REPORT ON CALIFORNIA STATUTORY SALARIES OF EXECUTIVE BRANCH OF GOVERNMENT

STATE OF CALIFORNIA
Report on
California Statutory Salaries
of Executive Branch
of California State Government

By

The Commission on California State
Government Organization and Economy

December 1968
December 11, 1968

The Honorable Ronald Reagan
Governor of California

The Honorable President pro Tempore,
and Members of the Senate

The Honorable Speaker,
and Members of the Assembly

Gentlemen:

This Commission has completed its study of executive compensation in the California state service. This study was requested by Governor Reagan in his letter of April 9, 1968, to Mr. D. W. Holmes, the Chairman of the Commission on California State Government Organization and Economy. In addition, the State Legislature through Assembly Concurrent Resolution 105 requested the Commission to review and evaluate the executive compensation system in State Government.

In approaching the task of reviewing and evaluating the State's system of executive compensation, the Commission first accepted the general precepts of good salary administration on which to base its evaluation and recommendations. These precepts include: (1) The salaries paid to State executives should be commensurate with their duties and responsibilities; (2) State executives should be compensated fairly in relation to one another; (3) salaries paid to State executives should be competitive and should enhance the recruitment and retention of high caliber executives; and (4) the differential in salaries paid to executives of varying levels of responsibility should be substantial enough to reflect those differences in responsibility.

The Commission concludes that: (1) Compensation for executive positions in the State of California has evolved in such a way as to have eluded proper relationships; (2) the creation of new positions has not been coupled with compensation consistent with existing positions; (3) the levels of statutory salaries have resulted in extreme compaction of the senior management salary structure; (4) there are too many executive statutory salary levels in the Executive Branch; and (5) there is no established procedure for timely periodic review of executive salaries. The accompanying report presents our findings, conclusions, and recommendations in detail.

The study was conducted under the supervision of a Commission subcommittee, consisting of Messrs. James E. Kenney, Chairman; Howard A. Busby; and Harold Furst. The Commission's Executive Officer, L. H. Halcomb, Jr., provided coordination for the project. The staff of the State Personnel Board and the Department of Finance ably assisted the Commission with this study.

We believe the findings of the Commission are sound and the recommendations justified and, in some instances, long overdue. A basic building block of proper administration of the California State Government is a reasonable compensation plan for positions of responsibility.

Respectfully submitted,

D. W. HOLMES, Chairman
MANNING J. POST, Vice-Chairman
HARRY BLACKMAN
HOWARD A. BUSBY
ASSEMBLYMAN JACK R. FENTON
HAROLD FURST
H. HERBERT JACKSON
JAMES E. KENNEY
STANLEY E. McCaffrey
SENATOR MILTON MARKS
ASSEMBLYMAN PATRICK D. McGEE
SENATOR GEORGE MILLER, JR.
NATHAN SHAPELL

* Absent during Commission deliberation.
REPORT ON CALIFORNIA STATUTORY SALARIES OF
EXECUTIVE BRANCH OF THE CALIFORNIA
STATE GOVERNMENT

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INTRODUCTION

A system of equitable executive compensation in the State of California should be of importance to all the citizens of the state. The government of California is headed by a relatively small number of executives. The process of selecting, training, and evaluating the employees and officers of the state is inhibited if they are not adequately compensated for their efforts. It is the problem of executive compensation established by statute to which this Commission has directed its attention.

Three objectives or goals were formulated to guide the commission in this study:

1. **Alleviate Compaction of Salaries**
   In most state departments, the salary of the director in effect establishes an upper limit for salaries of other employees in that department, including both exempt and civil service personnel. As salaries for exempt and civil service positions have increased over the years, the salaries of statutory directors have increased at a much slower pace. This has caused the salary differential between the director and his subordinates to dwindle. In many instances, the difference in salary between a director and his chief deputy director is one dollar per month.

