceed 10 percent of the preceding fiscal year's total additions to surplus available for appropriation in this fund, interest must be paid. This interest is paid on the excess borrowing above total additions to surplus available for appropriation, at a rate determined by the Pooled Money Investment Board. This rate is the current earning rate of the fund from which the loan is transferred.

Department of Agriculture**SALARIES OF COUNTY AGRICULTURAL COMMISSIONERS****Item 253 from the General Fund****Budget page 160**

| | |
|-----------------------------------|-----------|
| Requested 1970-71 | \$171,600 |
| Estimated 1969-70 | 171,600 |
| Actual 1968-69 | 171,600 |
| Requested increase—None | |
| Total recommended reduction | None |

ANALYSIS AND RECOMMENDATIONS*Approval is recommended.*

This item appropriates funds in accordance with Sections 2221-2224 of the Agricultural Code, which provide for cost-sharing agreements for portions of agricultural commissioners' salaries in order to provide adequate and uniform enforcement of applicable Agricultural Code provisions. The appropriation makes available through agreement between the Director of Agriculture and any county board of supervisors a sum not to exceed \$3,300 per year or two-thirds of the salary of each commissioner, whichever is less. Fifty-two counties are participating in this program.

Department of Agriculture**ASSISTANCE TO CITIES AND COUNTIES FOR LAND UNDER CONTRACT****Item 254 from the General Fund****Budget page 160**

| | |
|-----------------------------------|-------|
| Requested 1970-71 | \$446 |
| Estimated 1969-70 | 446 |
| Actual 1968-69 | 446 |
| Requested increase—None | |
| Total recommended reduction | None |

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

Chapter 1443, Statutes of 1965, provides that owners of prime agricultural lands, and other lands compatible with agricultural uses, may enter into 10-year contracts with cities and counties for the establishment of agricultural preserves to restrict the use of such lands for agricultural purposes. Section 51260 of the Government Code provides an annual state payment of \$1 to cities and counties for each acre of land under contract, which may be used for the cost of administration and to make or assist in making additional payments to the owners of land under contract. The amounts of payments to owners is specified in the code at five cents per acre for contract lands.

Presently, a total of approximately 2.2 million acres of agricultural lands are covered under terms of Chapter 1443. However, the vast