

**PROVISIONS FOR EMPLOYEE COMPENSATION**

**Civil Service, Exempt, Statutory and Academic Employees—Continued**

but, on balance, a significant disparity has developed between judicial salaries and those paid to other responsible positions in state government. In the current year, for example, the judges received an increase of 12.3 percent compared to the average of 6.7 percent (excluding one-time bonus funds) paid to civil service employees. Some categories of state executives received only 3 percent because of limitations imposed by the Governor. The projected 10.45 percent increase for judges will compound this disparity.

In order to provide salary increases for judges commensurate with increases provided for state civil service employees generally, we believe that judges' salary adjustments should be based on the average percentage increase provided other state employees. Based on the average state salary increase recommended by the State Personnel Board, this would result in a 9.7 percent increase for judges in the budget year as compared to the estimated 10.45 percent under present law. This recommendation would require legislation which would not become effective until January 1977, unless an urgency clause is adopted.

Alternatively, the State Personnel Board could be directed to survey judges' salaries paid in other state and federal jurisdictions (as in the case of University of California and the State University and Colleges' instructional staff) to determine appropriate salary levels to be applied to judges.

If such legislation (with an urgency clause) is not adopted and the \$65 per month salary increase is rejected, this budget item would be insufficient to provide the estimated 10.45 percent salary increase effective September 1, 1976.

**Reserves for Contingencies**

**EMERGENCY FUND**

Item 104 from the General  
Fund

Budget p. 186

Requested 1976-77 .....	\$1,500,000
Appropriated by the 1975-76 Budget Act .....	1,500,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

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1. Deficiency appropriations. Recommend consolidated listing of proposed deficiencies be included in future budget presentations. 196

**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 temporary loans to state agencies whose operations

would be curtailed because of delayed receipt of reimbursement, or revenue. These loans are returned or accrued for return by the end of the fiscal year in which they are made.

The Emergency Fund request of \$1,500,000 is a token amount which has been substantially less than the actual deficiencies realized in every year since 1959-60. To meet the actual requirements, a deficiency appropriation has been necessary toward the end of each fiscal year.

Table 1 details the amounts budgeted and allocated along with the deficiency appropriations since 1966-67.

**Table 1**  
**Emergency Fund, Appropriations and Allocations**  
**1966-67 to 1975-76**

<i>Fiscal year</i>	<i>Appropriated</i>	<i>Allocated to agencies</i>	<i>Deficiency appropriation</i>
1966-67 .....	\$1,000,000	\$9,321,117	\$8,341,951
1967-68 .....	1,000,000	4,238,515	3,908,000
1968-79 .....	1,000,000	4,954,513	5,086,631
1969-70 .....	1,000,000	4,259,585	4,000,000
1970-71 .....	1,000,000	4,919,594	4,375,000
1971-72 .....	1,000,000	4,993,871	4,918,009
1972-73 .....	1,000,000	8,076,724	7,500,000
1973-74 .....	1,500,000	5,644,554	10,900,000
1974-75 .....	1,500,000	15,112,367	14,700,000
1975-76 .....	1,500,000	18,258,410	17,800,000 (est.)
1976-77 (proposed) .....	1,500,000	—	—

For 1975-76, the department anticipates a deficiency of \$17.8 million. Table 2 lists the estimated 1975-76 budget allocations of more than \$100,000 which have been identified so far this year.

**Table 2**  
**Emergency Allocations for 1975-76 Included in Agency Budgets**

<i>Item</i>	<i>Amount</i>
State Controller, for remodeling and EDP services .....	\$344,350
Department of Conservation	
Emergency fire suppression and detection .....	6,600,000
Price increases for communication services .....	227,000
Increased workmen's compensation costs .....	508,000
Student Aid Commission	
Additional awards mandated by Chapter 1270, Statutes of 1975 .....	115,271
Department of General Services, facilities repair .....	274,950
Judges' Retirement Fund contributions .....	300,300
Child nutrition	
Unanticipated costs of Chapter 1277, Statutes of 1975 .....	9,569,381
Subtotals, allocations over \$100,000 .....	\$17,939,252
All other allocations under \$100,000 .....	319,158
Total allocations .....	\$18,258,410

Subtracting this \$18,258,410 from the \$19,300,000 proposed total to be available (\$17,800,000 plus \$1,500,000) will leave \$1,041,590 to meet additional unforeseen contingencies during the balance of 1975-76.

**EMERGENCY FUND—Continued****Summary of Proposed Deficiency Appropriations Needed**

*We recommend that in future budget presentations the Department of Finance report all proposed deficiency appropriations in a consolidated listing.*

As noted above, the budget proposes a deficiency appropriation of \$17.8 million for this item. However, this does not represent the total amount of deficiency appropriations proposed in the budget. There are many large deficiencies shown elsewhere including such items as (1) personal property tax relief for \$28.2 million, (2) homeowners' property tax relief for \$40.7 million, (3) renters' tax relief for \$5 million, (4) Agriculture Labor Relations Board for \$3.8 million, (5) postsecondary education enrollments for \$4 million and (6) numerous other items.