2. **Establish Compensation to Attract and Retain High-Caliber Personnel for State Executive Positions.**
   The efficient and responsible operation of the executive branch of the California State Government requires the employment of the most qualified personnel available. To continue to attract and retain high-caliber personnel the state must offer reasonably competitive salaries. In the Commission's report of 1965, *A Study of Management Manpower Requirements—California State Government*, the Commission cited under the heading "Motivating Managers to Excel" the following:
   "In the state government as in most organizations, compensation levels continue to be the focal point of all incentive devices. The Commission’s findings indicate, however, that the highest salaries offered by the State of California to managerial echelons are significantly low in relation to those offered by private industry for analogous positions. They also compare unfavorably with the salaries paid by the State of New York, the Federal Government, and even some municipal governments."

3. **Remedy Salary Inequities**
   Salary inequities exist when the salaries paid to the various executives are lower or higher than the salaries paid to other executives with comparable responsibilities. It is the view of this Commission that salaries of executive positions in state government be equitable, both in relation to one another and in relation to similar positions in other governmental jurisdictions.

The proposals contained herein present approaches to meeting these goals and objectives.

SCOPE AND METHOD

1. **Scope**
   The purview of this study was limited to executive positions in the California State Government executive branch whose salary rates are set by statute. This group includes 54 full-time administrators, 42 full-time board and Commission Members, 21 part-time board and Commission Members, and 293 board and Commission Members who are paid a daily rate for each official meeting attended.

   Exempt positions whose salaries are not established by statute, such as deputy directors, were excluded from the scope of this study since salaries for such exempt positions are established administratively. The salaries for civil service executives are set by the State Personnel Board and, similarly, were excluded from this study. In addition, a number of exempt positions whose salaries are set by statute are not included in specific salary recommendations. Some of these positions function within the hierarchy of an organization in a manner similar to other exempt administrative positions whose salaries are not set by statute. The scope of responsibility of others did not appear to equate to the lowest statutory salary level proposed. A specific recommendation concerning both types of these positions is included in the recommendation portion of this report.

2. **Method**
   The resources utilized by the Commission in this study were varied and extensive. Salary administration plans from other governmental jurisdictions were studied and evaluated including those of the Federal Government, the State of New York, and the County of Los Angeles. Salary data from a variety of recent executive salary surveys were also reviewed. Numerous types of data relating to state salaries were developed; the history of state executive salaries was reviewed and previous studies of statutory salaries in the State of California were analyzed. Charts and tables on salary compaction were also reviewed and analyzed. Program statements were obtained for each department to help evaluate the scope of responsibilities inherent in those positions. A complete listing of the references utilized by the Commission in this study is available in the appendix. Program statements are available in a separate volume.
Upon these and other data enumerated in the appendix, the Commission based its findings and conclusions.

FINDINGS AND CONCLUSIONS

1. Salaries for State Executives Are Low

Conducting the business and administering the responsibility of the government of the State of California is a tremendous task. Clearly, no one man can oversee all of the activities of this vast state. The Governor requires highly qualified individuals to direct the varied programs of the many departments in the executive branch of state government. The men heading these departments require a combination of skills in both substantive and administrative fields and an understanding of the political environment in which they must function. Typically, such individuals are difficult to recruit and retain. Often time, they must make a financial sacrifice to accept their appointment in state government because of the relatively low pay for state executives.

Obviously, there are inducements other than salary which motivate well-qualified persons to accept appointments as the heads of state departments. Prestige of office and a sense of public service are strong incentives for accepting a position offered by the Governor, but the state must also offer salaries which are at least competitive with those paid to top executives in other large governmental jurisdictions.

In 1965, in its report on management manpower requirements previously referred to, the Commission stated:

"The highest salaries paid by the State of California are low when compared to those offered not only by private industry, but also by the State of New York, the Federal Government, and by some municipal governments—including local governments in California. The incongruous fact is that 85 to 90 percent of all California state employees in the lower and middle ranks are paid salaries comparable to those of employees doing equivalent work in private industry. However, those men and women who serve in positions at the upper management levels are, by and large, paid salaries significantly below the compensation of individuals doing comparable work elsewhere."

This statement is still true today. Table I (appendix) shows a sample of the salaries paid to top executives by our Federal Government, the State of New York, the County of Los Angeles, the City of Los Angeles, the City/County of San Francisco, the City of San Diego, the University of California, and various administrative officers of several counties throughout the state. The salaries shown in Table I are not intended to imply that direct job comparisons were made; rather, they illustrate the significantly higher salaries being paid by other governmental employers. Salaries paid to California state executives have not always been low in relation to other governmental employers. In 1955, California ranked considerably better in comparison to various governmental agencies than it does now. This fact is illustrated in Table II (appendix).

