

Major Financial Legislation Enacted in 1989

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Introduction

This report summarizes the fiscal effects of legislation enacted during the 1989 Regular Session of the California Legislature, and the First Extraordinary Session called by the Governor in response to the October 17 Loma Prieta earthquake.

This report is divided into two parts. Part 1 of the report describes the provisions and fiscal effects of some 70 major bills enacted during the 1989 Regular Session. Each of these bills is significant from both a fiscal and policy standpoint. Many of the other bills approved by the Legislature and the Governor during the 1989 Regular Session also will have important consequences for the people of California. The discussion of individual bills in Part 1 of this report is intended to be illustrative of the actions taken by the Legislature on major financial legislation in 1989.

Part 2 discusses the provisions and fiscal effects of the 24 measures chaptered during the First Extraordinary Session of the Legislature in November.

Part 1

Summary Of Major Financial Legislation

1989 Regular Session

Table 1 shows the disposition of Senate and Assembly Bills during the 1989 Regular Session. As indicated, 4,260 bills were introduced and eventually 1,467 of these were chaptered. The table also shows that the Governor vetoed 270 bills. This section summarizes the enacted measures having a major fiscal effect at the state level.

Table 1

Disposition of Senate and Assembly Bills 1989 Regular Session

| | <i>Senate</i> | <i>Assembly</i> | <i>Totals</i> |
|--------------------|---------------|-----------------|---------------|
| Introduced | 1,724 | 2,536 | 4,260 |
| Enrolled | 765 | 972 | 1,737 |
| Vetoed by Governor | 118 | 152 | 270 |
| Chaptered | 647 | 820 | 1,467 |

Fiscal Effects

Legislation passed during the 1989 Regular Session affected both revenues and expenditures.

On the revenue side, we estimate that General Fund revenues for 1989-90 will be reduced by a net amount of approximately \$14 million as a result of legislation passed during the 1989 Regular Session. This amount includes increased revenue of approximately \$10 million to the General Fund as a result of transfers from the Satellite Wagering Account and the Fair and Exposition Fund (Ch 74/89—Floyd), offset by decreased revenue to the General Fund as a result of several new state tax credits. These include a recycled materials tax credit (Ch 1090/89—Alquist), a solar energy tax credit (Ch 1291/89—Garamendi), a ridesharing tax credit (Ch 1227/89—Klehs), and a tax credit for recycling machinery (Ch 1091/89—Killea).

On the expenditure side, the estimated General Fund cost of financial legislation passed during the 1989 Regular Session is approximately \$133 million. This amount includes \$27 million for the Medically Indigent Services Program (Ch 1331/89—Isenberg), \$13.4 million for drug-related activities in the Department of Justice (Ch 1453/89—Roberti), \$10 million for increased toxics activity (Ch 269/89—Torres), and \$11 million for foster care rate restructuring (Ch 1294/89—Presley).

Revenue and Taxation Measures

Low-Income Housing Tax Credit

Chapter 46 — Senate Bill 70 (Leroy Greene)

Chapter 1347 — Senate Bill 726 (Leroy Greene)

Chapter 1156 — Senate Bill 1290 (Seymour)

These acts extend and modify the state's tax credit program for investors in low-income housing, in effect permanently continuing the existing program as long as the comparable federal program exists. In addition to extending the program, these measures require that a minimum of 20 percent of the credits be allocated to rural housing projects and increase the amount of tax credits which may be granted in 1989 by the amount of the credits which were authorized, but not allocated during 1987 and 1988.

Under the state's low-income housing tax credit program (which was first implemented in 1987) the Mortgage Bond and Tax Credit Allocation Committee authorizes tax credits equal to 30 percent of qualified low-income housing investments. This amount is claimed by the taxpayer over a four-year period. Under the original legislation, the total amount of tax credits available for allocation was equal to the lesser of \$1.25 per state resident or \$35 million annually. This amounted to approximately \$32 million in 1987, \$35 million in 1988, and \$35 million in 1989. Approximately \$22.5 million of the available 1987 credits were not used, however, and these acts will allow them to be allocated.

Assuming the entire amount of the unused 1987 credits is allocated to projects placed in service in 1989, these acts will result in General Fund revenue losses of approximately \$6.75 million in 1990-91, \$6.75 million in 1991-92, \$6.75 million in 1992-93, and \$2.25 million in 1993-94.

In addition, this act will allow an additional \$35 million in state tax credits to be allocated annually. The tax credits allocated each year will be claimed over a four-year period resulting in revenue losses of \$10.5 million in 1990-91, \$21 million in 1991-92, \$31.5 million in 1992-93, and \$35 million in 1993-94 and annually thereafter.

Recycled Materials Tax Credit

Chapter 1090 — Senate Bill 432 (Alquist)

This act establishes a tax credit equal to 10 percent of a taxpayer's purchase costs for recyclable materials that are used in the production of new products. The credit applies to recycled waste paper, glass, and plastics (except recycled beverage containers), purchased between January 1, 1989 and January 1, 1994. Taxpayers are allowed to carry over to subsequent years any unused portion of the tax credits.

This act will result in annual General Fund revenue losses in the range of \$11 million annually from 1989-90 through 1993-94, and diminishing amounts thereafter (due to credits carried over from previous years).

Tax Credit for Recycling Machinery

Chapter 1091 — Assembly Bill 1308 (Killeca)

This act establishes a tax credit for machinery used to manufacture products from waste materials. The act provides a credit of up to \$250,000 based on the acquisition cost of equipment used to manufacture products made of waste materials. A credit of 40 percent is to be spread over three years for qualified equipment purchased between January 1, 1989 and December 31, 1993.

This act will result in a General Fund revenue loss of approximately \$1 million annually from 1989-90 through 1993-94.

Solar Energy Tax Credit

Chapter 1291 — Senate Bill 227 (Garamendi)

This act establishes a tax credit equal to 10 percent of the cost of solar-powered electrical generating equipment purchased by individuals or businesses between January 1, 1990 and January 1, 1994. The credits may be taken only for solar technologies that produce electricity at or above minimum standards set by the California Energy Commission and generate more than 30 megawatts of electricity.

This act will result in annual General Fund revenue losses in the range of \$2 million to \$5 million annually in 1989-90 through 1993-94.

Ridesharing Tax Credit

Chapter 1227 — Assembly Bill 1463 (Klehs)

This act establishes ridesharing tax credits for both employers and employees for the 1989 through 1995 tax years. Under the act, employers may claim a tax credit against the cost of employer-sponsored ridesharing programs including the cost of purchasing or leasing vehicles for use in employee carpools. In addition, the act authorizes a personal income tax credit for employees. This employee credit is equal to 40 percent of the cost of participating in a vanpool not sponsored by the employer, up to a maximum amount of \$480 per year.

This act will result in a General Fund revenue loss in the range of \$4 million annually from 1989-90 through 1995-96.

Health Benefits Tax Credit

Chapter 797 — Senate Bill 1207 (Keene)

This act expands the number of employers eligible to claim a tax credit for the cost of providing employee health care benefits. Prior to this act, the following restrictions applied to the credit:

- Only employers of 25 or fewer employees who had not provided health insurance during the two years preceding the effective date of the credit were eligible;
- The tax credit was dependent on the existence of certain state budget and economic conditions; and
- The tax credits were only to remain in effect for a five-year period after they became operative.

This act removes the above restrictions, making the credits available to all employers of 25 or fewer employees. These employers may claim a tax credit equal to the greater of \$25 per month, or 25 percent of employer costs for providing specified health care benefits to an employee or the employee's dependents. This credit is in lieu of the normal business expense deduction allowed for employer health care costs. Additional credits are available for employers providing supplemental benefits for mental health treatment and prenatal care. The credits will only become available if a specified report is submitted to the Legislature and the Governor by March 1, 1990.

This act will result in annual General Fund revenue losses of hundreds of millions of dollars, beginning with the 1992 tax year. These revenue losses will be partially offset by revenue gains from the reduction in the number of tax deductions for employer health care costs. The Franchise Tax Board estimates that the net revenue loss will be in the range of \$300 million annually.

Under the provisions of Proposition 98, a \$300 million General Fund revenue loss may reduce the minimum required level of K-14 school funding in 1992-93 by approximately \$120 million. The act's impact on the minimum required funding level will depend on which of the Proposition 98 formulas is used to determine this level.

Local Sales Taxes for Jails

Chapter 1335 — Assembly Bill 1067 (Hauser)

This act establishes the Orange County Regional Justice Facility Commission and authorizes the counties of Humboldt, Los Angeles, Riverside, San Bernardino and Ventura to establish similar agencies. The commission and the new agencies could impose an additional half-cent sales tax on a countywide basis upon approval by a majority of the voters in an election. San Diego County currently has a regional justice agency that imposes a half-cent sales tax, and a similar agency is authorized in San Joaquin County but has not been activated.

The commission and the new agencies could use their funds to acquire, build, and operate jails, courts and other law-enforcement facilities. The new county agencies also could support programs that reduce or prevent juvenile crime. The measure also authorizes the commission and the new agencies to issue bonds backed by their sales tax revenues, subject to voter approval.

If all of the regional justice agencies authorized by this act are created and impose an additional sales tax, the total annual revenue available to the Orange County justice facility commission and the five county regional justice facility agencies would be approximately \$700 million annually, including about \$11 million to reimburse the state for its cost to collect and allocate the new taxes.

Redevelopment of Norton and George Air Force Bases

Chapter 545 — Assembly Bill 419 (Eaves)

This act authorizes San Bernardino County and the cities within the county to form special agencies to redevelop Norton Air Force Base in San Bernardino and George Air Force Base in Victorville. Both bases are scheduled for closure by October 1995. The act allows the redevelopment areas to include large areas of land adjacent to the bases without meeting the general requirement in existing law that these lands must be blighted and primarily urbanized. It also exempts these special agencies from many of the requirements placed on redevelopment projects, including limits on the debt that they will issue and the amount of property tax revenue that they will divert.

Currently, school districts receive a significant portion of local property tax revenues. In areas with redevelopment projects, some of these revenues are diverted to the redevelopment agency, and the state replaces the lost property tax revenue to the schools. Consequently, this measure could increase future state costs to replace property tax revenue diverted from school districts in San Bernardino County to the special redevelopment agencies. Whether this measure results in an increase in total state education costs will depend on the specific funding formula in effect under Proposition 98 at that time.

If Proposition 98 does not require an increase in total state education funding, then the larger apportionments to San Bernardino County schools would result in less funding for other education programs. The potential magnitude of the state cost or funding shift is millions of dollars because of the large scope of the potential air base redevelopment projects.

Open-Space Subventions

Chapter 1087 — Assembly Bill 28 (Hannigan)

This act amends the 1989 Budget Act to appropriate an additional \$5 million from the General Fund for open-space subventions. The 1989 Budget Act appropriates \$14.6 million, which is the estimated cost of these subventions for 1989-90. These subventions are provided to counties and cities to compensate them for property tax revenues lost as a result of participation in the California Land Conservation Act (the Williamson Act).

The Williamson Act allows cities and counties to contract with landowners to restrict the use of their property to open-space and agricultural purposes. In return for the restriction, the land is assessed at a reduced value. The state provides subventions to cities and counties to partially offset the revenue loss due to the contracts.

This act appropriates \$5 million from the General Fund in 1989-90 for open-space subventions. This appropriation augments the 1989 Budget Act appropriation of \$14.6 million for a total of \$19.6 million in 1989-90.

Horseracing License Fees

Chapter 74 — Assembly Bill 347 (Floyd)

This act, an urgency measure, alters the distribution of license fee revenues payable to the Satellite Wagering Account and the General Fund from satellite wagering activities. Under the act, one-half of all Satellite Wagering Account license fee revenues in excess of \$11 million are required to be transferred to the General Fund. The act also requires that one-half of Fair and Exposition Fund revenues in excess of \$13 million be transferred to the General Fund. In exchange for the increased transfers, the act deletes a provision of existing law which imposes a one-half percent state license fee increase for satellite wagering activities whenever total revenues to the General Fund for all horse racing activities do not equal or exceed \$115 million. Finally, the act extends the sunset date from January 1, 1990 to January 1, 1993, to authorize fairs in Kern and Santa Barbara Counties to operate satellite wagering facilities and receive multiple simulcast signals.

Based on information provided by the Department of Finance, we estimate that this act will result in revenue increases to the General Fund totaling \$10 million in 1988-89, approximately \$9.6 million in 1989-90 and increasing amounts annually thereafter. Offsetting these increases are revenue losses to the Fair and Exposition Fund and the Satellite Wagering Account totaling \$10 million in 1988-89, \$13.3 million in 1989-90 and increasing amounts annually thereafter. About 60 percent of these losses will accrue to the Fair and Exposition Fund, while the remainder will accrue to the Satellite Wagering Account.

