

**Veterans' Home—Continued**

Athletic Commission Fund, and then to revert the balance to the General Fund. It will be noted that for the 1955-56 Fiscal Year it is proposed to use only \$65,000 from the Athletic Commission Fund toward the support of the Veterans' Home. It would appear that with the reversion of the \$98,000 mentioned above, there should be substantially more than \$100,000 available in the Athletic Commission Fund, which could be devoted to the support of the Veterans' Home. Therefore, we recommend that consideration be given to increasing the appropriation from the Athletic Commission Fund to the maximum amount which the fund can furnish. This would in no way reduce the over-all budget of the Veterans' Home, but it would provide some small relief for the General Fund.

**Department of Veterans Affairs  
WOMAN'S RELIEF CORPS HOME**

ITEM 269 of the Budget Bill

Budget page 946  
Budget line No. 25

**For Support of Woman's Relief Corps Home From the General Fund**

Amount requested .....	\$46,000
Estimated to be expended in 1954-55 Fiscal Year .....	49,500
Decrease (7.1 percent) .....	<u>\$3,500</u>

**RECOMMENDATIONS**

Amount budgeted .....	\$46,000
Legislative Auditor's recommendation .....	<u>46,000</u>
Reduction .....	None

**ANALYSIS**

This item provides for the continued care, on a contractual basis, for the women who are housed in the women's relief corps home under state responsibility. The home was formerly operated by the State, but toward the end of the 1953-54 Fiscal Year was leased to the former superintendent to be operated as a general home for the aged, with the understanding that the remaining members under state responsibility would be cared for at a standard of care equal to that previously provided by the State, and one which would be continued to the satisfaction of the State.

The membership is expected to drop to 14 women who will be cared for at a total cost of \$46,000. The State receives \$12,000 annually as a rental fee for the use of the property, which makes a net cost to the State of \$34,000 to care for the 14 women. This cost figures out to \$2,428 per member, as compared with the last year in which the State operated the property, when the per capita cost was \$4,289.

In view of the above, we recommend approval of the item as submitted.

Miscellaneous  
**WORKMEN'S COMPENSATION**

ITEM 270 of the Budget Bill

Budget page 949  
 Budget line No. 32

*For Compensation, Medical Care and Hospitalization of State Employees  
 From the General Fund*

Amount requested .....	\$1,000,000
Estimated to be expended in 1954-55 Fiscal Year .....	930,000
<hr/>	
Increase (7.5 percent) .....	\$70,000

**RECOMMENDATIONS**

Amount budgeted .....	\$1,000,000
Legislative Auditor's recommendation .....	980,000
<hr/>	
Reduction .....	\$20,000

**ANALYSIS**

The request for \$1,000,000 from the General Fund to meet expenditures for the stated purposes in the 1955-56 Fiscal Year is to be amended to \$980,000, and the sum estimated for expenditures in the current year will be adjusted to \$910,000. The reason for these adjustments is that data compiled subsequent to the preparation of the Budget resulted in changes in computing the needs for these two years.

Several factors attributable to the upward trend in costs are reported as being due to increased weekly indemnity benefits and increases in medical and hospital, nursing and drug charges.

We recommend approval of this item in the amount of \$980,000 with a further recommendation that, inasmuch as the cost of this coverage for state employees continues to increase and is fast reaching a sizable charge to the State, future justification for the cost of such coverage be more complete than in the past.

**MISCELLANEOUS**

ITEM 271 of the Budget Bill

Budget page 949  
 Budget line No. 53

*For Refund of Taxes, Licenses and Other Fees, From the General Fund*

Amount requested .....	\$15,000
Estimated to be expended in 1954-55 Fiscal Year .....	15,000
<hr/>	
Increase .....	None

**ANALYSIS**

The request for an appropriation from the General Fund for the stated purposes permits refunds of fees erroneously collected and paid into the General Fund for which no specific provision of law exists whereby the refunds may be made.

We recommend approval of the item.

