

For Claim of the Secretary of the Board of Control from Several Funds

Item 277, pages 62 and 63 of the Budget Bill, and page 734 of the Budget. The amount requested is \$341,048 from several funds for payment of claims against the State of California which have been approved by the Board of Control.

Recommendations

Budgeted amount -----	\$341,048
Legislative Auditor's recommendations -----	\$341,048
Reduction -----	None

Analysis

The amount of \$341,048 is requested to pay 96 claims against the State of California which have been approved by the Board of Control. While the amounts are recommended for payment, the board has referred two items to the attention of the Legislature.

These two items both concern the allowance of interest at 7 percent on judgments totaling \$179,310.05 on payments illegally collected as Gross Premiums Insurance Taxes and on court costs of \$171.50. The amounts involved as interest total \$10,469.74.

Section 13112 of the Revenue and Taxation Code provides that the court may render judgment for the plaintiff for any part or portion of the tax, penalties or costs found to be void and paid by plaintiff upon the assessment. The code is silent upon the subject of interest on the part illegally collected. Act 3757, Section 1, (Deering) sets 7 percent as the legal contract rate of interest. Consequently, interest on the judgments and costs is calculated at 7 percent. A similar claim for interest was included in the claim bill passed as Chapter 1132, Statutes of 1943, so there is legal precedent for allowance of interest. *We recommend that the amount requested be allowed, and that appropriate legislation be passed to limit the amount of interest which may be paid on overpayment of the Gross Premiums Insurance Tax to 6 percent.*

Examination of the claims showed that of the 96 approved, 35 claims totaling \$37,983 were for damages, losses, burglaries, etc. Twenty-four claims totaling \$291,840 were refunds of taxes, fees, penalties, and interest. Thirty claims amounting to \$9,586 were for state obligations for which money had not been appropriated, such as terminal leave pay, vacation pay, outlawed warrants, travel expense, and items for which the State had received goods or services. Five salary overpayments which cannot be recovered total \$933. Shortages in trust accounts are the basis for two claims totaling \$293.

We recommend the amounts set up in the schedule contained in the Item 277 be approved.

For Emergency Fund

Item 278, page 63 of the Budget Bill, and page 740 of the Budget. The amount requested is \$2,000,000 to provide for contingencies for which no appropriation or insufficient appropriation has been made by law. These emergency funds can be expended only on written authorization of the Department of Finance. The amount requested represents a \$500,000 increase over the amount appropriated for 1948-49.

We recommend that this item be reduced to \$1,500,000.

**For Salary Increase Fund from the General Fund to Provide for Salary
Increases Made in 1948-49**

Item 279, pages 63 and 64 of the Budget Bill, and page 741 of the Budget. The amount requested is \$5,300,000 from the General Fund to provide for pay increases made in the Fiscal Year 1948-49. This fund to be allocated only on authorization of the Department of Finance to the several state offices, departments, boards, bureaus, commissions, the Regents of the University of California and other state agencies, and is in augmentation of their regular appropriations.

We recommend Item 279 be reduced in proportion as need is reduced by reduction in budgeted number of employees.

**For Salary Increase Fund from the General Fund to Provide for Salary
Increases in 1949-50**

Item 280, pages 64 and 65 of the Budget Bill, and page 741 of the Budget. The amount requested is \$6,100,000 from the General Fund to provide for increased compensation resulting from increased salary ranges established by the Personnel Board or other salary-fixing authority with the approval of the Department of Finance. The salary increase fund is to be allocated only on authorization of the Department of Finance. This appropriation is to provide for salary increases made during the 1949-50 Fiscal Year.

The amount requested is sufficient to provide a fourth-round raise during the 1949-50 Fiscal Year if justified by a further spiral upward in salaries and wages. The approximate amount requested for this purpose is \$5,600,000 which would provide for a 5 percent increase for General Fund civil service employees, and nonacademic employees of the University of California. No provision is made for salary increases for the teaching staff at the University of California during the Fiscal Year 1949-50.

We recommend that the Personnel Board make an annual report on salaries, with recommendations, in connection with the Governor's Annual Budget and that salary ranges established on the basis of funds subsequently appropriated by the Legislature remain fixed during the fiscal year for which appropriations are made. This provision will permit legislative consideration of budgetary problems involved prior to the effective date of the increases.

We recommend therefore that the salary adjustment fund be established only in an amount sufficient to correct inequities between classes, and restricted to that purpose and all other salaries for 1949-50 remain as scheduled in the Budget and adjusted as per Item 279.

We recommend that Item 280 be approved in the amount of \$500,000, a reduction of \$5,600,000 from the amount requested.

CAPITAL OUTLAY

**For Acquisition of Real Property, to Be Expended Under the Provisions of the
Property Acquisition Act, Department of Agriculture**

Item 281, page 65 of the Budget Bill, and page 750 of the Budget. The amount requested is \$3,000 from the General Fund.