Spending Limitations

Spending Limit Changes

Resolution Chapter 66 — Senate Constitutional Amendment 1 (Garamendi)

This act proposes that the state's voters be asked to approve a number of significant changes in the state's 10-year old spending limit. Specifically, Resolution Chapter 66 would:

- Modify the cost-of-living and population factors used to adjust state and local appropriations limits;
- Modify the formulas used to determine the required minimum funding level for K-14 education. This is done by changing the cost-of-living factor used in determining the minimum funding amount under one of the two minimum funding formulas for K-14 education;
- Change the allocation of revenues in excess of the state's appropriations limit. This is done by: (1) providing that one-half of any revenues in excess of the state's appropriations limit shall be allocated to K-14 school districts, and the other half returned to state taxpayers, (2) removing the 4-percent cap on allocations of excess revenues to K-14 education, and (3) providing that allocations of excess revenues to K-14 are no longer to be considered in calculating the minimum funding guarantee.
- Provide a mechanism to reduce the minimum funding level required for K-14 education in "low-revenue growth" years and pay back that reduction in years in which General Fund revenues grow more quickly than state personal income

Resolution Chapter 66 would also:

- Provide for a two-year averaging of any excess revenues; and
- Provide that appropriations for the following purposes are not subject to limitation: (1) costs of natural disasters, (2) the costs of conducting appropriations limit override elections, (3) new capital outlay expenditures, and (4) additional transportation revenues.

The changes to the State Constitution contained in Resolution Chapter 66 will be presented to the voters on the June 1990 ballot and, if passed, would take effect on July 1, 1990.

The primary effect of Resolution Chapter 66 will be to increase the state's appropriations limit, by approximately \$1.2 billion in 1990-91, \$1.3 billion in 1991-92 and by increasing amounts annually thereafter. Resolution Chapter 66 will also affect the minimum funding level for K-14 education. The net impact of this measure on the total amount of funds that must be provided to K-14 education depends on the amount of excess revenue that would have been allocated to K-14 education under existing law, and the increased amount of revenue that must be allocated to K-14 education as a result of the change in the minimum funding guarantee. In addition, this measure will increase local government appropriation limits by an unknown, but probably significant amount.

Resources

Environmental Water Act of 1989

Chapter 715 — Assembly Bill 444 (Isenberg)

Chapter 716 — Assembly Bill 1442 (Baker)

These acts, known together as the Environmental Water Act of 1989, will (1) retire the State Water Project's (SWP) \$391 million debt to the state and (2) fund three environmentally related water programs: the Environmental Water Program (to protect the Mono Lake Basin), the Water Quality Program (to address problems of agricultural drainage water), and the Delta Flood Protection Program (created by Ch 23/88 — SB 34, Boatwright).

Over the past 30 years the SWP has borrowed tideland oil revenues from the state through the California Water Fund (CWF), accumulating a \$391 million debt. At the same time the General Fund has accumulated a \$182 million debt to the SWP for (1) past recreation and fish and wildlife enhancements on the project (\$172 million) and (2) the state's share of costs for mitigation facilities under the Suisun Marsh Preservation Agreement with the federal government (\$9.5 million).

Chapter 716 offsets these debts, thereby canceling the \$182 million General Fund debt owed to the SWP and a like amount owed by the project to the CWF. This act also authorizes the offset of future General Fund obligations for recreation and fish and wildlife enhancements along the SWP. These future offsets would be subject to annual approval by the Legislature. In addition, Chapter 716 states legislative intent that SWP debt repayments be used to (1) establish the Environmental Water Fund and (2) provide additional funding for the existing Delta Flood Protection Program. Together these provisions will retire the SWP's total debt to the CWF within the next 10 years.

Chapter 715 establishes the Environmental Water Program, to be funded from the Environmental Water Fund created by Chapter 716. The primary purpose of this program is to protect and preserve Mono Lake and its watershed. The program also will restore and enhance specified state waterways. In addition, Chapter 715 establishes the Water Quality Program, to fund projects that improve the quality and reduce the amounts of agricultural drainage water. The Water Quality Program also will receive funds from the Environmental Water Fund.

These acts retire the \$391 million SWP debt to the CWF by: (1) canceling \$182 million of the General Fund debt owed to the SWP; (2) authorizing future offsets of General Fund obligations to the SWP (approximately \$7.5 million annually); and (3) stating legislative intent that \$60 million in SWP debt repayments be used to fund the Environmental Water Program, \$102 million be used to fund the Delta Flood Protection Program, and up to \$5 million be used to fund the Water Quality Program. By specifying the uses of SWP's debt repayments, Chapter 715 restricts those repayments from funding new SWP construction or any other legislative priorities.

Cache Creek Settling Basin

Chapter 935 — Assembly Bill 614 (Hansen)

This act, an urgency measure, authorizes the Cache Creek Settling Basin flood control project to trap sediment carried by Cache Creek. The project will protect the Yolo Bypass (part of the Sacramento River Flood Control Project) from sediment flows.

The Reclamation Board estimates the total costs of this project to be \$25 million. As the sole nonfederal sponsor of the project, the Reclamation Board will be responsible for all nonfederal project costs, estimated to total \$8.3 million. The 1989 Budget Act appropriated \$8.3 million from tidelands oil revenues for this project. Current law requires the specific project authorization contained in Chapter 935 prior to expenditure of the budget appropriation.

Waste Tire Facility Regulation

Chapter 974 — Assembly Bill 1843 (Willie Brown)

This act imposes a 25-cent (\$0.25) per tire fee on the disposal of used tires and authorizes the Waste Management Board (WMB) to use revenues generated by this fee to encourage tire recycling and shredding. The act also requires waste tire facilities to register with the WMB and prohibits such facilities from operating without a permit after specified dates. The act also requires the Department of General Services (DGS) to grant purchase preferences to products made of recycled tires if specified conditions are met.

We estimate that this act will generate revenue of about \$3.4 million in 1990-91 and \$4.5 million annually through 1998-99, when the tire disposal fee sunsets.

The act restricts the WMB's administrative and fee collection costs to a maximum of 8 percent of fee revenues; this will total about \$270,000 in 1990-91 and \$360,000 annually in 1991-92 through 1998-99. Consequently, approximately \$4.2 million annually will be available for programs to encourage tire recycling and shredding.

Based on information provided by the WMB, however, we estimate that the act will result in actual administrative and collection costs that exceed the 8-percent cap. These costs are estimated to be about \$924,000 (including one-time costs of \$380,000) in 1990-91, \$544,000 in 1991-92, and \$718,000 annually thereafter until 1998-99.

The act also appropriates \$1 million from the Environmental License Plate Fund as a start-up loan to the California Tire Recycling and Management Fund to cover program costs until tire disposal fee revenues are available starting in October 1990. The loan must be repaid, with interest, by June 30, 1991.

Integrated Solid Waste Management Act

Chapter 1095 — Assembly Bill 939 (Sher)

This act establishes a new comprehensive solid waste management program at the state and local levels. Among other things, the act:

- Replaces the existing part-time Waste Management Board (WMB) with a new Integrated Waste Management and Recycling Board comprised of six full-time members;
- Requires the new board to certify local enforcement agencies;
- Requires cities and counties to develop and implement, and the board to approve and enforce, integrated waste management plans (IWMPs) with specified elements;
- Authorizes the board to impose civil penalties of up to \$10,000 per day on local governments failing to implement IWMPs;
- Strengthens environmental protection measures imposed on all new landfills to prevent groundwater contamination and to control gas migration; and

- Imposes a fee on all solid waste disposed in landfills on or after January 1, 1990 to provide funding for the programs initiated by the act. The act specifies that the fee will be set initially at 50 cents (\$0.50) per ton until June 30, 1990, and after that date the fee will be set administratively up to a specified maximum amount so that fee revenue equals the board's approved annual budget.

According to the WMB, the new solid waste disposal fee will generate \$5 million in 1989-90, \$28 million in 1990-91, \$38 million in 1991-92, and \$40 million in 1992-93 and annually thereafter. The WMB indicates that the fee revenue should be sufficient to cover all program costs. The act authorizes loans from the Disposal Site Cleanup and Maintenance Account of up to \$600,000 in 1989-90, and up to \$1.2 million in 1990-91 to cover initial start-up and program administration costs. These loans must be paid back from the landfill disposal fee revenues.

Pesticide Regulation Program

Chapter 1200 — Assembly Bill 2161 (Bronzan)

This act, an urgency measure, expands the state's program for regulating pesticides. Among other things, the act requires the Department of Food and Agriculture (DFA) to (1) expand its program for monitoring produce for pesticide residues, (2) conduct, in cooperation with the Department of Health Services (DHS), an assessment of dietary risks associated with the consumption of produce and processed foods treated with pesticides, and (3) fund pest management research projects that emphasize reduced pesticide usage, safer pesticides, or minimizing pesticide residues. The act requires the DHS to initiate a program for monitoring processed foods for pesticide residues.

In addition, the act requires certain private laboratories that test foods for pesticide residues to (1) be accredited by the DHS, in cooperation with the DFA, and (2) report findings of residues above tolerance levels to the DFA (for raw agricultural commodities) or to the DHS (for processed foods). The act also increases the current tax on pesticides by 1 mill (from \$0.008 to \$0.009 per dollar of sales) and imposes new assessments on agricultural produce dealers and processors of farm products.

The act appropriates a total of \$3.3 million (\$2 million from the General Fund and \$1.3 million from the Food Safety Account) to fund the program in 1989-90. We estimate that this appropriation will fully fund the costs of implementing the program in 1989-90. The DFA and the DHS estimate that the act will result in total annual costs of about \$8 million annually, beginning in 1990-91. These costs will be paid from the General Fund (\$5.5 million) and from the increased tax and new assessments (\$2.5 million).

State and Local Parks

Chapter 1241 — Assembly Bill 1580 (Willie Brown)

This act, an urgency measure, provides funds for the acquisition and development of specified state park projects. The act also provides funds for grants to local agencies for various parks and recreation projects and for other state and local natural resources projects related to wildlife habitat, water quality or environmental education. In addition, the act creates the Timberland Task Force to complete by January 1, 1992 specified studies concerning wildlife and wildlife habitat.

This act appropriates a total of \$49.8 million from various funds as follows:

- *Department of Parks and Recreation. The act appropriates a total of \$18 million from various funds, including \$12.9 million from the Public Resources Account (Proposition 99) to provide grants to local agencies for 62 parks and recreation projects. The act appropriates a total of \$13.9 million from various funds, including \$10.8 million in park bond funds, for 14 state park projects. The act also transfers \$4 million from the Highway Users Tax Account to the State Parks and Recreation Fund for road repair in the state park system. The act makes this transfer effective only if the voters approve SCA 1 at the June 1990 election.*
- *Other State Agencies. The act appropriates a total of \$13.9 million from various funds, including \$7.6 million in bond funds to 12 other state agencies for 32 state and local natural resources projects. Of the total appropriation, \$400,000 is for the Timberland Task Force, to be repaid in full by user fees.*

Beverage Container Recycling

Chapter 1339 — Senate Bill 1221 (Hart)

Chapter 1342 — Assembly Bill 1001 (Sher)

These two acts constitute a major reform of California's beverage container recycling program. Among other changes, the acts include the following major provisions:

- Chapter 1339 increases redemption payments (paid by processors to the Department of Conservation) to 2 cents per container as of November 1, 1989 and raises the refund value (paid by recyclers to consumers) to 5 cents for every two containers as of January 1, 1990. The act also provides for future increases in both rates, if necessary, either to protect the solvency of the program or to raise the return level to 65 percent for plastic, glass, or aluminum containers;
- The acts fund the following programs from the Redemption Surplus Account (RSA) in the California Beverage Container Recycling Fund (CBCRF): (1) litter reduction and education, (2) convenience incentive payments (CIPs) with specified expenditure priorities, and (3) grants to local recyclers for advertising. In addition, the acts set fixed dollar spending limits for each of the programs, instead of basing expenditures on a percentage of the monies deposited in the account as under prior law;
- The acts increase the civil and criminal penalties for various violations of the Beverage Container Recycling Act and create new classes of violations subject to penalty;
- The acts make numerous changes to administrative procedures in the Division of Recycling (DOR) relating to recycling center certification, convenience zone exemptions, processor fee setting, and the level of payments to processors, distributors, and recyclers for administrative costs. These changes also include provisions to further ensure the solvency of the RSA; and
- Chapter 1339 creates a fiscal analysis and policy unit in the DOR.

The increases in redemption payments mandated by Chapter 1339 will produce revenues to the CBCRF of approximately \$70 million in 1989-90, \$122 million in 1990-91 and \$141 million annually thereafter. These monies are continuously appropriated for refund value payments to consumers and to fund the following programs up to specified spending levels: (1) litter reduction and education (\$8 million); (2) CIPs (\$13 million); and (3) local advertising (\$2 million).