**MISCELLANEOUS**

ITEM 272 of the Budget Bill

Budget page 950  
 Budget line No. 45

*For Claims of the Secretary of the State Board of Control From Several Funds*

Amount requested .....	\$45,206
Estimated to be expended in 1954-55 Fiscal Year .....	117,855
<hr/>	
Decrease .....	\$72,649

Miscellaneous—Continued

ANALYSIS

The Board of Control has approved claims against the State in the amount of \$45,206 as of November 18, 1954, of which \$436 represents claims against nonrevenue funds. While this sum appears in the Budget Bill as introduced, amendments will be submitted to the Legislature for approval of additional claims. A review of all claims approved by the board will be made when the board has transmitted a statement of reasons for approval by the Legislature as required in Section 16020 of the Government Code.

FOR AUGMENTATION OF THE STATE PRINTING FUND

ITEM 273 of the Budget Bill

Budget page 951  
Budget line No. 16

For Support of State Printing Fund From the General Fund

RECOMMENDATIONS

Amount budgeted .....	\$250,000
Legislative Auditor's recommendation .....	250,000
Reduction .....	None

ANALYSIS

An amount of \$250,000 is requested to augment the working capital of the State Printing Fund in order to purchase some additional printing equipment. This additional equipment is needed to publish an increased number of textbooks and other printing during the 1955-56 Fiscal Year.

It is our understanding that the State Printer plans to purchase a one-color rotary letter press, an automatic casemaker and a folding machine during the current fiscal year. About \$150,000 of the proposed appropriation would go toward this equipment. In the 1955-56 Fiscal Year the remaining \$100,000 of the appropriation would go towards another rotary press.

We assume from this request that the existing printing equipment will not handle the increase in printing requirements. The chief justification for the additional machines is the increase in the Free Textbook program. Due to the anticipated adoptions in basic and supplemental history and geography texts, the Free Textbook program is proposed to increase from seven for the current year to 11 million textbooks in the budget year. If these proposed adoptions do not take place, then presumably, some or all of the additional printing equipment will not be necessary. The actual adoptions will take place in April, 1955. We understand that the State Printer has ordered the equipment and expects to take delivery of some of the machines in June, 1955, and the remainder in September, 1955.

We recommend approval of the amount requested.

PURCHASING REVOLVING FUND

ITEM 274 of the Budget Bill

This item is identical to Item 273 of the Budget Act of 1954. It provides that the State Controller upon approval of the State Board of Control shall transfer to this item, from any appropriation in Section

**Purchasing Revolving Fund—Continued**

2 of this act made from the General Fund, that part of such appropriation intended for the purchase of automobiles. One such transfer was made during 1954-55, pursuant to Item 278 of the Budget Act of 1954; \$954 from the Recreation Commission, budget page 951, line 17. These funds shall be available for augmentation of the Purchasing Revolving Fund.

This item provides the machinery whereby funds appropriated from the General Fund to the various state agencies for the replacement of or purchase of additional automobiles may be used to augment the revolving fund which finances the Department of Finance car pool. We have urged that centralized control of all automobiles and central pool operation to the extent possible and economical should be effected as rapidly as possible. In our analysis of the Budget Act of 1953, we pointed out that with the completion of the new state garage in Sacramento we believed it feasible and economical to furnish automobile transportation for agencies or offices located in Sacramento from a single state pool, with perhaps the exception of cars used by the Highway Patrol in law enforcement activities and the vehicles operated by the Division of Highways.

We again recommend that the Department of Finance pool in Sacramento be expanded to provide this service. This item provides a means whereby money appropriated for automobiles on an individual agency basis can be transferred to augment the revolving fund for purchase of vehicles for the centralized state pool operated by the Department of Finance. The success of any program for centralized ownership or pool operations will depend considerably on the ability of its management to provide good equipment and trouble-free service. See also our analysis of Section 3 of the Budget Bill.

We recommend approval of this item as submitted.

**PROVISION FOR SALARY INCREASES**

ITEM 275 of the Budget Bill

Budget page 953  
Budget line No. 7**For Salary Increase Fund From the General Fund**

Amount requested -----	\$11,306,480
Increase -----	\$11,306,480

**RECOMMENDATIONS**

Amount budgeted -----	\$11,306,480
Legislative Auditor's recommendation -----	None
Reduction -----	\$11,306,480

**ANALYSIS**

Under Section 18712 of the Government Code, the State Personnel Board is required to submit a report on matters of civil service personnel each year to the Governor and the Legislature. Included in this report are recommendations concerning salaries paid to civil service and state college employees. Under the law, the Personnel Board has the responsibility for establishing and adjusting salary ranges for such civil service and state college employees and in that connection is directed to consider salaries for comparable service in private and

**Provision for Salary Increases—Continued**

other governmental employment as well as proper internal relationships between state classes. In making adjustments with funds appropriated by the Legislature, the Personnel Board is required to stay within such appropriation limits.