Further illustration of the lag in the increases of statutory salaries in California is shown below.

2. Low Statutory Executive Salaries Have Resulted in Compaction of the Top Management Salary Structure

The salaries paid to statutory department heads in the California state government set a ceiling on the entire salary structure within their respective departments. This ceiling includes both exempt deputy directors and executives in the civil service. From 1964 to 1968, the salaries of department heads have increased by 5.6 percent, as shown in Table III (appendix). During this same time period the salaries of exempt and civil service executives increased as the prevailing wage increased throughout the economy. Civil service salaries, for example, have been adjusted an average of 21.1 percent since 1964. The result of lagging executive salary adjustments has been to reduce continually the salary differential between the director and his subordinates. This narrowing differential has occurred further into the lower subordinate levels of the departments as the salaries of directors have remained unchanged. The inadequacy of the supervisory salary differentials in many of the departments is illustrated in Table V (appendix).

The differentials between executives in California state government are extremely narrow in comparison with the differentials offered by not only private industry but by other governmental employers. Table IV (appendix) shows typical salary differentials between top executives in public utilities, manufacturing firms, and other governmental jurisdictions as well as California State Government. Clearly, the current salary differentials between directors and their deputies are inadequate. The following chart illustrates how salary differentials between directors and their chief deputies have gradually diminished during the past several years.
The impact of inadequate salary differentials between departmental directors and their chief deputies has been felt deeply in the salary structure of many departments and has affected many civil service positions. The result of the low salary ceilings in these departments has necessitated shortening the salary ranges of many civil service classes to less than the normal five-step, or 21-percent, salary range. This occurs when the maximum salary of the civil service range approaches that of the exempt deputy director or the director of the department, and the range has been narrowed artificially to maintain a minimum differential. Positions at this level in private industry typically offer a salary range of 30 to 40 percent and more. Currently, there are 108 civil service classes involving more than 260 persons whose salary ranges have been narrowed.

3. There Are an Excessive Number of Statutory Salary Levels in the Executive Branch

An examination of the salaries of administrative statutory positions shows that there are 15 different salary rates. The differentials between these vary from 28.5 to 0.9 percent. These levels have apparently evolved during the past several years through the creation of new positions and various adjustments of statutory salaries by the Legislature. It would appear reasonable to reduce the number of levels and to establish fewer but more meaningful differentials between the various executive salary levels.

4. There Is No Established Method or Procedure for Review of Executive Salaries

A major defect in the state’s executive compensation system is the lack of a procedure for the planned periodic review, evaluation, and adjustment of executive salaries. At the federal level, these functions are handled by the “Commission on Executive, Legislative, and Judicial Salaries.” Los Angeles County recently established a “county pay review committee” to make salary recommendations for executives, department heads, and their chief deputies. In past years comprehensive studies of the state’s executive salary structure have been conducted, but these have not resulted in a permanent mechanism for salary review and adjustment. In 1965, the Commission on California State Government Organization and Economy proposed a citizens’ “blue ribbon committee” to be appointed by the Gov-
The Commission on California State Government Organization and Economy recognizes that the possibilities for realignment of the executive salary structure in the State of California are infinite. In the opinion of the Commission adjustments can be recommended only with the understanding that this recommendation encompasses the governmental structure as it exists today. The problem of compaction is so acute today that immediate relief is a necessity. Provision for periodic refinement and modification of the executive salary structure is a part of the Commission’s recommendation and this important feature of the study cannot be overemphasized.

A. Executive Salaries

1. It is recommended that the relative salary relationships of department heads be generally retained as they have evolved through past legislative action. It is proposed, however, that positions with similar levels of responsibility be grouped at fewer levels of pay as shown in the table to the right.