The CBCRF will also receive unknown revenues from the increased civil and criminal penalties specified in the acts.

The Department of Conservation estimates a total annual cost of \$2.7 million (General Fund) to meet the new administrative requirements of the acts, including increased enforcement and audit activities, and to fund the division's fiscal analysis and policy unit.

Aboveground Petroleum Storage Act

Chapter 1383 — Senate Bill 1050 (Torres)

This act establishes a program to increase California's protection against environmentally harmful releases of petroleum and other hazardous materials from aboveground storage tanks. Among its major provisions, the act:

- Requires the State Water Resources Control Board (SWRCB), with the assistance of the regional boards, to develop and implement a schedule of inspections of aboveground petroleum storage tanks;
- Requires a tank facility owner or operator to: (1) file a biennial "storage statement" with the SWRCB on the contents and capacities of each facility, along with a fee based on the capacity of the facility, and (2) adhere to other requirements regarding spill prevention and control. A facility owner or operator who violates any of these requirements is subject to civil penalties under the act;
- Requires that storage statement fees, civil penalties and state agency expenses recovered from owners or operators be deposited in the Environmental Protection Trust Fund (EPTF), which the act creates. Total fee revenue to the fund is limited to \$7.5 million annually, with any excess to be rebated to the owners and operators. The act also transfers to the fund one-third of any penalty revenue owed to the state from a specified oil spill;

- Authorizes the Legislature to appropriate funds in the EPTF to the SWRCB for (1) inspection and administrative costs, (2) training of tank facility inspectors, (3) reimbursement of cleanup costs incurred by state or local agencies, (4) grants for research on leaking tanks, and (5) long-term rehabilitation and maintenance of wetlands or other natural areas affected by storage tank spills; and
- Requires the SWRCB to report to the Legislature and the Governor on the storage of hazardous materials and ways to improve oversight of aboveground storage facilities for such materials.

Based on the assumption that there are approximately 60,000 aboveground petroleum tanks in the state, the SWRCB estimates costs to the EPTF totaling \$3 million in 1989-90 and \$4.5 million to \$7.5 million annually thereafter to implement this act. Actual costs will depend both on the actual number of tanks and on the amount of rehabilitation undertaken in any given year. In addition, the act appropriates \$100,000 from the EPTF to the SWRCB, effective July 31, 1990, to conduct the study specified in the act.

These costs likely will be fully offset by fee revenue and other income to the EPTF from the sources specified in the act. The total amount of revenue will depend on (1) the number of tank facilities in the state, (2) the amount of civil penalties and agency reimbursements received, and (3) the penalty revenue ultimately received from the specified oil spill.

Underground Petroleum Storage Tank Regulation

Chapter 1442 — Senate Bill 299 (Keene)

This act, an urgency measure, sets up a program regulating the operation and cleanup of underground petroleum storage tanks. Specifically, the act: (1) creates a low-interest loan program to assist certain owners and operators of underground tanks to remove, replace, or repair tanks that do not meet current state and federal standards, (2) requires tank owners and operators to demonstrate financial responsibility and to pay an annual fee of \$200 per tank into the Underground Storage Tank Cleanup Fund (USTCF), created by the act, and (3) provides that monies in the USTCF be used primarily to fund cleanups of leaking underground tanks by public agencies and by private owners or operators.

The measure limits state payments for a private cleanup to the actual costs of cleanup in excess of \$50,000 and less than \$1 million. Such payments may only be made to those owners or operators who have complied with the financial responsibility requirements of the act and with any cleanup orders issued by local or state agencies.

This act appropriates \$10.3 million from the Motor Vehicle Account as a loan to fund the program's start-up costs, including (1) \$7 million to the State Water Resources Control Board (SWRCB) to begin funding cleanups and for administrative costs, (2) \$3 million to the Department of Commerce to fund the loan program, and (3) \$250,000 to the Board of Equalization for the costs of collecting storage tank fees.

The SWRCB estimates the act will result in revenues to the USTCF of approximately \$20 million annually through December 31, 1997. The SWRCB estimates that these revenues will be fully expended to pay for the cleanup of leaking underground tanks.

Criminal Justice

Semiautomatic Assault Firearms

Chapter 18 — Senate Bill 292 (Roberti)

Chapter 19 — Assembly Bill 357 (Roos)

These acts are collectively known as the Roberti-Roos Assault Weapons Control Act of 1989. The act prohibits the manufacture, sale, importation, and distribution of specified assault weapons. The act allows individuals to possess weapons purchased prior to June 1, 1989 under the condition that the weapons are registered with the Department of Justice.

The act establishes registration procedures and sets the maximum fee for registration at \$20, but provides that the fee shall not exceed actual administrative costs. Owners of registered assault weapons are prohibited from transferring or selling these weapons except to a licensed dealer after January 1, 1990.

The act establishes new criminal penalties for the manufacture, distribution, transportation, import, sale, or possession of assault weapons.

Chapter 18 gives the superior court in counties with populations greater than one million the authority to temporarily suspend the manufacture, sale, distribution, importation, gift or loan of a firearm alleged to be an assault weapon or imitations or modified versions of specified assault weapons.

We estimate that these measures will result in unknown annual General Fund costs, offset by fees, starting January 1, 1990, to register specified assault weapons. In addition, the act will result in unknown annual General Fund costs for new and longer commitments to state prison and could result in unknown annual local law enforcement and incarceration costs.

Crack Down Task Force

Chapter 1453 — Senate Bill 1661 (Roberti)

This act, an urgency measure, establishes the Crack Down Task Force Program in the Department of Justice (DOJ). The program will coordinate and support local and state law enforcement task force efforts to investigate and apprehend Colombian cartel-street gang cocaine networks. The DOJ's Bureaus of Narcotic Enforcement, Forensic Services, and Organized Crime and Criminal Intelligence will provide special agents, criminal intelligence analysts, forensic experts, financial auditors, equipment, and funding to the task forces. The measure provides for the DOJ to reimburse local law enforcement agencies for costs related to personnel overtime, equipment, or supplies required for task force activities.

The bill appropriates \$13.4 million from the General Fund to the DOJ for the operations of the Crack Down Task Force Program in 1989-90. Based on information provided by the DOJ, we estimate that ongoing annual General Fund costs of this program will be \$22 million.

Mentally Disordered Offender Program

Chapter 228 — Senate Bill 1625 (McCorquodale)

This act, an urgency measure, reinstates the mentally disordered offender (MDO) program, parts of which were found unconstitutional by the state Court of Appeals in January 1989. The MDO program places mentally disordered prison inmates, who meet specific criteria, in the mental health system as a condition of their parole. These parolees can be treated in either a state hospital or a community program. The act makes specific changes to those portions of the original program which were found unconstitutional. In addition to other commitment criteria, parolees who are found to be a substantial danger to themselves or others can be placed in the program.

This measure will result in General Fund costs of \$900,000 in 1989-90, increasing up to \$9 million annually when the program is fully implemented. We estimate that the program will reach this level by 1994-95.

Use of a Firearm During a Felony

Chapter 1167 — Assembly Bill 1504 (Quackenbush)

This act increases prison sentences for being armed with a firearm, using a firearm, or knowingly being in the company of a person who uses a firearm, during the commission of a felony. The types of felonies include specified assault, theft, and sex offenses. The penalty increases vary by type of felony, but generally range from one to five additional years in prison.

We estimate that the measure would result in a major increase in the state's prison population due to longer commitments when the full impact of the measure is realized in 1993-94. This would include increased operating costs of at least \$29 million annually. In addition, the bill could result in major (probably at least \$82 million) one-time capital outlay costs for construction of new prison facilities. To the extent that the Department of Corrections can accommodate the additional inmate population by increasing overcrowding in the prison system, both the operating and the capital outlay costs would be reduced.

Possession and Use of Firearms

Chapter 1044 — Assembly Bill 566 (McClintock)

This act provides a uniform prison sentence enhancement for convictions for possession and use of a firearm. Under current law, persons convicted of using a firearm in the commission or attempted commission of a felony receive an additional prison sentence varying from two to five years, depending on the type of felony. This bill requires that courts impose an additional prison term of three, four, or five years.

The measure also increases the penalty for possession of any firearm to a felony for persons previously convicted of a felony or violent offense or persons addicted to controlled substances. Current law provides that conviction for possession of a concealable firearm by specified persons is punishable by a felony or a misdemeanor. Finally, the measure prohibits plea bargaining in cases in which the defendant is alleged to have used a firearm in the commission of a felony.

This act will result in major annual General Fund costs beginning in 1990-91 resulting from new and longer prison commitments. According to the Department of Corrections (CDC), the measure would increase annual prison operating costs by at least \$8 million in 1993-94, increasing to at least \$51 million annually by 2002-2003.

The CDC also advises that the measure would impose one-time costs of at least \$190 million to construct additional prison facilities to house the increased number of inmates.

To the extent that the CDC can accommodate the additional inmate population by increasing overcrowding in the prison system, both the operating and the capital outlay costs would be reduced.

Automobile Theft

Chapter 930 — Assembly Bill 332 (Nolan)

This act establishes new criminal penalties, and increases existing penalties, for various offenses involving automobile and vehicle theft. The measure generally increases prison sentences for these offenses by one year and establishes or increases felony penalties for a variety of subsequent automobile theft-related offenses. The measure also prohibits probation for vehicle theft offenses in specified circumstances.

This act will result in major annual General Fund costs for new and longer commitments to state prison. Based on information provided by the Department of Corrections (CDC), we estimate that the measure will increase annual prison operating costs by at least \$19 million by 1993-94. In addition, the measure could result in one-time costs of at least \$60 million to construct new facilities to house the increased number of inmates.

To the extent that the CDC can accommodate the additional inmate population by increasing overcrowding in the prison system, both the operating and the capital outlay costs would be reduced.

Education K-12

Proposition 98 Implementation

Chapter 82 — Senate Bill 98 (Hart)

Chapter 83 — Assembly Bill 198 (Hughes)

Chapter 92 — Assembly Bill 1087 (O'Connell)

These acts, all urgency measures: (1) include language clarifying the implementation of Proposition 98 (the "Classroom Instructional Improvement and Accountability Act of 1988" — passed by the voters on the November 1988 ballot) and (2) specify how the majority of the additional monies guaranteed for K-14 education by Proposition 98 shall be appropriated for 1988-89 and 1989-90.

Specifically, Chapter 82 appropriates a total of \$431 million to schools in 1988-89, largely as one-time, general purpose revenue to local education agencies (LEAs — school districts and county offices of education) and community college districts. Chapter 83 appropriates a total of \$480 million for 1989-90, including \$180 million for "supplemental grants" to help equalize categorical funding across school districts, \$175 million as one-time, general purpose revenue for LEAs and community college districts, and \$74 million for equalization of school districts' general purpose revenue limits. Chapter 92 appropriates an additional \$3 million in 1989-90, and makes technical corrections to Chapter 83.

These three measures appropriate a total of \$431 million from the General Fund in 1988-89 and \$483 million in 1989-90. All of these appropriations count towards meeting Proposition 98 minimum funding requirements.

This package of education bills also contains provisions that allow more state aid for education to count against local spending limits, rather than against the state's appropriations limit. As a consequence, these provisions have the effect of increasing the amount of available state spending authority. With the passage of these bills, the Department of Finance estimates that the state is \$199 million below its appropriations limit in 1988-89 and \$89 million below in 1989-90.

Class Size Reduction

Chapter 1147 — Senate Bill 666 (Morgan)

This act, an urgency measure, establishes the Morgan-Hart Class Size Reduction Act of 1989. The act consists of two programs: (1) a program to reduce class size in grades 9 to 12 and (2) a language arts enrichment program in grades 1 to 3.

Under the program to reduce class size in grades 9 to 12, school districts may apply for an apportionment of \$250 per student in each participating grade level, if the district maintains an average class size of 20 pupils in any two of the following areas: English, mathematics, social studies, or science. A district may receive \$125 per student if it reduces class size to a level which is a 50 percent reduction toward the goal of an average 20 students per class, and may receive the full apportionment in future years if it reaches the goal of 20 students per class.

Under the language arts enrichment program, districts may receive up to \$30 per student in grades 1 to 3 to increase "direct individual instruction in language arts" to students. Language arts, for the purposes of this program, include reading, writing, spelling, speaking, and listening.

This act declares legislative intent to appropriate up to \$110 million, if available after funding deficiency allocations for grades K-12, from the amount reserved under Section 12.31 of the Budget Act of 1989 (the Proposition 98 Reserve). Funds would be allocated to the two programs as follows: (1) the first \$40 million to the program to reduce class size in grades 9 to 12 and (2) the remaining \$70 million to be allocated in \$5 million increments alternating between the language arts enrichment program and the program to reduce class size.