Although no general salary increase item was recommended by the Personnel Board last year, the amount of \$589,858 was recommended for special adjustments, and was made available as a part of the Contingent Fund, Item 279.

This year the Personnel Board has reported that a general salary increase to state employees for the purpose of keeping state salaries reasonably in line with rates paid in outside employment would require a fund approximating 5 percent of salaries and wages. Actual adjustments among the numerous classes would be made from this fund on the basis of additional data compiled by the staff of the board. The annual cost to all funds would be General Fund \$11,306,480, special and other funds \$6,924,665, total \$18,231,145.

**Salary Survey**

The report of the Personnel Board, based upon its wage survey, indicates that private industry salaries and wages have risen between March, 1953, and October, 1954, an average of 5.9 percent as determined by a field survey in the San Francisco area and 5.1 percent in the Los Angeles area for which a "paper" survey was conducted. In March of 1955 a field study will be made in the Los Angeles and San Diego areas and a paper follow-up will be made of the San Francisco area. In April of each year a nonmetropolitan wage study is conducted. The method and the samples remain substantially the same unless the industrial pattern of employment shows a substantial change. The department also makes use of all other available public and private wage surveys made in the State.

We have reviewed the wage survey methods of the Personnel Board and they may be summarized briefly as follows. In making the survey the Personnel Board selects certain positions in industry comparable with state positions. In the San Francisco survey of October, 1954, 74 "benchmark jobs" in 279 private firms involving 49,423 persons were used as a sample. In the March, 1954, survey of Los Angeles County, 69 "benchmark jobs" in 298 firms covering 43,026 employees were used as a sample. The sample attempts to take a cross section of all types of industries in proportion to the whole industrial economy of the area. This is to assure a reasonable average value for positions in the area.

Monthly rates are measured in dollar amounts based on a 40-hour week, or more accurately a 173.33-hour month which is considered a state work month.

So-called "fringe benefits" are not considered by the Personnel Board in measuring and comparing industry and state wage levels. Since these are much more difficult of scientific measurement, they are not commonly considered in direct wage comparisons but are generally evaluated separately. Consideration is given, however, to allowances for meals and lodgings when considered part of the compensation and

## Provision for Salary Increases—Continued

for bonuses when they are for specific amounts which employees can anticipate receiving as part of their pay.

Average salaries and wages are obtained by a weighting process which is derived by dividing the sum of all rates of all employees in a given job by the total number of employees in that job. The median range represents the midpoint of the entire range of rates for a particular position and ranges are established by taking the range of rates received by the middle 50 percent of the employees in each job. The following example illustrates the findings for a job as reported by the Personnel Board in its wage report:

Number of firms.....	62
Number of employees.....	249
Median.....	\$411
Weighted.....	\$420
Middle 50 percent range.....	\$400-445
State of California scale.....	\$341-415

The board's recommendation for a 5 percent increase is derived by weighting and summarizing all positions surveyed and their percentage increases. The 5.9 percent in the San Francisco survey is an average increase although salaries for some positions could be higher and some lower.

This method of reporting and the basic underlying policy of reasonably comparable pay for comparable service are, we believe, sound. If carefully administered to reflect a competitive situation with private industry and if accompanied by standards of performance in line with those demanded by private enterprise, many problems frequently associated with the administration of civil service can be minimized.

In accepting this principle, however, careful consideration must be given to the underlying basis for the policy and every effort made through legislation and administration to achieve the fundamental objectives of the policy. The purpose of keeping state salaries in line with salaries paid in other employment is to recruit and retain qualified personnel. If there are statutes or administrative policies which prevent the State from securing, retaining and receiving a full measure of work from employees for which competitive wages are paid, the State will not be receiving the benefits for which it is paying.