2. The proposed salaries for statutory officers:
   a. Reflect the combined judgments and opinions of knowledgeable officials in the executive branch and members of this Commission concerning relative rankings of responsibilities and program complexities for the positions listed. This grouping basically retains the existing salary groupings of department heads as they have evolved through legislative action.
   b. Permit meaningful differentials between salary levels in the executive branch by reducing the number of salary rates from 16 to 5 with a significant dollar spread between levels.
   c. Provide a comprehensive understandable plan of compensation which will more adequately provide recognition for the contribution of the state’s statutory executives.
   d. Permit the remedy of salary compaction and other inequities to a substantial degree. It is acknowledged, however, that a complete remedy will not be achieved in all departments.
   e. Establish compensation at levels designed to attract and retain highly qualified people in state government.
   f. Result in increases in salaries for these positions from 9.9 to 26.9 percent.

3. Medical Department Heads

The salary recommendations for medical directors (Departments of Mental Hygiene and Public Health) are modest in view of prevailing salaries for positions of this type in certain other jurisdictions. The Commission found, however, that these department heads have unique salary problems. The compaction of salaries in these departments is acute because of the high salary level of the medical staff in the departments and the various organizational levels in those departments. To recruit capable staff with the particular professional and educational requirements for these departments has required a salary structure which is very high in relation to nonmedical departments in state government. It is the conclusion of the Commission that the salaries of medical department heads be related internally to the salaries of other statutory executives in state government. Secondary consideration was given to the prevailing salary rates for medical executives in other governmental jurisdictions.

B. Board and Commission Member Salaries

The question of salaries for board and commission members presents a particularly difficult problem. There are over 350 members on the numerous board and commission members in state government.

### Recommended Executive Salaries for Statutory Officers

<table>
<thead>
<tr>
<th>Title of Executive</th>
<th>Current Salary</th>
<th>Proposed Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director of Finance</td>
<td>$31,835</td>
<td>$35,000</td>
</tr>
<tr>
<td>Agency Secretaries (4)</td>
<td>28,575</td>
<td>35,000</td>
</tr>
<tr>
<td>Director of Mental Hygiene</td>
<td>27,300</td>
<td>32,500</td>
</tr>
<tr>
<td>Director of Public Welfare</td>
<td>27,300</td>
<td>32,500</td>
</tr>
<tr>
<td>Superintendent of Banks</td>
<td>25,725</td>
<td>30,000</td>
</tr>
<tr>
<td>Commissioner of Corporations</td>
<td>25,725</td>
<td>30,000</td>
</tr>
<tr>
<td><em>Director of Employment</em></td>
<td>25,725</td>
<td>30,000</td>
</tr>
<tr>
<td>Insurance Commissioner</td>
<td>25,725</td>
<td>30,000</td>
</tr>
<tr>
<td>Director of Public Works</td>
<td>25,725</td>
<td>30,000</td>
</tr>
<tr>
<td>Savings and Loan Commissioner</td>
<td>25,725</td>
<td>30,000</td>
</tr>
<tr>
<td>Director of Social Welfare</td>
<td>25,725</td>
<td>30,000</td>
</tr>
<tr>
<td>Director of Water Resources</td>
<td>25,725</td>
<td>30,000</td>
</tr>
<tr>
<td><em>Director of Human Resources Development</em></td>
<td>25,725</td>
<td>30,000</td>
</tr>
<tr>
<td>Department of Agriculture</td>
<td>24,675</td>
<td>30,000</td>
</tr>
<tr>
<td>Director of Corrections</td>
<td>24,675</td>
<td>30,000</td>
</tr>
<tr>
<td>Director of General Services</td>
<td>24,675</td>
<td>30,000</td>
</tr>
<tr>
<td>Director of Industrial Relations</td>
<td>24,675</td>
<td>30,000</td>
</tr>
<tr>
<td>Director of Motor Vehicles</td>
<td>24,675</td>
<td>30,000</td>
</tr>
<tr>
<td>Director of Youth Authority</td>
<td>24,675</td>
<td>30,000</td>
</tr>
<tr>
<td>Director of Health Care Services</td>
<td>23,625</td>
<td>30,000</td>
</tr>
<tr>
<td>Commissioner, California Highway Patrol</td>
<td>23,625</td>
<td>30,000</td>
</tr>
<tr>
<td>Director of Alcoholic Beverage Control</td>
<td>23,625</td>
<td>27,500</td>
</tr>
<tr>
<td>Director of Conservation</td>
<td>23,625</td>
<td>27,500</td>
</tr>
<tr>
<td>Director of Fish and Game</td>
<td>23,625</td>
<td>27,500</td>
</tr>
<tr>
<td>Executive Officer, Franchise Tax Board</td>
<td>23,625</td>
<td>27,500</td>
</tr>
<tr>
<td>Director of Parks and Recreation</td>
<td>23,625</td>
<td>27,500</td>
</tr>
<tr>
<td>Real Estate Commissioner</td>
<td>23,625</td>
<td>27,500</td>
</tr>
<tr>
<td>Director of Rehabilitation</td>
<td>23,625</td>
<td>27,500</td>
</tr>
<tr>
<td>Director of Veterans Affairs</td>
<td>23,625</td>
<td>27,500</td>
</tr>
<tr>
<td>Commissioner of Commerce</td>
<td>25,725</td>
<td>27,500</td>
</tr>
<tr>
<td>Director of Professional and Vocational Standards</td>
<td>25,725</td>
<td>27,500</td>
</tr>
<tr>
<td>Director of Harbors and Watercraft</td>
<td>22,575</td>
<td>25,000</td>
</tr>
<tr>
<td>Director, California Disaster Office</td>
<td>22,575</td>
<td>25,000</td>
</tr>
<tr>
<td>Director, Department of Housing and Community Development</td>
<td>22,575</td>
<td>25,000</td>
</tr>
</tbody>
</table>