Oakland School District

Chapter 1438 — Assembly Bill 2525 (Harris)

This act, an urgency measure, appropriates \$10 million for an emergency loan to the Oakland Unified School District. The act also requires (regardless of whether the district accepts the loan) the Superintendent of Public Instruction (SPI) to appoint a trustee to advise the district in preparing its 1989-90 budget. The SPI may also appoint a trustee with expanded powers under specified conditions.

This act also requires the district to develop plans to (1) resolve its financial and management problems and (2) improve the educational achievement of its students, and submit the plans to the SPI for approval.

This act appropriates \$10 million from the General Fund to the Oakland Unified School District for an emergency loan. This appropriation counts towards meeting Proposition 98 minimum funding requirements. The act also appropriates \$50,000 from the General Fund to the Department of Education to pay the costs of the advisory trustee.

We estimate that this trustee could cost as much as \$100,000. We also estimate that a trustee with expanded authority, if appointed, could result in costs of \$200,000 to \$400,000 annually for the district. The act provides that, if the district accepts the loan, these costs shall not be state-reimbursable. If the district refuses the loan, these costs would be state-reimbursable and would count towards meeting Proposition 98 minimum funding requirements.

Higher Education

New State University Campus

Chapter 289 — Senate Bill 365 (Craven)

This act designates San Marcos as a campus of the California State University (CSU) system, to be known as California State University, San Marcos. Currently, San Marcos is a CSU off-campus center administered by San Diego State University, and serves only upper-division and graduate students. This act authorizes the conversion of the center to a full-service, four-year campus.

We estimate potential General Fund costs totaling over \$800 million, over an extended period of time, for principal and interest to repay general obligation bonds issued to construct additional facilities to provide a full-service campus ultimately accommodating 25,000 full-time equivalent (FTE) students. This cost may be higher to the extent that General Fund lease-purchase revenue bonds are used. In addition, we estimate potential annual General Fund costs to support a new campus of approximately \$500,000 in 1989-90, increasing to approximately \$90 million in 2020 and \$150 million (excluding inflation adjustments) if the campus reaches its Master Plan capacity enrollment of 25,000 FTE. These annual costs would be partially offset by revenues from student fees of approximately \$500,000 beginning in 1994-95, increasing to approximately \$15 million in 2020, and approximately \$30 million if the campus reaches its Master Plan capacity.

Actual costs for both construction and annual support would depend on appropriations by the Legislature. The 1989 Budget Act appropriates \$521,000 to establish the initial cadre of administration for the new campus, which is supplemented by \$1.5 million from CSU lottery funds.

Private Postsecondary and Vocational Education Reform

Chapter 1307 — Senate Bill 190 (Morgan)

This act repeals, on January 1, 1991, existing law governing the licensing and regulation of private postsecondary and vocational educational institutions and enacts revised procedures that will be operable through 1995-96. Specifically, the act:

- Transfers responsibility for administration of the licensing and regulation process from the State Department of Education to a newly created independent Council for Private Postsecondary and Vocational Education. The measure states legislative intent that the council's licensure and regulating responsibilities be funded solely through fees and federal funds;
- Specifies a fee schedule for licensing and other services, to be used until the council develops a new schedule—by January 1, 1992—subject to approval in the annual budget process. The fee schedule specified in the act will result in higher fees than those currently assessed;

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- Broadens the scope of responsibility of the council for licensing private postsecondary educational institutions, and revises the licensing and approval process; and
 - Requires the California Postsecondary Education Commission (CPEC) to review and evaluate the implementation of the bill and submit a report to the Legislature prior to September 1, 1995. Further requires the CPEC to convene an advisory committee, as specified, to submit by October 1, 1990 a report on the council's budget requirements.

We estimate that the act will result in costs and revenues of approximately \$1.5 million in 1990-91 and \$3 million in 1991-92 (over the amounts that will result from current law, which is operable through 1990-91) and approximately \$4.5 million annually thereafter through 1995-96, to the Private Postsecondary and Vocational Education Administration Fund. The source of funding will be fees paid by private postsecondary and vocational educational institutions. These estimates assume that the fee schedule established in 1992 will not differ significantly from the schedule required prior to that date.

In addition, we estimate that the Student Aid Commission and the CPEC will incur minor, absorbable administrative costs.

Health

Targeted Case Management

Chapter 6 — Senate Bill 50 (Seymour)

This act, an urgency measure, appropriates \$25 million from the General Fund to the Department of Developmental Services (DDS) to fund a deficiency in the regional center operating budget for 1988-89. This deficiency occurred because the federal government denied the state's proposal to fund targeted case management services through the Medi-Cal program.

The act also requires the DDS to (1) continue to pursue federal reimbursements of targeted case management services and (2) deposit any of these funds received into the General Fund.

The act appropriates \$25 million from the General Fund to fund a 1988-89 deficiency. At the time this report was prepared, the DDS did not know whether it would be able to obtain federal reimbursements.

Toxic Substances Control

Chapter 269 — Senate Bill 475 (Torres)

Chapter 1032 — Assembly Bill 41 (Wright)

These two acts, both urgency measures, make significant changes to the funding of the Toxic Substances Control program. In addition, these measures establish a comprehensive program related to toxic hot spots in bays and estuaries.

In recent years, the Toxic Substances Control program has been supported by a combination of fees, special taxes, and bond funds. The bond funds, which have supported site mitigation activities since 1985, were exhausted in 1988-89. In addition, fees supporting hazardous waste regulatory activities sunset on July 1, 1989. To address these funding problems, Chapters 269 and 1032 (1) restructure funding for the toxics program and (2) appropriate funds needed for operation of the program in 1989-90. Among their provisions, the acts:

- Continue existing fees on hazardous waste generators and facilities. The acts establish a base rate for these fees and taxes and eliminate formulas contained in existing law;

- Impose an environmental fee on corporations that use, generate, store, or conduct activities related to hazardous materials;
- Establish an activity fee charged to all responsible parties to cover the costs of the Department of Health Services for overseeing site cleanups; and
- Impose a fee on hazardous waste disposed of in other states.

We estimate that the acts will result in revenue of approximately \$115 million in 1989-90 and approximately \$100 million annually thereafter to the Hazardous Substance Account (HSA) and the Hazardous Waste Control Account (HWCA) from various fees. The measures appropriate \$10 million from the General Fund, \$35 million from the HSA, and \$6.4 million from the HWCA to supplement appropriations made in the 1989 Budget Act. These funds will be used for (1) operation of the Toxic Substances Control program in 1989-90 and (2) developing a comprehensive program to address toxic hot spots in bays and estuaries.

Long-Term Care Facilities

Chapter 731 — Senate Bill 1414 (Maddy)

This act changes references to "skilled nursing facilities" and "intermediate care facilities" in the Medi-Cal statutes into references to "nursing facilities" effective October 1, 1990, or a later date as determined by the Department of Health Services. This change is required by the federal Omnibus Budget Reconciliation Act (OBRA) of 1987. The measure also requires the department to adjust Medi-Cal long-term care reimbursement rates to reflect the costs to facilities for OBRA compliance.

This act will result in unknown Medi-Cal costs, potentially up to tens of millions of dollars annually (50 percent General Fund), to (1) consolidate the skilled nursing and intermediate care reimbursement categories and (2) reimburse nursing facilities for the cost of OBRA compliance. Actual costs would depend on the reimbursement methodology adopted by the department and on federal regulations that have not yet been issued.

Safe Drinking Water Program**Chapter 823 — Assembly Bill 21 (Sher)**

This act makes numerous changes to the state's drinking water program. Among its provisions, the act:

- Requires the Department of Health Services (DHS) to submit to the Legislature, by July 1, 1991, a comprehensive Safe Drinking Water Plan for California. The department may levy a one-time fee on specified water systems to cover the costs of preparing the plan;
- Requires the DHS to establish "recommended public health levels" (RPHLs) for contaminants at the time primary drinking water standards are issued;
- Requires water systems which have 10,000 or more service connections and which have levels of contamination exceeding the RPHLs to submit annual reports to the DHS on what they can do to reduce the level of contamination; and
- Permits the DHS to require water systems to prepare water quality improvement plans identifying what actions are being taken to meet the RPHLs. The act directs the DHS to amend water systems' permits to require implementation of the plans. The act requires the DHS to establish fees to recover its costs for reviewing water quality evaluations and improvement plans.

This measure will result in costs to publicly owned water systems of approximately \$9 million over several years beginning in 1990-91 and unknown costs thereafter to prepare and implement water quality evaluations and improvement plans and to pay state fees. To the extent that local agencies cannot recover their costs through fees, these costs would be state-reimbursable.

In addition, we estimate that the measure will result in unknown General Fund costs, probably between \$200,000 and \$400,000 annually, to increase the frequency of water quality inspections, identify treatment technologies, review standards, and support an advisory committee.

The measure also will result in annual General Fund costs from 1989-90 through 1994-95 of probably less than \$350,000 to develop plans, review water quality evaluations and improvement plans, and adopt regulations. These costs would be offset by fee revenue.

Medi-Cal Eligibility

Chapter 1016 — Assembly Bill 894 (Allen)

This act, which implements provisions of the federal Family Support Act, extends Medi-Cal eligibility for certain families who would otherwise lose their eligibility. The act also changes the method by which some Medi-Cal beneficiaries can meet their share of cost for Medi-Cal services.

This measure will result in annual costs starting April 1, 1990 of \$16.2 million (\$8.1 million General Fund) for additional Medi-Cal services, eligibility determinations, and changes to the share-of-cost process.

Drug Treatment for Persons Infected with Human Immunodeficiency Virus

Chapter 1246 — Assembly Bill 2251 (Friedman)

This act requires the Department of Health Services (DHS) to develop a program to provide drug treatment to persons infected with human immunodeficiency virus (HIV). Among its provisions, the act:

- Requires the DHS to provide services to persons whose (1) income is less than \$50,000 or (2) income is above \$50,000 if the costs of drug treatment exceed 20 percent of the person's income;
- Requires the DHS to establish a repayment schedule for persons with incomes more than four times the federal poverty level;
- Specifies that any person currently eligible for the existing HIV drug treatment subsidy program would be eligible for services under this program; and
- Permits the DHS to limit the program depending on the level of funding that the Legislature appropriates for this purpose.

The General Fund costs of this measure will depend on the level of funding that the Legislature appropriates. If the appropriation is sufficient to provide drug treatment to all persons who could be eligible under this act, we estimate that the measure would result in annual General Fund costs from \$15 million to \$365 million. Actual costs would depend on (1) the number of people who develop AIDS or are infected with HIV, (2) the number of people who apply for drug coverage, (3) the costs of drug treatment, (4) the extent to which HIV-infected persons who have not developed AIDS use covered drugs, (5) the portion of the costs repaid by the people who receive the coverage, and (6) how the department or counties administer the program. The General Fund costs would be reduced to the extent that federal funds are available.

Implementation of Proposition 99

Chapter 1331 — Assembly Bill 75 (Isenberg)

This act, an urgency measure, appropriates \$1.2 billion from the Cigarette and Tobacco Products Surtax (C&T) Fund for expenditure in 1989-90 and 1990-91 to establish new, and expand existing, health-related programs. The measure allocates funds from the Hospital Services, Physician Services, Unallocated, and Health Education Accounts. These accounts receive 90 percent of the revenues from the surtax imposed by Proposition 99.

Table 1 shows the AB 75 spending plan for 1989-90 and 1990-91. The revenue figures in the tables are based on assumptions used by the AB 75 conference committee. The spending plan shown in the table is \$37 million higher than the appropriations in AB 75 because it includes (1) some funds that have already been appropriated in the 1989 Budget Act and (2) administrative expenditures in 1990-91 that will be funded in the 1990-91 budget process.

Table 1

AB 75 Spending Plan

(dollars in millions)

| <i>Program</i> | <i>1989-90</i> | <i>1990-91</i> |
|--|-------------------|------------------------|
| Resources | | |
| Carryover from previous fiscal year | \$264.6 | \$79.8 |
| Revenues | <u>542.8</u> | <u>515.6</u> |
| Total resources | \$807.3 | \$595.4 |
| Expenditures | | |
| One-time | | |
| County capital outlay | \$82.3 | — |
| Uncompensated care assistance | 37.0 | — |
| Physician services | 24.9 | — |
| Data system | 10.0 | — |
| Ongoing | | |
| Mental health | 25.0 ^a | 25.0 |
| Clinics | 19.7 | 18.3 |
| Perinatal services expansion | 19.9 | 19.8 |
| Children's hospitals | 2.0 | 1.9 |
| Rural health services | 7.0 | 6.5 |
| County medical services program expansion | 10.0 | 9.9 |
| California healthcare for indigents program | 336.5 | 315.9 |
| Child health and disability prevention program expansion | 19.7 | 19.4 |
| Health education programs | 128.9 | 98.5 ^b |
| Office of Statewide Health Planning and Development administration | 0.2 | 0.5 ^c |
| Department of Health Services administration | 3.5 | 5.5 ^c |
| State Department of Education administration | <u>0.9</u> | <u>0.9^c</u> |
| Total expenditures | \$727.5 | \$522.0 |
| Carry-over to next fiscal year | \$79.8 | \$73.4 |

^a Included in the 1989 Budget Act; no appropriation in AB 75.