## Basic Policies

The findings of the Personnel Board are presented to the Governor and the Legislature as a factual summary of the relative relationship of state salaries and those of private enterprise at a given point in time. The Legislature must then evaluate these facts in terms of broader policy areas and establish the State's relative position with industry. Factors which we feel must be considered are:

1. The State's competitive position in the recruitment and retention of personnel. Promotional examination policies of the present board severely limit competition for higher positions, and we believe that this policy should be reconsidered. We do not feel that state salaries are so low that a problem would result in the ability of the State to recruit and retain employees if the increase were not granted.

Provision for Salary Increases—Continued

2. Other emoluments of state employment such as (1) security of employment, (2) freedom from arbitrary dismissal, (3) a liberal retirement program, and (4) comparatively generous holiday, sick leave, and vacation benefits.

The information submitted to the Legislature by the Personnel Board this year seems inadequate as a basis for a clear judgment of the above considerations. While we accept the methodology of the evaluation of comparable salaries, we are not convinced that the information on fringe benefits is adequate. We cannot help but feel that the State is a leader in such benefits as time not worked and job security.

For example, the report of the Personnel Board made on December 3, 1954, shows that pay for time not worked in a sample of nonmanufacturing industries amounted to 9.0 percent of total pay roll, while for the State of California it amounted to 15.1 percent of pay roll. The difference in total pay roll cost between the State's 15.1 percent and private industry's 9.0 percent is greater than the budgeted cost for a 5 percent increase in salaries of state employees. The difference of 6.1 percent in pay for time not worked multiplied against the General Fund pay roll of \$231,700,000 produces \$14,135,000. What weight should be given to this factor?

3. The financial condition of the State.

While we are not in favor of balancing the budget by holding back on salaries, we are not convinced that industrial salaries are so far ahead of state salaries that, considering the present revenue problems, financial considerations should not apply.

We have also noticed that the University of California and the state colleges have been included in the Salary Increase Fund although no comparative data on salaries for academic personnel is included. There is no apparent reason why such information should be lacking. Since competition among academicians is on a national scale, we feel information on colleges and universities throughout the country, especially those supported by public funds, should be included.

Summarizing, we feel that more thorough information on fringe benefits and academic salaries should be submitted to the Legislature and that the Department of Finance should evaluate savings which might result from a closer alignment of the State's fringe benefits with those of industry. Until the Legislature is presented with this important information, *we recommend that no money for increases be approved.*

**Reserves for Contingencies**  
**EMERGENCY FUND**

ITEM 276 of the Budget Bill

Budget page 957  
Budget line No. 14

*For the Emergency Fund to Be Expended Only on Written Authorization of the  
Department of Finance for Emergencies From the General Fund*

Amount requested -----	\$1,500,000
Estimated to be expended in 1954-55 Fiscal Year -----	1,614,858
	\$114,858
Decrease (7.1 percent) -----	\$114,858

**RECOMMENDATIONS**

Amount budgeted -----	\$1,500,000
Legislative Auditor's recommendation -----	1,000,000
Reduction -----	\$500,000

**ANALYSIS**

The Emergency Fund provides funds to meet contingencies which may arise because of an insufficient appropriation or because of no appropriation having been provided. Amounts are allocated to agencies when in the discretion of the Department of Finance, agency requests are based on need.

During the current fiscal year \$1,614,858 was appropriated to the Emergency Fund by Item 279 of the Budget Bill. This included an amount of not to exceed \$589,858 for salary range changes, an expenditure heretofore included in a separate item or in connection with a Salary Increase Fund. Exclusive of the amount provided for salary range changes \$1,150,000 was appropriated for the Emergency Fund in 1953-54 and \$1,025,000 in 1954-55, although added to this latter amount, by the terms of the item, would be any amounts not used for special salary adjustments. The amount requested for 1955-56 represents a decrease of \$114,858 or 7 percent below estimated expenditures. However, the requested item for 1955-56 does not include an amount reserved for special salary adjustments, and in this respect is an increase over 1954-55.

It is pointed out that two sizeable items made available from the Emergency Fund in the current year were the allocation of \$100,000 to the Department of Justice in connection with the investigation of liquor control, and the allocation of \$100,000 to the Department of Public Health for investigation of air pollution in connection with smog. These are nonrecurring items from the Emergency Fund.

In view of the foregoing information and the comparative stabilization of prices which has followed 1953, we believe an Emergency Fund of \$1,000,000 to be adequate.