* Under the provisions of AB 1463 the Department of Employment will be abolished by January 1, 1970. The functions of the Department of Employment will be handled by the newly established Department of Human Resources Development.

NOTE: The Adjutant General was excluded since the statute provides that his salary shall be that of a lieutenant general in the United States Army.
boards and commissions. There are four basic categories of board and commission members for salary purposes:

— Full-time board and commission members who are paid on an annual basis.
— Part-time board and commission members who are paid on an annual basis.
— Part-time board and commission members who are paid a daily rate for each official meeting attended.
— Part-time board and commission members who do not receive compensation but are reimbursed for expenses incurred in performing their official duties.

NOTE: The salary for members of boards and commissions is based on the employees of the department. The salary structure for full-time and part-time board and commission members was established by grouping members at similar pay rates into four basic pay levels from $18,000 to $30,000 per year. These pay levels generally reflect salary levels which are reasonable in relation to those proposed for statutory executives. In addition, it is recommended that the presiding officer of a full-time board or commission receive a salary 5 percent higher than the regular members of the board or commission to reflect his additional responsibilities. The table below indicates the proposed annual salaries for the various full-time board and commission members.

**RECOMMENDED SALARIES FOR FULL-TIME BOARD AND COMMISSION MEMBERS**

<table>
<thead>
<tr>
<th>Board or Commission</th>
<th>Current annual salaries</th>
<th>Proposed annual salaries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Member</td>
<td>Presiding officer</td>
</tr>
<tr>
<td>Public Utilities Commission</td>
<td>$26,250 (4)</td>
<td>$26,775</td>
</tr>
<tr>
<td>Unemployment Insurance Appeals Board</td>
<td>25,000 (4)</td>
<td>25,725</td>
</tr>
<tr>
<td>Adult Authority</td>
<td>21,525 (6)</td>
<td>22,050</td>
</tr>
<tr>
<td>Board of Equalization</td>
<td>21,525 (4)</td>
<td>22,050</td>
</tr>
<tr>
<td>State Water Resource Control Board</td>
<td>21,525 (4)</td>
<td>22,050</td>
</tr>
<tr>
<td>Youth Authority Board</td>
<td>21,525 (7)</td>
<td></td>
</tr>
<tr>
<td>Alcoholic Beverage Control Appeals Board</td>
<td>14,700 (2)</td>
<td>15,225</td>
</tr>
</tbody>
</table>

NOTE: This table does not include the Workmen's Compensation Appeals Board, since the statutes provide that their salaries shall be at parity with Superior Court Judges, which is equal to $30,075 per year.