^b Includes \$4.7 million in administrative costs to be funded in the 1990 Budget Act; no appropriation in AB 75.

^c To be funded in the 1990 Budget Act; no appropriation in AB 75.

The largest new program established by the measure is the California Healthcare for Indigents program (CHIP). The measure appropriates \$337 million in 1989-90 and \$316 million in 1990-91 to support the program. These funds will be distributed to counties operating medically indigent services programs (MISPs) based on specified percentage shares.

The measure specifies how counties shall allocate the funds for county and noncounty hospitals, unreimbursed emergency physician services, obstetric and pediatric services, and other services. As a condition of receiving C&T funds, the measure requires counties to maintain, at a minimum, a level of financial support of county funds at least equal to the county match under existing programs plus any overmatch of county funds in 1988-89.

The measure appropriates \$27 million from the General Fund in 1989-90 for allocation to MISP counties based on a formula involving their shares of MISP funding and the number of newly legalized persons under the Immigration Reform and Control Act of 1986. The purpose of this provision is to prevent funding reductions in individual counties as a result of funding changes in MISP and the State Legalization Impact Assistance Grant (SLIAG) in the 1989 Budget Act. The measure also requires the state to reimburse counties for the difference between their 1988-89 MISP funding and the combined total of 1989-90 funding from MISP, SLIAG funds, and the \$27 million General Fund appropriation. Therefore, this measure could result in unknown additional General Fund costs, depending on whether or not the state would have to reimburse counties.

This measure appropriates \$1.2 billion from the C&T Fund to support various health-related programs in 1989-90 and 1990-91. The measure also appropriates \$27 million from the General Fund in 1989-90 to protect the counties from funding reductions as a result of 1989 Budget Act changes. The measure's requirement that the state reimburse counties under specified conditions could also result in unknown General Fund costs, depending on whether or not the state would have to reimburse counties.

There is a significant amount of uncertainty in the amount of revenues that will be received over the two-year period affected by AB 75. We estimate that in the best case scenario, the four accounts affected by AB 75 would carry over \$55.3 million at the end of 1990-91. This is 11 percent of 1990-91 revenues. In the worst case scenario, expenditures would exceed revenues by \$7.7 million at the end of 1990-91. This is 1.6 percent of 1990-91 revenues.

Medicare Catastrophic Coverage Act

Chapter 1430 — Senate Bill 1413 (Maddy)

This act, an urgency measure, implements those portions of the federal Medicare Catastrophic Coverage Act (MCCA) that affect the Medi-Cal program. Among its provisions, the act:

- Requires Medi-Cal to pay Medicare premiums, coinsurance, and deductibles for persons with incomes below the poverty level whose assets are less than 200 percent of the SSI/SSP limit; and
- Specifies that the at-home spouse of a Medi-Cal-eligible nursing home resident may keep (1) \$60,000 of the couples property and (2) \$1,500 of the couple's monthly income, plus an additional amount to meet expenses for housing, utilities, taxes, etc.

This measure will result in costs of \$85.9 million (\$37.6 million General Fund) in 1989-90 and \$300 million (\$139 million General Fund) annually thereafter. The 1989 Budget Act includes \$85.1 million (\$37.2 million General Fund) for the costs of this act.

Medi-Cal Provider Claims

Chapter 1432 — Assembly Bill 210 (Filante)

This act, an urgency measure, permits Medi-Cal providers to submit bills for service up to six months after the month of service. Currently, providers must submit bills within two months.

The Department of Health Services estimates that this measure will result in costs of \$5.4 million (\$2.7 million General Fund) in 1989-90 and \$9.9 million (\$5 million General Fund) annually thereafter to extend the billing period to six months. Actual costs will be higher or lower depending on actual changes in providers' billing behavior.

Business and Transportation

Olympic Training Center

Chapter 1182 — Senate Bill 1403 (Campbell)

This act provides funding to the San Diego National Sports Training Foundation, a nonprofit corporation, for the development and construction of a California Olympic Training Center. The act requires the corporation to provide matching funds as a condition for receiving state funds.

The act also requires the Department of Motor Vehicles to issue commemorative Olympic license plates for a specified fee, upon request. In addition, the act creates the California Olympic Training Account for the repayment of the specified construction funds, and specifies that the account is required to consist of revenues derived from the Olympic license plates, less administrative fees.

This act appropriates \$15 million from the General Fund to the Department of Commerce in 1989-90, to be allocated in increments of \$5 million in 1990-91, 1991-92, and 1992-93, for the California Olympic Training Center. We estimate that the Department of Motor Vehicles will incur increased administrative costs to issue the commemorative license plates of approximately \$221,000 in 1989-90, \$183,000 in 1990-91, with minor annual costs thereafter. These costs will be offset from fees charged for the license plates. In addition, the act will also result in revenue increases to the California Olympic Training Account of approximately \$500,000 in 1989-90, \$555,000 in 1990-91, and \$111,000 annually thereafter.

California Major Medical Insurance Program

Chapter 1168 — Assembly Bill 60 (Isenberg)

This act establishes the California Major Medical Insurance Program in the Business, Transportation and Housing Agency to make available specified health insurance coverage to eligible Californians who are unable to get or afford such coverage.

Specifically, the act (1) establishes a board to administer the program; (2) prescribes the types of health plans the board must contract with, as well as enrollment requirements and participation eligibility for health care providers and recipients; (3) establishes specified, maximum rates, copayments and deductibles; and (4) creates the Major Medical Insurance Fund as a depository for specified revenues and fund transfers to support program expenditures.

The act appropriates \$250,000 from the Unallocated Account of the Cigarette and Tobacco Products Surtax (C&TPS) Fund to finance the initial costs of establishing and operating the program. In addition, the act provides for the transfer of \$30 million (1) during the period of January 1, 1990 through June 30, 1991 from specified accounts of the C&TPS Fund; and (2) annually, beginning in 1991-92, from the Unallocated Account of the C&TPS Fund to finance the ongoing costs of the program.

Driving Under the Influence

Chapter 479 — Senate Bill 408 (Leonard)

Chapter 1114 — Senate Bill 1119 (Seymour)

Chapter 1460 — Senate Bill 1623 (Lockyer)

These three acts strengthen California's Driving-Under-the-Influence (DUI) laws. Chapter 479 makes it unlawful for a person to drive a motor vehicle with a blood alcohol concentration (BAC) of 0.08 percent or greater. The previous standard was 0.10 percent. Chapter 1114 lowers the legal BAC level for the operation of commercial motor vehicles (trucks) or vessels — from 0.10 percent to 0.04 percent, effective January 1, 1992. The chapter also requires law enforcement authorities to order commercial operators with a BAC of 0.01 percent or greater out of service for 24 hours. Chapter 1460 establishes an administrative procedure for the Department of Motor Vehicles (DMV) to suspend a driver's license for certain alcohol-related driving violations.

Chapter 479 will have unknown but probably major General Fund costs to the extent a lowering of the legal BAC level results in additional arrests and convictions for DUI violators and subsequent commitments to state prison. There also will be unknown minor annual administrative costs to the Motor Vehicle Account to pay for court appearances of California Highway Patrol officers and for additional license processing costs to the DMV. Chapter 1114 will have one-time implementation costs of \$50,000 in 1991-92, and annual costs to the Motor Vehicle Account of about \$350,000 starting in 1992. Provisions in Chapter 1114 relating to the commercial vehicle drivers will satisfy the federal requirement that states adopt and enforce certain licensing sanctions by October 1993 to avoid withholding of federal highway funds.

Chapter 1460 will result in administrative costs to the Motor Vehicle Account of \$4.9 million in 1989-90 and \$8.2 million annually thereafter. These costs should be offset by fee revenues which Chapter 1460 authorizes the department to collect. In addition, the act appropriates \$800,000 from the Motor Vehicle Account to cover part of the start-up costs of the administrative suspension program in 1989-90.

Transportation Financing

Chapter 105 — Senate Bill 300 (Kopp)

Chapter 106 — Assembly Bill 471 (Katz)

Chapter 108 — Assembly Bill 973 (Costa)

These acts, part of the "transportation package" negotiated between the Legislature and the Governor, provide additional resources for transportation and reform state transportation programs. In total, the package is intended to raise, over 10 years (1990-91 through 1999-2000), about \$18.5 billion in new revenues for transportation by:

- Increasing the state's "gas tax" from 9 cents-per-gallon to 14 cents-per-gallon on August 1, 1990, and in 1 cent increments annually thereafter to 18 cents-per-gallon by January 1, 1994;
- Increasing commercial vehicle ("truck") weight fees by 40 percent on August 1, 1990, and by an additional 10 percent on January 1, 1995;

- Seeking voter authorization to issue a total of \$3 billion of general obligation bonds (\$1 billion at each of three elections — June 1990 and November 1992 and 1994) to fund capital improvements on intercity, commuter and urban rail transit systems; and
- Dedicating to specified transportation programs additional sales tax revenues generated from the increase in the gas tax.

The increases in gas taxes and truck weight fees, and the first of the three bond measures, will take effect only if voters approve modifications to the state's appropriations limit contained in SCA 1 at the June 1990 election.

The acts also allocate the \$18.5 billion in anticipated additional tax revenues and bond proceeds over the 10-year period among various transportation programs. In addition, the acts significantly revise the roles, responsibilities and procedures for transportation planning and for the programming of funds among transportation projects.

We estimate, if the voters approve the modifications to the appropriations limit, Chapters 105 and 106 will provide additional revenues for transportation — including new gas tax, weight fee, and sales tax revenues — of about \$15.5 billion over 10 years. We further estimate that, if voters approve the three bond measures to authorize the issuance of a total of \$3 billion for rail transit projects, as provided by Chapter 108, the General Fund will incur costs of about \$5.4 billion over 24-plus years for principal (\$3 billion) and interest (\$2.4 billion) payments.

Mass Transportation Programs

Chapter 1228 — Assembly Bill 1640 (Filante)

Chapter 1232 — Senate Bill 1391 (Keene)

These acts restore about \$11 million in Transportation Planning and Development (TP&D) Account funds vetoed from the 1989 Budget Act for mass transportation programs. Specifically, the acts appropriate about \$5.6 million to the Transit Capital Improvement (TCI) Program and about \$5.6 million to the State Transportation Assistance (STA) Program.

The TCI Program provides discretionary grants allocated by the California Transportation Commission for eligible transit capital projects.

The STA Program provides formula-driven apportionments to regional transportation planning agencies primarily for allocation to transit operators for capital or operating purposes. In certain areas, STA funds may also be allocated for streets and roads.

These acts appropriate about \$11 million from the TP&D Account for mass transportation programs.

Peninsula Rail Service

Chapter 1283 — Senate Bill 928 (Morgan)

This act reinstates specific authority for the Department of Transportation (Caltrans) to contract with a railroad corporation to provide passenger rail service from San Francisco to Santa Clara County — the Peninsula Commuter Service (Caltrain). Caltrans' current contract with Southern Pacific (SP) is scheduled to expire June 30, 1990 and prior legislation (Chapter 1434, Statutes of 1988) repealed Caltrans' specific authority to contract with SP to provide Caltrain service.

The act prohibits the new contract from extending beyond June 30, 1993 and further requires that the contract, and Caltrans' subsidy for the service during 1992-93, be assigned to a local agency by July 1, 1992. In addition, the act prohibits the California Transportation Commission from allocating:

- Funds available for state rail operations to the Caltrain service after 1992-93; and
- Funds for acquisition of the Caltrain right-of-way unless a local agency assumes responsibility for the service by June 30, 1993.

The act exempts the lease or purchase of the Caltrain right-of-way by a public agency from requirements of the California Environmental Quality Act (CEQA).

We estimate that there will be potential multi-million dollar costs to the Transportation Planning and Development Account annually from 1990-91 through 1992-93 if Caltrans negotiates a new contract for continuation of the Caltrain service after June 30, 1990.

The act potentially reallocates state transportation funds among eligible projects by making Caltrain right-of-way acquisition ineligible for state grants until specified conditions are met. It also could result in unknown potential savings to state or local agencies by exempting the right-of-way acquisition project from CEQA requirements.

Welfare and Employment

Greater Avenues for Independence Program

Chapter 77 — Assembly Bill 2171 (Eastin)

This act, an urgency measure, conforms the Greater Avenues for Independence (GAIN) program to the requirements of the federal Family Support Act (FSA) of 1988. The FSA requires states to implement, by October 1, 1990, a Job Opportunities and Basic Skills Training (JOBS) program in order to continue to receive federal funds under the Aid to Families with Dependent Children (AFDC) program. The FSA also provides additional federal funds for education, employment, and training programs to states that implement the JOBS program.

