

For Surplus Educational Property Revolving Fund

Item 324, page 61, of the Budget Bill and pages 244 and 946 of the Budget. \$100,000 from the General Fund is requested as a permanent revolving fund to provide working capital for procurement, storing and distribution of materials prior to reimbursement from agencies supplied.

We recommend approval.

Reserves for Contingencies

For Emergency Fund

Item 325, page 62, of the Budget Bill and page 969 of the Budget. Amount budgeted \$1,000,000 for reserves for contingencies for which no appropriation has been made, or for which the appropriation was insufficient.

This money may be expended only upon the written authorization of the Department of Finance for emergencies. Loans to state agencies which derive their funds from sources other than the General Fund may be made from this money.

We feel that a reserve for contingencies should be established and recommend that Item 325 be approved for the amount of \$1,000,000.

Now with the Annual Budget, and the providing of this Emergency Fund in the amount of \$1,000,000 in one year, which is equal to a \$2,000,000 Emergency Fund on a biennial basis, we believe that the Legislature can safely consider placing definite limits on the power of the Governor and the Director of Finance to allow deficiencies under provision of Government Code Section 11006. This is all the more feasible for the reason that the Legislature will be in session beginning next March, in the fiscal year being budgeted. The necessity for additional funds for the several departments of State can be placed before the Legislature at that time.

For the Salary Increase Fund

Item 326, page 62, of the Budget Bill and page 969 of the Budget. Amount requested, \$1,500,000 from the General Fund for payment of increased salaries of officers and employees of the various agencies paid from the General Fund.

\$400,000 of the \$1,500,000 is to be spent in the Fiscal Year 1947-48 for salary adjustments made on individual classes after the departmental budgets were closed on November 30, 1946. The adjustments have already been made up through January 26, 1947, for the classes covered by this amount and the \$400,000 is to be used to carry the increases through the Fiscal Year 1947-48.

Salary adjustments of classes are expected between the time the Budget was closed January 26, 1947, and June 30, 1947. Money is available to carry these classes through the remainder of the Fiscal Year 1946-47. \$350,000 is estimated to be necessary to take care of the salary adjustments through the Fiscal Year 1947-48.

No provision has been made in the Budget to care for cost-of-living salary increases or general salary increases. It is estimated by the Personnel Board that certain classes will have to be adjusted upward in the

Fiscal Year 1947-48. \$750,000 is requested as a minimum amount that would care for increases in salaries of individual classes. The Personnel Board feels that with a general salary increase this amount probably would not be necessary, but without a general salary increase the \$750,000 is insufficient.

We recommend that Item 326 be approved for the amount of \$2,000,000, an increase of \$500,000 over the Budget request, and that salary increases for individual classes be kept within this amount and be so limited in this Budget Bill.

Payments to Local Governments

For Transfer to the Teachers' Permanent Fund for Operation of the State Teachers' Retirement System

Item 327, page 63 of the Budget Bill, page 986 of the Budget. Amount requested, \$6,058,000 from the General Fund for payment of teachers' retirement allowances. This amount is required to cover deficits for the 1944-45, 1945-46, and 1946-47 Fiscal Years and the amount believed necessary for payment of retirement allowances during the 1947-48 Fiscal Year as follows:

<i>Appropriation for Deficits from Prior Years</i>	
<i>Fiscal Year</i>	<i>Amount</i>
1944-45 -----	\$135,375.11
1945-46 -----	346,823.29
1946-47 -----	575,000.00 (Estimated)
Total -----	\$1,057,198.40
 <i>Appropriation for 1947-48 Fiscal Year</i>	
Retirement allowances -----	\$4,791,000.00
Subventions to local systems -----	210,000.00
Total -----	5,001,000.00
	<u>\$6,058,198.40*</u>

The amount of \$210,000 for subventions to local systems shown above is at a rate in excess of that provided for the Teachers' Permanent Fund in that it not only includes the amount of state contributions but also includes an amount equal to teachers' contributions.

We recommend that the law be amended so that the State will contribute an equal amount in each case on the basis of the amount required to support the State Teachers' Retirement System.

Section 14564 of the Education Code provides that if the amount of the state contribution for any prior year, as determined actuarially and appropriated by the Legislature, is found to have been greater than it should have been, the state contribution for any year shall be reduced or increased as the case may be by the sum by which the state contributions for the prior year was greater or less than it should have been, except to the extent that such sum has been applied to reduce or decrease the state contribution for any prior year. It is on the basis of this section of the Education Code that the appropriation requested includes \$1,057,198.40 to provide the amounts by which the prior appropriations failed to meet the state's liability for retirement payments to teachers.

* \$198.40 dropped in appropriation for 1947-48 Fiscal Year as the total retirement allowances of \$4,791,000 for that year is an estimated amount.