2. **Part-Time Board and Commission Members Receiving an Annual Salary**

Board and commission members in this category devote a portion of their time to their duties. The annual salaries established by statute for these positions are intended to recognize their responsibilities and the estimated time spent by the appointees in carrying out their duties. The Commission proposes that the salaries established for these board and commission members be increased 20 percent to maintain their salaries in relation to those of department heads. The proposed salary rates for these positions are shown in the table below:

3. **Board and Commission Members Receiving Daily Rate Compensation**

There are 293 part-time board and commission members who are compensated on a daily basis for each official meeting attended. This compen-

**RECOMMENDED SALARIES FOR PART-TIME BOARD AND COMMISSION MEMBERS**

<table>
<thead>
<tr>
<th>Title</th>
<th>Number of positions</th>
<th>Current annual salary</th>
<th>Proposed annual salary</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Chairman, Board of Barber Examiners</em></td>
<td>1</td>
<td>$9,345</td>
<td>$11,214</td>
</tr>
<tr>
<td><em>Member, Board of Barber Examiners</em></td>
<td>2</td>
<td>8,820</td>
<td>10,884</td>
</tr>
<tr>
<td>Commissioner, Board of Harbor Commissioners for Humboldt Bay</td>
<td>2</td>
<td>532</td>
<td>630</td>
</tr>
<tr>
<td>Chairman, California Women's Board of Terms and Paroles</td>
<td>1</td>
<td>1,890</td>
<td>2,268</td>
</tr>
<tr>
<td>Member, California Women's Board of Terms and Paroles</td>
<td>1</td>
<td>9,450</td>
<td>11,240</td>
</tr>
<tr>
<td>Chairman, Narcotic Addict Evaluation Authority</td>
<td>5</td>
<td>8,925</td>
<td>10,710</td>
</tr>
<tr>
<td>Member, Narcotic Addict Evaluation Authority</td>
<td>1</td>
<td>10,500</td>
<td>12,600</td>
</tr>
<tr>
<td>Member, State Personnel Board</td>
<td>3</td>
<td>9,075</td>
<td>11,970</td>
</tr>
<tr>
<td>Member, State Personnel Board</td>
<td>5</td>
<td>8,400</td>
<td>10,080</td>
</tr>
</tbody>
</table>

* The chairman and two members of the five-member Board serve in a full-time capacity. Commissioner Manning J. Post, Vice chairman, does not concur with this recommendation for salary increases to that he believes it inconsistent with a prior proposal of this Commission that the use of Barber Board members in this capacity be discontinued. (See "An Examination of the Department of Professional and Vocational Standards", September 1967.)
sation is in addition to any reimbursement they may receive for expenses incurred in the performance of their duties. The basis of compensation for these positions is unclear and the wide variety of rates paid to members of different boards and commissions does not appear to provide a logical salary structure. In the short time provided for this study the Commission was not able to evaluate the salary structure for this group. Therefore the Commission is not making a salary recommendation for positions of this type. We do urge, however, that attention be given to the salary needs of this group in the near future.

C. Governor's Secretaries' Salaries

Section 12001 of the California Government Code provides:

"The Governor may appoint and fix the salaries of such secretaries and other personnel as he deems necessary for his office. No salary fixed under this section shall exceed $16,500 annually, except the salary of the Executive Secretary to the Governor shall not exceed $24,500 annually, and the salaries of eight secretaries to the Governor, including not more than two legislative secretaries, shall not exceed $20,000 annually."

This section was amended by Assembly Bill 32 and incorporated in the Budget Bill, which authorized the Governor to set the salaries of the secretaries covered in Section 12001 of the Government Code at a rate 5 percent above the maximum salaries specified in that section. The current maximum salaries are: Executive Secretary $25,725 annually and the eight secretaries of the Governor $21,000 annually, other personnel $17,325 annually.

The salary limits available to the Governor should be increased in order to provide salaries for the Governor's secretaries which are comparable to those for other top-level administrators. It is recommended that Section 12001 of the California Government Code be amended to provide that the Executive Secretary's salary maximum shall not exceed $35,000 annually and that the eight secretaries to the Governor shall not exceed $27,500 annually. It is believed that these limits will permit a logical salary relationship with other statutory executive salaries and provide flexibility of salaries dependent upon the scope and degree of responsibility vested in the positions at any given time. Other personnel under this Section 12001 shall receive a salary not to exceed $20,000 annually.