Prior to enactment of the FSA, California provided education, employment, and training services to households receiving AFDC through the GAIN program. California's GAIN program is similar, but not identical, to the JOBS program required by the FSA. However, the FSA required the state to make several changes to the GAIN program in order to continue to receive federal AFDC funds and the additional education, employment and training funds provided by the FSA.

Among other changes, Ch 77/89 requires AFDC parents with children between 3 and 5 years old to participate in GAIN for up to 20 hours per week. Previously, these parents were not required to participate in the GAIN program. In addition, Ch 77/89 requires a parent who (1) is 18 or 19 years old and who has not earned a high school diploma and (2) whose child is under 3 years old, to participate in the GAIN program solely for the purpose of earning a high school diploma or its equivalent.

The act also changes certain requirements of the GAIN program relating to (1) the number of hours that GAIN participants may be required to work in preemployment preparation, (2) the sanctions that result when an individual fails to participate without good cause, and (3) the number of weeks that GAIN participants can be required to perform job search.

The provisions of this measure sunset on January 1, 1991.

This act will result in net General Fund savings of \$68 million in 1989-90. This consists of increased costs of \$24 million, primarily because it requires certain AFDC parents, who were formerly exempt, to participate in GAIN. These costs will be offset by up to \$92 million in additional federal funds which the state will be able to claim for education, training, and employment programs in 1989-90. The 1989 Budget Act only includes \$76 million of these additional federal funds and therefore overstates the General Fund costs of GAIN by up to \$16 million.

The fiscal effect of this act in 1990-91 will be significantly less than in 1989-90 because the measure will be in effect for only the first six months of 1990-91.

Child Support Enforcement

Chapter 804 — Senate Bill 1380 (Watson)

This act requires the Department of Social Services (DSS) to submit a plan to the federal government, by October 1, 1990, for a statewide automated system for child support enforcement, and requires Los Angeles County to develop a separate automated system that interfaces with the statewide system.

Chapter 804 also requires the DSS to establish guidelines for setting time standards for responding to requests for assistance in child support enforcement, and requires county district attorneys to comply with the DSS guidelines.

The DSS indicates that the cost of developing the statewide plan will be approximately \$2.1 million over a two-year period, beginning in 1989-90. This cost will be shared between the federal government (90 percent, or \$1.9 million) and the state (10 percent, or \$210,000). The 1989 Budget Act appropriated \$145,000 from the General Fund to support the first-year cost of developing the statewide plan. Therefore, the state will incur additional General Fund costs of \$65,000 in 1990-91.

The DSS indicates that implementation of the automation system — not specifically required by Chapter 804 — would result in total developmental costs of approximately \$70 million over a period of about six years. (These costs exclude Los Angeles County which has been authorized by the federal government to develop a separate automation system.) This cost would be 90 percent federally funded and 10 percent state funded. The DSS also indicates that ongoing operating costs for the new system would amount to approximately \$18 million annually, partially funded by redirection of resources by the counties. The federal government would fund two-thirds of these costs, with the remainder to be funded by the state and/or local governments.

These costs would be offset by potential major savings in federal and county administrative costs and — to the extent the new system results in increases in child support collections — savings in state, federal, and county AFDC grant payments. (The AFDC savings would result from potential reductions in the number of families requiring this aid and from grant reductions due to increased child support collections.)

Local district attorneys would incur unknown, potentially major costs (several million dollars) to comply with the DSS guidelines. These costs would be offset by potentially major county cost-avoidance because, according to the DSS, failure to implement the guidelines would result in the loss of federal Child Support Enforcement program funding.

Emotionally Disturbed Children in Foster Care

Chapter 913 — Senate Bill 551 (Presley)

This act extends the sunset date, from January 1, 1990 to January 1, 1992, for foster care laws relating to the dependency status of certain emotionally disturbed children. As a result, juvenile courts can continue to maintain children in foster care who are placed there because (1) they are emotionally disturbed and (2) they are beyond the control of their parents. The act also requires county social workers to assess certain skill needs of children in foster care who are over 15 years of age, in order to bring the state into conformity with recent changes in the federally funded Independent Living Program.

The provisions of the act relating to emotionally disturbed children will result in costs of \$7.8 million (\$6.1 million General Fund, \$1.4 million federal funds, \$300,000 county funds) in 1989-90, \$15.6 million (\$12.2 million General Fund, \$2.8 million federal funds, \$600,000 county funds) in 1990-91, and \$7.8 million (\$6.1 million General Fund, \$1.4 million federal funds, \$300,000 county funds) in 1991-92. The 1989 Budget Act includes funds to cover the 1989-90 costs.

The provisions of the act that bring the state into conformity with federal law will allow the Department of Social Services to continue to receive up to \$8 million annually to operate the Independent Living Program in California.

Foster Care Reforms

Chapter 1294 — Senate Bill 370 (Presley)

This act makes several major changes related to foster care. Specifically, the act:

- Extends the sunset date on the 95 percent state/5 percent county sharing ratio for AFDC-Foster Care costs from July 1, 1990 to July 1, 1995 or two years after the implementation of an automated case management system, whichever occurs last. If the current cost-sharing ratio were to sunset, the state share of costs would decline from 95 percent to approximately 12 percent and the county share would increase from 5 percent to 88 percent. Thus, by extending the sunset, the act shifts \$424 million in annual costs from the counties to the state;
- Establishes a new rate-setting system for foster care group home providers, to be phased in over a three-year period starting on July 1, 1990. Currently, group home reimbursement rates are based on individual group homes' costs. Under the new system, group home providers will be reimbursed according to a schedule of standardized rates based on the level of care they provide. Once it is finally phased in, the new rate-setting system will result in increased annual costs of \$73 million from all funding sources;
- Provides for rate increases for foster parents in each of the years 1989-90 through 1993-94. The ongoing annual cost of these rate increases, beginning in 1993-94 will be \$56 million;

- Requires the Department of Mental Health to implement protocols to identify and treat the mental health problems of children in foster care. The ongoing annual costs of assessment and treatment will be \$12 million once all of the affected children have been identified and have begun receiving treatment, which should occur by 1993-94; and
- Requires the Department of Social Services (DSS) to implement a level-of-care-assessment instrument which counties will use to ensure that foster care children are placed in the appropriate level of care.

This act will result in net costs of \$16 million in 1989-90, increasing to \$144 million by 1993-94. Table 1 displays the total fiscal effect of these provisions:

| | Funding Source | | | Net Costs |
|---------------------------------------|----------------|---------|--------|-----------|
| | General | Federal | County | |
| 1989-90 | \$11 | \$5 | \$1 | \$16 |
| 1990-91 | 487 | 21 | -421 | 87 |
| 1991-92 | 521 | 30 | -420 | 131 |
| 1992-93 | 548 | 36 | -419 | 166 |
| 1993-94 | 531 | 32 | -419 | 144 |
| 1994-95 | 531 | 32 | -419 | 144 |
| 1995-96 and annually thereafter | 107 | 32 | 5 | 144 |

The act appropriates \$16 million (\$11.1 million General Fund) in 1989-90 for the purposes of providing a foster family home rate adjustment, providing additional staff support for the DSS, and developing a mental health protocol for children in foster care.

AFDC Payments

Chapter 1285 — Senate Bill 991 (Watson)

This act makes two major changes in the Aid to Families with Dependent Children (AFDC) program — one relating to the beginning date of aid and the other relating to immediate need — both of which would only take effect if the Superior Court for the County of Sacramento approves a proposed settlement in the *Welfare Rights League (WRL), Inc. et al, v. McMahon* court case.

Beginning Date of Aid. Under current law, AFDC aid payments begin (1) on the date that the county welfare department (CWD) authorizes aid if the county authorizes aid in the same month that the individual applies and (2) on the first day of the month of authorization if the county does not authorize aid until the month following application. If the proposed court settlement is approved, this act would establish the date of application as the uniform beginning date of aid for all eligible applicants for AFDC.

Immediate Need. Existing law requires CWDs to determine whether applicants for AFDC have the resources to meet their immediate needs and to grant immediate need assistance to those applicants who cannot meet those needs. This act makes changes in the eligibility requirements for immediate need, the amounts to be provided, and the procedures to be used by CWDs when granting immediate need payments.

The immediate need program in California is the subject of the *WRL v. McMahon* court case. The Department of Social Services (DSS) is negotiating a settlement in the case, and has entered into a tentative agreement with plaintiffs to implement the settlement through the implementation of this bill.

Assuming that the proposed settlement in WRL v. McMahon is approved by the court in time to implement the provisions of this act on July 1, 1990, the DSS estimates that the act will result in (1) increased AFDC grant costs of \$29 million (\$13 million General Fund) annually beginning in 1990-91 due to the changes in the beginning date of aid and (2) administrative savings of \$4.6 million (\$1.2 million General Fund) annually beginning in 1990-91 due to the changes in the immediate needs procedures. If the court does not approve the settlement in WRL v. McMahon, this measure would have no fiscal effect.

The department advises that, if the settlement is approved, it will result in a one-time General Fund cost avoidance of up to \$67 million as a result of the provisions of the proposed settlement that restrict the amount of retroactive payments for immediate need that the state would have to make.

Employment Training Panel

Chapter 926 — Assembly Bill 28 (Johnston)

This act extends the sunset date for the Employment Training Panel (ETP) program from January 1, 1991 to January 1, 1994. The act also makes several major changes in the ETP program, including the following:

- Extends eligibility to individuals who are unemployed and have exhausted their Unemployment Insurance (UI) benefits within the past two years, instead of one year as required under previous law.
- Permits the ETP to allocate up to \$2.7 million annually for funding employment training research projects for those individuals who are employed, but are qualified to be trained or retrained in skills for which there is a demonstrable shortage, and in a field where new employment opportunities will be created for unemployed individuals. Contracts to train these individuals will be approved only if the employer or contractor provides a job for at least one unemployed person for each person retrained.
- Allows the panel to delegate its authority to approve contracts for new hire training to local Job Training Partnership Act administrative entities.

By extending the sunset date for the ETP program by three years, the act will result in the following annual costs and revenues during the three-year period:

- *Costs to the ETP of \$70 million from the Employment Training Fund (ETF) for training, tax collection, and administration;*
- *Employment Training Tax revenues of \$70 million — \$55 million deposited in the ETF and \$15 million transferred to the UI Fund;*
- *ETF interest earnings of approximately \$15 million; and*

- *A \$1.8 million savings (\$610,000 General Fund, \$1.1 million Unemployment Administration Fund, and \$58,000 Disability Insurance Fund) because extending the ETP sunset will prevent a cost shift from the ETF to these other funds. If the ETP had been allowed to sunset, this shift would occur because the other funding sources would have to pick up the ETF's share of tax collection costs.*

Unemployment Insurance

Chapter 1146 — Senate Bill 600 (Roberti)

This act increases unemployment insurance (UI) benefits by raising the UI minimum weekly benefit from \$30 to \$40, and by raising the UI maximum weekly benefit from \$166 to \$190 in 1990, to \$210 in 1991, and to \$230 in 1992. The act also tightens UI eligibility requirements. In addition, it reduces employer UI taxes by (1) establishing a new lower tax schedule for 1990 and (2) allowing employers to make an additional contribution to their reserve accounts, which may result in a decrease in the employers' assigned tax rates.

According to the Employment Development Department, the act will result in net costs to the Unemployment Fund of approximately \$116.3 million in 1989-90, \$267.5 million in 1990-91, \$302.4 million in 1991-92, and decreasing amounts thereafter.

Extension of the Multipurpose Senior Services Program

Chapter 1318 — Assembly Bill 1503 (Quackenbush)

This act eliminates the June 30, 1990 sunset of the Multipurpose Senior Services Program (MSSP). The MSSP provides social and health services to frail elderly persons, with a goal of allowing them to live safely in their own homes rather than in nursing facilities.

This measure will result in General Fund and federal funds costs for the continued operation of the MSSP after June 30, 1990. The 1989 Budget Act includes \$22 million (\$11 million General Fund and \$11 million federal funds) to operate the MSSP. The actual annual cost of continuing the program will depend on annual Budget Act appropriations in subsequent years.

Disability Insurance

Chapter 1371 — Senate Bill 343 (Lockyer)

This act increases Disability Insurance (DI) benefits by:

- Eliminating the January 1, 1990 sunset on the maximum total DI benefit that an individual can receive. Under prior law, an individual disabled on or after January 1, 1990 would have been limited to 39 weeks of DI benefits, or 75 percent of the total wages earned during a one-year base period, whichever was less;
- Providing a new, 55 percent wage replacement floor for DI benefits, up to a specified maximum weekly benefit; and
- Increasing the maximum weekly benefit to (1) the maximum weekly benefit for workers' compensation temporary disability, or (2) \$266 in 1990 and \$343 in 1991 and thereafter, whichever is less. Chapter 892 (AB 276, Margolin), sets the maximum workers' compensation weekly benefit at \$336 in 1991.