Although these deficiencies are properly reported in the various agency budgets, it is a complex task to extract the total amount of these from the document. We believe that verification of the revised current year expenditure program as proposed in the Governor's Budget is a necessary prerequisite to evaluating available resources for allocation in the budget year. To assist the Legislature in this review, we believe such a report would be beneficial.

**AUGMENTATIONS FOR PRICE INCREASES**

Items 105-107 from various  
funds

Budget p. 189

Requested 1976-77 .....	\$21,000,000
Estimated 1975-76.....	1,500,000
Requested increase \$19,500,000	
Total recommended reduction .....	Pending

**1976-77 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
105	Price Increase Augmentations	General	\$11,500,000
106	Price Increase Augmentations	Special	6,000,000
107	Price Increase Augmentations	Nongovernmental cost funds <sup>a</sup>	3,500,000 <sup>a</sup>
			\$21,000,000

<sup>a</sup> Appropriated in Budget Bill but not included in budget totals.

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

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1. Revised Economic Forecasts. Withhold recommendation pending additional and more current data. 197

**ANALYSIS AND RECOMMENDATIONS**

*We withhold recommendation on these items pending receipt of further data and revised economic forecasts.*

This item provides \$21 million for price increases, not included in the budget requests of individual agencies. This item is intended to be allocated to the individual departmental budgets by the Department of Finance based on demonstrated needs. The composition of Items 105 and 106 is shown in Table 1.

**Table 1**  
**Augmentation for Price Increases**  
**(Dollars in Thousands)**

	<i>General Fund</i>	<i>Special Funds</i>	<i>Nongovernmental Cost Funds</i>
Increase in state PERS contribution for safety, highway patrol and industrial employees .....	\$1,337	\$1,663	\$17
Increase in OASDI base compensation.....	6,020	2,010	2,770
Increase in postage rates .....	2,472	2,036	514
General price increases.....	1,500	—	—
Total of above .....	\$11,329	\$5,709	\$3,301
Amount requested .....	\$11,500	\$6,000	\$3,500

**PERS Contribution Rate Up**

Chapter 187, Statutes of 1975, authorized an increase in the employer contribution rate of 1 percent to provide the necessary level of funding for existing statutory benefits for "miscellaneous" members (all members except special categories). At that time the need for increases for California Highway Patrol, state safety members, and industrial members had not been determined. Budget requests for the individual departments contain adjustments for the increased cost for "miscellaneous" members only. Estimates were subsequently made for members of the special groups for the purpose of providing this lump sum budget item. Subsequent to the preparation of the budget it was determined that no additional contribution would be necessary for California Highway Patrol members and, thus, the amount requested by Item 106 for special funds is overstated by \$1,360,000. Further adjustments to the other amounts provided for PERS contributions may be necessary, however, because the initial estimates were based on prior years' payroll data.

**Increase in Social Security Contributions Required**

The Old Age, Survivors and Disability Insurance (Social Security) contributions component of employee benefit costs that is included in individual budgets is based on the annual compensation amount subject to tax in effect during 1974 (\$13,200). On January 1, 1975, the base compensation was increased to \$14,100 and increased again to \$15,300 effective January 1, 1976.

No provision was made in the 1975-76 budget for either of these increases. These budget items provide for the additional cost to the state arising from these increases for the 1976-77 fiscal year. The amount computed for this purpose was derived from salary data as of July 1, 1974, and we are advised by the Department of Finance that a revised estimate is

**AUGMENTATIONS FOR PRICE INCREASES—Continued**

being prepared using current salary data and a further adjustment in this amount may be necessary.

**Postage Rates Increase**

In January of this year, first-class postage rates increased from 10 cents to 13 cents per ounce, with substantial increases in rates for other classes of mail. Estimates were made of the additional cost based on past mail usage by individual departments, and the total amounts provided in these items are based on the sum of those estimates. Major users of postal services for which specific estimates of the impact of the cost increase were made include the Department of Health (\$367,000), the Franchise Tax Board (\$400,000), the State Controller (\$353,000) and the University of California (\$466,000).

**General Price Outlook Uncertain**

Each year the Department of Finance issues price adjustment guidelines for use by all departments in preparing their budgets. These guidelines include expected percentage increases for selected items such as food, travel, utilities and fuel, as well as a general factor for all other operating expenses and equipment. The price increase allowance for this general factor in departmental budgets is 4 percent for 1976-77. Based on *current* price expectations, it appears that a more appropriate adjustment would be closer to 6 percent. The specific amount provided in Item 105 for nonidentified General Fund price increases is \$1,500,000, which is the amount provided in the comparable budget item for the current year. Our preliminary analysis of the amounts and composition of total operating expenses and current price expectations, indicate that an additional \$3 million to \$5 million may be needed. It is also possible that a further adjustment to amounts budgeted for institutional feeding should be considered, again on the basis of the *current* outlook for food prices. We suggest, however, that any augmentation to this item be based on a more detailed analysis of expenditures subject to inflation and on inflation rates consistent with the May economic forecast of the Department of Finance.