D. Appropriation of Funds

It is recommended that funds totaling approximately $375,000 be appropriated to make possible the various salary adjustments proposed. $270,000 would come from the General Fund with the balance of $105,000 to be allocated from special funds. This total amount represents less than one-hundredth of 1 percent of the salaries and wages of the executive branch for the 1968-69 fiscal year.

It is recognized that additional funds may be required to permit the relief of compaction between administrative levels for both exempt and civil service positions. This should be taken into account at an appropriate time in the budgetary process.

E. Positions Whose Salaries Should Not Be Set by Statute

As stated earlier, there are a number of exempt positions whose salaries are set by statute for which salary proposals have not been made. It is recommended that the salaries of the following positions now established by statute be subject to Section 18004 of the Government Code, which would cause their salary to be subject to the approval of the Department of Finance. These positions are:

- Administrative Director, Division of Industrial Accidents ($90,572 per year)
- Consumer Counsel ($18,900 per year)
- Deputy Director of Employment ($21,525 per year)
- Secretary, California Horse Racing Board ($14,700 per year)
- State Architect (General Services) ($23,000 per year)
- State Fire Marshal ($18,900 per year)
- State Printer (General Services) ($20,475 per year)
- State Planning Officer (Finance) ($21,000 per year)

*The statute now sets this salary at parity with superior court judges.

F. Executive Salary Review Committee

As mentioned previously, there is a need for a more timely and systematic review of statutory salaries. In addition, there is a need for coordination of salary action between civil service salaries established and maintained by the State Personnel Board, salaries approved by the Department of Finance, and those set by the Legislature. It is recommended that the state provide for a system of future review and adjustment of executive statutory salaries which will keep them current and competitive. It is proposed that a "Committee on Executive Salaries" be established. The membership of this Committee would consist of the following: (1) the Governor's Appointment Secretary, (2) a public member appointed by the Senate, (3) a public member appointed by the Assembly, (4) the Chairman of the Commission on California State Government Organization and Economy, (5) a member of the Commission on California State Government Organization and Economy appointed by the chairman of the commission, (6) a member of the State Personnel Board, and (7) the Director of the Department of Finance.

The staff assistance to this Committee would be supplied jointly by the Department of Finance and the State Personnel Board. The Committee would be appointed biennially on January 30 commencing in 1970. The term of appointment would
be for one year. The Committee would take into account in its study all pertinent data regarding salary changes of state personnel and similar executive positions in other private and governmental organizations.

The establishment of this Committee and its periodic review of executive salaries should help to prevent some of the serious salary compression problems that the state is now facing. It will provide an objective review of pertinent data by a responsible and impartial group. The recommendations of the Committee will serve to bring to the attention of the Legislature and the administration the salary needs of these key executive positions. In addition to determining what salary adjustments are warranted, the Committee will assist in maintaining equitable salary relationships internally among the various executives and will reflect in the salary structure organizational and legislative changes as appropriate.
APPENDIX I

TABLES

1. Annual Salaries of Selected Government Officials as of July 1, 1968.
2. Comparative Salary Rankings of Department Heads in Five Government Jurisdictions for Selected Years.
5. Director's Salary Compared with Salaries of Executive Subordinates.
# ANNUAL SALARIES OF SELECTED GOVERNMENT OFFICIALS AS OF JULY 1, 1968

<table>
<thead>
<tr>
<th>U.S. federal government</th>
<th>State of New York</th>
<th>County of Los Angeles</th>
<th>City of Los Angeles</th>
<th>City and County of San Francisco</th>
<th>City of San Diego*</th>
<th>Various county administrative officers</th>
<th>University of California</th>
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<tbody>
<tr>
<td>Secretary of Agriculture</td>
<td>$35,000</td>
<td>Commissioner of Agriculture</td>
<td>$21,792</td>
<td>Sheriff</td>
<td>$24,418</td>
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<td>Secretary of Labor</td>
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<td>Director of FBI</td>
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<td>Assistant City Administrative Officer</td>
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<td>Director, Parks and Recreation</td>
<td>$28,692</td>
<td>General Manager of Los Angeles Civil Service Department</td>
<td>$27,204</td>
<td>Planning Director</td>
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<td>Director, National Park Service</td>
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<td>Commissioner of Reclamation</td>
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*Maximum salary of the range.
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<td>25</td>
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<tr>
<td>Youth Authority</td>
<td>14,500</td>
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</table>

Average: $15,261  $17,562  16.1  $18,492  5.1  $19,386  2.3  $23,461  18.3  $24,512  5.6

1 Director deleted from statutory equalization plan in 1967.
2 Director received increase in 1961 to $14,500.
3 Department established in 1963; salary of director established at $18,000 per year; functions transferred from Department of Industrial Relations.
4 Department established in 1958; salary of director established at $18,101 per year.
5 Department established in 1957.
The bureau chief or professional rehabilitation fish on the table.