The EDD estimates the act will result in costs to the DI Fund of at least \$69 million in 1989-90, \$265 million in 1990-91, and \$429 million in 1991-92 and annually thereafter, depending on future increases in the maximum weekly benefit for the Worker's Compensation program. Under current law, the EDD estimates that the DI tax rates will increase to cover the costs of this act.

Local Government Financing

Motor Vehicle License Fee Refunds

Chapter 718 — Senate Bill 839 (Seymour)

This act allows the owner of a vehicle to receive a refund or credit of the motor vehicle license fee if the vehicle is stolen or totally destroyed. The refund or credit is prorated according to the number of months in the year that the vehicle was in use.

In order to receive the refund, the vehicle owner must sign a statement that he or she has not been cited or convicted of driving under the influence in connection with the vehicle's loss. Chapter 718 permits the Department of Motor Vehicles (DMV) to recoup the costs of processing requests for a refund or credit through fees. The statute becomes effective January 1, 1991.

This act will increase administrative costs to the DMV by \$1.6 million in 1990-91, \$3 million in 1991-92, and increasing amounts in subsequent years. The DMV can finance these costs through fees charged to applicants. In addition, Ch 718 will reduce revenues to the Motor Vehicle License Fee Account by \$4.6 million in 1990-91, \$9.1 million in 1991-92, and increasing amounts annually thereafter. Subventions to cities and counties will be reduced by a corresponding amount.

Local Government Claims Bill

Chapter 788 — Senate Bill 235 (Alquist)

This act, an urgency measure, provides funding for reimbursement of the costs incurred by local governments for administering seven new state-mandated local programs. Each year the Legislature enacts a local government claims bill, such as Chapter 788, to provide funding for specific statutes and executive orders which are determined to impose state-mandated local programs by the Commission on State Mandates. In subsequent years, the funding for these programs is included in the annual Budget Act. Chapter 788 contains a total of \$48 million to fund the current- and prior-year costs of the new mandated local programs and deficiencies in a number of existing mandate reimbursement programs.

The act appropriates a total of \$47 million from the General Fund and \$1.1 million from the Restitution Fund to reimburse state-mandated costs incurred by local agencies and school districts.

County Property Tax Allocations

Chapter 966 — Assembly Bill 833 (Filante)

This act, an urgency measure, validates past property tax allocations made in Marin and Fresno Counties. In recent property tax audits of Marin and Fresno Counties, the Controller found errors in the amount of property tax revenue allocated to local school districts. As a result, since 1979-80, the school districts have received a lower share of county-wide property tax revenues than required under current law, and a correspondingly higher share of state school apportionments. Existing law requires the counties to reimburse the state for the resulting state costs for school apportionments incurred in 1983-84 and subsequent years.

Chapter 966 validates the property tax allocations made by Marin and Fresno Counties in 1979-80 through 1988-89. Thus, it excuses the counties from reimbursing the state for increased school apportionments during this period.

This act reduces state General Fund revenues from reimbursements by \$16.5 million in 1989-90.

Property Tax Delinquency Penalty Revenues

Chapter 1230 — Assembly Bill 2372 (Hannigan)

This act allows counties to retain property tax delinquency penalty revenues rather than allocating them among local government agencies and school districts. Under current law, individuals who are late paying their property taxes must pay a delinquency penalty to the county auditor. Current case law requires counties to allocate these revenues to local entities in the same proportion as their share of overall property tax revenues (*City of Los Angeles v. County of Los Angeles* (1983) 139 CA 3d 979). Chapter 1230 overturns the holding in the City of Los Angeles case. This will allow counties to retain these penalty revenues rather than providing them to other local agencies.

The act will increase property tax delinquency revenues to counties by unknown annual amounts, probably at least several million dollars, beginning in 1989-90. There will be a corresponding reduction in penalty revenues allocated to other local agencies and school districts.

General Government

Workers' Compensation

Chapter 892 — Assembly Bill 276 (Margolin)

Chapter 893 — Senate Bill 47 (Lockyer)

These acts increase the maximum weekly benefit for temporary disability, permanent total disability, permanent partial disability, and the maximum death benefits for dependents and burial expenses. In addition, the acts establish a separate temporary disability benefit maximum for injured workers receiving vocational rehabilitation services after a worker's injuries become permanent and stationary.

The measures also make various changes to reduce costs and eliminate delays in the delivery of benefit payments. The major changes include: (1) additional notification requirements mandated upon employers, claimants, and claimants' attorneys, (2) new provisions regarding the timing of disability payments, including monetary penalties to insurance carriers for noncompliance, (3) establishing a higher eligibility threshold for stress related claims, and (4) a reduction in the number of medical evaluators that an employee can obtain to prove a claim.

Chapter 892 also extends workers' compensation coverage to persons serving as volunteers, paid reserves or auxiliary law enforcement officers of a municipality, regional park district, or transit district.

The acts will result in estimated multimillion dollar annual costs to various funds beginning in 1989-90 to (1) provide increased workers' compensation benefits to state employees and employees of uninsured employers, and (2) resolve workers' compensation claims administratively and provide other administrative support functions. These costs will be offset to an unknown extent in future years by (1) a reduction in judges and related personnel, (2) revenue from fines and penalties for failure to comply with mandated benefit payment and adjudication procedures, and (3) various other savings.

In addition, Chapter 893 appropriates \$2.5 million from the General Fund as a loan to the Department of Industrial Relations for additional workers' compensation judges and related personnel. These funds are in addition to the \$4 million provided for this purpose in the 1989 Budget Act.

PERS-Care Employer Contributions

Chapter 1388 — Senate Bill 1264 (Cecil Green)

This act, an urgency measure, changes the formula used in determining the state contribution towards the cost of health benefits for state employees and annuitants that reside in areas which are not served by a Health Maintenance Organization (HMO) and have no alternative but to enroll in the state's fee-for-service health plan—PERS-Care.

Under prior law, the state paid 100 percent of the health benefit premium costs for state employees or annuitants, and 90 percent of the costs for dependents based on an average of the premium costs of the four plans with the largest enrollment.

This act provides that for those employees who reside in areas with no HMO alternative, the state's contribution towards their health benefits costs will be 90 percent of the PERS-Care premium for employees and annuitants, and 90 percent of the PERS-Care premium for dependents. This formula results in a higher state contribution because the PERS-Care premium is higher than the average premium cost used in the previous formula.

This act will result in costs of approximately \$11.6 million (various funds) in 1989-90 due to increased state contributions for health benefit costs for certain state employees and annuitants. These costs will increase annually due to increasing health care costs.

Purchasing Power Protection for Retired Teachers

Chapter 115 — Senate Bill 1407 (Cecil Green)

Chapter 116 — Senate Bill 1513 (Campbell)

These acts establish a funding mechanism that provides purchasing power protection benefits to retired teachers. These benefits are provided to partially offset the decreases in purchasing power of a retiree's initial retirement allowance caused by inflation. The acts create the Supplemental Benefit Maintenance Account which is funded with transfers from the State Teachers' Retirement Fund (STRF) sufficient to ensure that retired members of the State Teachers Retirement System (STRS) receive benefit payments equal to at least 68.2 percent of the purchasing power of their initial benefit. These transfers will be repaid with interest through annual payments from the General Fund.

Prior to these acts, the Legislature provided purchasing power benefits primarily through appropriations in the annual Budget Act.

These acts will result in General Fund costs of \$53 million in 1990-91, \$113 million in 1991-92, \$182 million in 1992-93, \$259 million in 1993-94, \$347 million in 1994-95, and increasing amounts annually thereafter. The STRS also will incur one-time costs of \$170,000 from the STRF in 1989-90 to implement these acts and ongoing annual administrative costs of \$80,000.

Capital Outlay

New State Buildings—Sacramento

Chapter 984 — Senate Bill 638 (Alquist)

This act, an urgency measure, requires the Department of General Services to construct a 430,000 gross square foot building to house the Secretary of State and State Archives on the block bound by 10th, 11th, O and P Streets (Site 7) in Sacramento.

The act authorizes the State Public Works Board to issue revenue bonds, negotiable notes and bond anticipation notes to finance the construction and equipping of this building. The act stipulates that construction costs are not to exceed \$100 million. These costs would be paid from the General Fund and potentially from other state funds. These costs would be partially offset by reduced lease costs.

Chapter 1366 — Senate Bill 42 (Craven)

This act, an urgency measure, provides for the financing of a new legislative office building on the property bound by 10th, 11th, N and O Streets in Sacramento. The act repeals a provision which called for construction of a legislative building in the area bound by 15th, L, 17th and N Streets.

The act requires the Legislature to review its current and long-term requirements for office facilities and to undertake a feasibility study for development of the new legislative office facility. The feasibility study, which is to be completed by January 1, 1990, is to include an analysis of various financing alternatives and a recommendation regarding potential options and respective costs. The costs of this building are unknown.

Chapter 1391 — Senate Bill 1506 (Boatwright)

This act authorizes the Department of General Services to construct a 385,000 gross square foot facility for the Franchise Tax Board. This facility would be constructed adjacent to the board's existing central office on Butterfield Way in Sacramento.

The act authorizes the State Public Works Board to issue revenue bonds, negotiable notes or negotiable bond anticipation notes to finance the project. The act stipulates that construction costs for the facility are not to exceed \$40 million. These costs would be paid from the General Fund and would be partially offset by reduced lease costs.

Prison Construction-Imperial County

Chapter 1413 — Senate Bill 662 (Bergeson)

This act, an urgency measure, appropriates funds to the Department of Corrections (CDC) for a previously authorized 2,000-bed maximum security prison, plus a 200-bed minimum security service facility, in Imperial County (Imperial I). The act also authorizes the Department of Corrections to construct a 2,000-bed medium security prison, plus a 200-bed minimum security facility, in Imperial County (Imperial II).

The act appropriates \$194 million to CDC from the 1990 Prison Construction Fund (to be funded by a general obligation bond, contingent on voter approval at a 1990 election for site acquisition, planning, and construction related to the Imperial I project. The act also appropriates \$10 million from the 1988 Prison Construction Fund for site acquisition and planning for the authorized Imperial II facility.

Work Camp and Prison Construction — Humboldt County and Coalinga

Chapter 1003 — Senate Bill 1694 (Keene)

This act, an urgency measure, appropriates funds to the CDC to construct a work-based camp facility in Humboldt County. It also appropriates funds for environmental studies, master planning and preliminary plans for a 2,000-bed medium security prison, with a 200-bed minimum security service facility, in the vicinity of Coalinga in Fresno County. The statute requires that the environmental impact report for the Coalinga prison include an evaluation of three or more potential sites.

The act appropriates \$2.7 million from the 1988 Prison Construction Fund for site acquisition, preliminary plans, working drawings and construction for the work-based camp in Humboldt County. The act appropriates \$2.5 million for site studies and preliminary plans for the prison in Coalinga.

Richard McGee Correctional Training Facility

Chapter 1420 — Senate Bill 817 (Presley)

This act authorizes the Department of General Services to enter into a lease-purchase agreement on behalf of the CDC for the purchase of the Richard McGee Correctional Training Center in Galt. The lease-purchase agreement may also include improvements to the current facility.

The act allows the CDC, at any time before or after the lease is entered into, to purchase the land and facility through issuance of bonds, negotiable notes or negotiable bond anticipation notes. The amount of the bonds or notes to be sold may not exceed \$11 million, to be paid from the General Fund. These costs would be partially offset by reduced lease costs.

Part 2 Summary of Legislation

First Extraordinary Session

This section discusses the 24 pieces of legislation which were adopted by the Legislature during the First Extraordinary Session in November and subsequently approved by the Governor. These measures were enacted to provide disaster relief to individuals, businesses and government entities incurring losses due to the 1989 Loma Prieta earthquake.

Disaster Assistance Programs

Chapter 1x — Assembly Bill 42x (Vasconcellos)

Chapter 2x — Senate Bill 1x (Mello)

These acts, both urgency measures, expand the authority of the Director of Finance to transfer and allocate funds to state and local agencies for purposes of disaster recovery. Specifically, the director may transfer funds from the Special Fund for Economic Uncertainties to various accounts within the Natural Disaster Assistance Fund (NDAF) and to the Disaster Response Emergency Operations Account (DREOA) in any amount necessary in order to cover eligible claims that may exceed the balances in those accounts.