Comparisons of salaries are made at their highest level in the table. These comparisons are between four management levels. Typically, these are:

Level I — The director (usually executive).
Level II — The division chief (usually executive).
Level III — The division chief or assistant director (usually civil service).
Level IV — The bureau chief or assistant division chief (usually civil service).

At Level II, III, or IV, if more than one classification exists in an agency, a single representative classification is shown. A salary at any one level acts as a ceiling upon the salary at the next lower level in an organization.
April 9, 1968

Mr. William Holmes
Chairman
Commission on California State
   Government Organization and Economy
110 South A Street
Madera, California 93637

Dear Bill:

Compaction in the salary structure of the executive branch of State Government is now an acute problem. A review and evaluation of the executive compensation system is urgently needed. Therefore, I am asking your Commission to undertake this study and to report your findings to me and the State Legislature by February 1, 1969.

To assist the Commission in its work, I am requesting by a copy of this letter that the California State Personnel Board and the Department of Finance direct their staff to provide technical assistance for the Commission.

Sincerely,

RONALD REAGAN
Governor
RESOLUTION CHAPTER 224

Assembly Concurrent Resolution No. 105—Relative to executive compensation in state service.

[Filed with Secretary of State July 31, 1968.]

WHEREAS, The Legislature has established the policy that like salaries shall be paid for comparable duties and responsibilities in state service, with consideration given to the prevailing rates for comparable service in other public employment and in private business; and

WHEREAS, The current differential in compensation of superior and subordinate state executives is grossly inadequate to recognize substantial differences in responsibility, to the point where the difference in monthly salary between the director and the chief deputy director of 14 state departments is less than $2; and

WHEREAS, The State Personnel Board reported to the Legislature in its Annual Report on State Salaries and Personnel Management, dated December 1, 1967, that the current compensation for state executives is substantially below that of executives with similar responsibilities in local government in California and in other state governments; and

WHEREAS, The Report on Management Manpower Requirements by the Commission on California State Government Organization and Economy, dated February 1965, recommended substantial changes in the approach to establishing and maintaining executive compensation in state government; and

WHEREAS, Accepted practice in private industry requires a systematic and equitable approach to executive compensation; and

WHEREAS, Authority to establish executive salaries in state government is divided among the Legislature, the Department of Finance, the State Personnel Board and other duly constituted salary-setting authorities; and

WHEREAS, Levels of compensation which adequately reflect differing levels of responsibility are a critical source of motivation and recognition for the creative leadership which is essential to effective state government; now, therefore, be it

Resolved by the Assembly of the State of California, the Senate thereof concurring, That the Legislature requests the Commission on California State Government Organization and Economy to review and evaluate the executive compensation system in state government and report its findings and recommendations to the Legislature within 30 days of the commencement of the 1969 Regular Session; and be it further

Resolved, That the California State Personnel Board and the Department of Finance are requested to direct their staffs to provide such technical assistance for the commission as is necessary; and be it further

Resolved, That the Chief Clerk of the Assembly transmit a copy of this resolution to the Chairman of the Commission on California State Government Organization and Economy.
APPENDIX III

References

A. Reports
7. Salaries of statutory officials in California State Service—A Report to Assembly Interim Committee on Civil Service and State Personnel by the State Personnel Board, Department of Finance and the Legislative Auditor, 1954.

B. Surveys

C. Other Sources
2. John J. Corson, Public Executive Compensation (Excerpts of a speech delivered at the 1963 Institute on Pay Plans held by the Public Personnel Association).
4. New York State Civil Service Department, Classification and Compensation Plan and Salary Schedules, July 1968.
6. Program statements for all State departments studied. These were provided by the Department of Finance.