These acts also allow the state to assume up to 100 percent of the local agency share of disaster assistance costs associated with the Loma Prieta earthquake. Under current law, the federal government generally pays 75 percent of these disaster assistance costs. The state and local agencies generally share the remaining 25 percent of the costs. For purposes of receiving state disaster assistance funds, Chapter 2x includes the University of California in the definition of a state agency. Chapter 2x allows state funds to be spent for the repair or restoration of public recreational facilities damaged in a natural disaster.

These acts could result in unknown costs to the General Fund and various disaster assistance funds. These costs will result, in part, from the state assuming up to 100 percent of the local agency share of disaster assistance costs. These costs will vary according to extent of damage suffered, and the amount of eligible disaster assistance costs associated with the Loma Prieta earthquake and any subsequent natural disasters.

Loans and Grants to Rebuild Disaster-Damaged Rental Housing

Chapter 3x — Assembly Bill 41x (Farr)

Chapter 4x — Senate Bill 3x (Marks)

These acts, both urgency measures, establish programs within the Department of Housing and Community Development to assist owners of disaster-damaged rental housing. Specifically, the programs provide deferred payment low-interest loans for the reconstruction or rehabilitation of such housing. The act creates the California Disaster Housing Rehabilitation Fund for the purpose of funding the loan program.

These acts appropriate \$33.5 million from the Special Fund for Economic Uncertainties, as follows: (1) \$32 million to the California Disaster Housing Rehabilitation Fund for loans to rehabilitate earthquake-damaged rental housing; partially offset by loan repayments to the General Fund in future years; and (2) \$1.5 million to the Farmworker Housing Grant Program for rehabilitation of earthquake-damaged farmworker housing.

Loans and Grants for Emergency Shelter and to Rebuild Owner-Occupied Housing

Chapter 5x — Assembly Bill 44x (Hauser)

Chapter 6x — Senate Bill 4x (Leroy Greene)

These acts, both urgency measures, establish programs to provide temporary shelter and rebuild owner-occupied housing after a natural disaster. Specifically the acts establish:

- A program in the Department of Housing and Community Development (HCD) to help homeowners rebuild after a natural disaster. The program provides deferred payment low-interest loans for the reconstruction or rehabilitation of owner-occupied housing. The act creates the California Disaster Housing Rehabilitation Fund for the purpose of funding the loan program;

- The Natural Disaster Emergency Shelter Program in HCD to provide grants to local public and nonprofit agencies to provide emergency shelter to victims of a natural disaster. The program includes providing rental security deposit guarantees and grants to disaster victims. The act creates the Natural Disaster Community Assistance Account within the Natural Disaster Assistance Fund for the purpose of funding disaster relief under this and other programs; and
- The Rural Emergency Assistance Housing Infrastructure Program in the Department of Commerce to provide grants to local public agencies to provide the infrastructure to support emergency housing necessitated by a natural disaster.

These acts appropriate \$41.5 million from the Special Fund for Economic Uncertainties. Of this amount \$32 million is appropriated to the California Disaster Housing Rehabilitation Fund for loans to help homeowners after a natural disaster. A portion of the loaned funds will be offset by loan repayments to the General Fund in future years. The remaining \$9.5 million is appropriated to the Natural Disaster Community Assistance Account, to be allocated as follows: (1) \$5 million to the Emergency Housing and Assistance Fund for purposes of the Natural Disaster Emergency Shelter Program, (2) \$1 million to the Rural Predevelopment Loan Fund, (3) \$1 million to the Urban Predevelopment Loan Fund, (4) \$1 million to the Office of Migrant Services, (5) \$1 million to the Department of Commerce for purposes of the Rural Emergency Assistance Housing Infrastructure Program, and (6) \$500,000 to the Emergency Housing and Assistance Fund to provide residential rental security deposit grants and guarantees.

State and Local Parks

Chapter 7x — Senate Bill 10x (Morgan)

Chapter 8x — Assembly Bill 39x (Seastrand)

These acts, both urgency measures, provide funds for repair of state park facilities damaged in the northern California earthquake of October 17, 1989. The acts also provide funds for grants to local agencies for technical assistance and limited stabilization on specified historic buildings damaged by the earthquake. In addition, the acts require that, where feasible, any federal funds received for purposes of these state and local projects be used to reimburse the state for funds appropriated in these acts.

These acts appropriate a total of \$1.5 million from state bond funds for (1) emergency earthquake repair in the state park system (\$1.3 million—1988 Park Bond Fund) and (2) five specific local assistance grant projects (\$171,000—1984 Park Bond Fund).

Individual and Family Grant Program

Chapter 9x — Senate Bill 11x (Alquist)

Chapter 10x — Assembly Bill 37x (Bates)

These acts, both urgency measures, appropriate \$19.4 million from the General Fund to the Department of Social Services for grants to individuals and families affected by the Loma Prieta earthquake. Under the federal Individual and Family Grant program, these individuals can receive up to \$10,400 for home repairs and replacement of items such as clothing and appliances. The federal government covers 75 percent of these costs and the state covers the remaining 25 percent. In addition, individuals and families with qualifying expenses in excess of \$10,400 can receive up to an additional \$10,000 through the State Individual and Family Supplemental Grant program, which is 100 percent state funded. The state also covers most of the administrative costs of the federal grant program and all of the administrative costs of the state supplemental program.

Of the \$19.4 million appropriation, the measures allocate \$10 million for the state's share of the federal grant program, \$5 million for the grants under the state supplemental program and \$4.4 million for the administrative costs incurred in awarding grants through both programs.

Earthquake Emergency Loan Guarantees and Grants

Chapter 11x — Senate Bill 12x (Mello)

Chapter 12x — Assembly Bill 40x (Farr)

These acts, both urgency measures, provide funding for earthquake disaster relief programs to assist small businesses and agriculture-related enterprises suffering economic losses as a result of the Loma Prieta earthquake. Funds allocated to the Department of Commerce will be used to contract with nonprofit Regional Development Corporations to provide loan guarantees for small business and agriculture-related enterprises. Funds provided to the department will also be used to administer the California Earthquake Emergency Grant Aid Program to make grants to localities and specified nonprofit organizations for technical assistance to small businesses and communities.

These measures appropriates \$1 million from the Disaster Relief Fund to the Department of Commerce for technical assistance grants. In addition, they authorize the Governor to allocate funds from the Special Fund for Economic Uncertainties to the Department of Commerce for loan guarantees. It is not yet known how much money will be allocated for this purpose.

Temporary Sales Tax Increase

Chapter 13x — Assembly Bill 48x (Areias)

Chapter 14x — Senate Bill 33x (Mello)

These acts, both urgency measures, temporarily increase the state sales tax rate by 0.25 percent (one quarter-cent per dollar of sales). The increased rate is effective for a 13-month period, from December 1, 1989 through December 31, 1990. The measures appropriate all of the revenue produced by the tax increase for earthquake response and recovery efforts. Both measures also (1) suspend the education funding requirements of Proposition 98 (otherwise the state would be required to allocate 40 percent of the revenue to schools) and (2) exclude earthquake disaster assistance provided by the state to school districts from counting in the permanent school funding base that the state must maintain under Proposition 98.

We estimate that these acts will result in additional revenues totaling \$785 million for earthquake disaster relief (\$360 million in 1989-90 and \$425 million in 1990-91). In addition, the State Board of Equalization estimates that it will incur General Fund costs of \$1.6 million annually in 1989-90 and 1990-91 to administer the temporary tax increase and to conduct taxpayer audits.

Income Tax Relief

Chapter 15x — Assembly Bill 36x (Klehs)

Chapter 16x — Senate Bill 34x (Garamendi)

These acts, both urgency measures, allow individuals and corporations more flexibility to deduct from their taxable income property damage and business operating losses that are due to the Loma Prieta earthquake. Generally, individual and corporate taxpayers can deduct casualty and operating losses in the year that they occur, subject to certain limits. If the deductible loss exceeds that year's income, then half of the "excess" loss may be carried forward and deducted for up to fifteen years. Individuals also may deduct disaster-related losses from their income in the prior year and receive a refund. These acts allow both individual and corporate taxpayers to carry forward all of their excess losses related to the earthquake for up to five years, with half of any remaining excess loss deductible over the subsequent 10 years. In addition, corporations, as well as individuals, could carry back their losses to the prior year.

Under existing law, counties may allow owners of properties damaged in a disaster to defer their property tax payments until the property has been reassessed to reflect its lower damaged value. The county then receives a loan from the state in the amount of the deferred payments on the first tax installment due after the disaster. The county repays the state the full amount of the loan after the next installment of property tax is due. These measures allow counties that were affected by the earthquake to reduce their repayment to the state by their property tax revenue loss in 1989-90 due to the disaster reassessments. Thus, the state will make these counties "whole" for their revenue losses due to the reassessment of damaged property.

Generally, these provisions are similar to those enacted for the Whittier earthquake in 1987 and certain other disasters.

The fiscal effects of these measures will depend on the amount of damage caused by the earthquake and the tax situation of those individuals and corporations who incurred losses or own damaged property. On a preliminary basis, the Franchise Tax Board estimates General Fund revenue losses totaling about \$32 million through 1993-94 due to the loss carryforward and carryback provisions. The net state cost of replacing lost local property tax revenue probably will range between \$10 million and \$20 million, if damage to taxable property is between \$2 billion and \$4 billion.

Transportation Services

Chapter 17x — Assembly Bill 38x (Sher)

Chapter 18x — Senate Bill 36x (Kopp)

These acts, both urgency measures, establish a statewide seismic safety inspection and retrofit program for all publicly owned bridges, provide for "fast-tracking" of certain emergency repairs of transportation facilities and make funds available for emergency ferry and transit service.

- *Bridge and Highway Seismic Safety.* These acts require the Department of Transportation (Caltrans) and specified local agencies to inspect all publicly owned bridges for seismic safety and to complete seismic retrofit projects on all deficient bridges by December 31, 1991. The acts transfer \$80 million from the Disaster Relief Fund to a new Seismic Safety Retrofit Account and appropriate these funds to the department and local agencies to carry out seismic retrofit projects. These acts also appropriate \$1 million from the Disaster Relief Fund to Caltrans to develop revised seismic standards for the design of highway and bridge facilities.
- *Emergency Repair of Transportation Facilities.* The acts specify that emergency repair and restoration of certain earthquake-damaged transportation facilities are exempt from the requirements of the California Environmental Quality Act, and require permitting agencies to approve or deny a permit for emergency projects within 15 days of receipt of an application. The acts also create an ad hoc earthquake emergency review panel to hear Caltrans' appeals of permitting agency decisions. These provisions would sunset on June 1, 1990, unless otherwise extended.

- *Emergency Ferry and Transit Service.* The acts reappropriate \$3.8 million in Transportation Planning and Development (TP&D) Account funds — from funds previously appropriated for transit capital improvements — for allocation to the department and local agencies for specified earthquake-related emergency ferry and transit services.

The acts further exempt seismic safety projects and expenditure of state and federal disaster relief funds from statutory provisions governing the allocation of transportation expenditures in the state (that is, the “north/south split” and “county minimum” requirements).

The acts appropriate \$80 million from the Seismic Retrofit Account for bridge seismic retrofit projects, and \$1 million from the Disaster Relief Fund to develop revised seismic standards for the design of new transportation facilities. In addition, the acts reappropriate \$3.8 million in TP&D Account funds (previously appropriated for transit capital improvements) for earthquake-related emergency ferry and transit services.

Disaster Relief Appropriation

Chapter 19x — Assembly Bill 43x (Vasconcellos)

Chapter 20x — Senate Bill 40x (Campbell)

These acts, both urgency measures, amend the 1989 Budget Act to allow for additional appropriations from the Special Fund for Economic Uncertainties (SFEU) for disaster relief. Control Section 12.30 of the 1989 Budget Act included language to allow the Director of Finance to allocate up to \$20 million from the SFEU for emergency or disaster relief.

These measures increase the amount of money that may be allocated by the Director of Finance directly from the SFEU for disaster relief purposes from \$20 million to \$40 million for the 1989-90 fiscal year.

Bay Bridge and I-880 Victim Assistance/Unemployment Insurance

Chapter 21x — Senate Bill 45x (Lockyer)

Chapter 22x — Assembly Bill 45x (Willie Brown)

These acts, both urgency measures, establish the following programs:

Victim Assistance. The measures establish an emergency claims process to provide immediate relief to the dependents of victims of the collapse of the San Francisco-Oakland Bay Bridge and the I-880 Cypress structure. The claims process will be administered by the State Board of Control and will have two phases. The first phase provides from \$25,000 to \$50,000 for specified claims, with each family receiving a maximum of \$200,000. The second phase allows dependents to apply for an adjustment of benefits for economic or noneconomic losses. If the dependent accepts the offer, all other legal remedies are waived against the state. Payments made pursuant to Phase I will offset any amounts which may be received in Phase II or as the result of litigation.

Unemployment Insurance. The acts waive the one-week waiting period for all Unemployment Insurance (UI) claimants who file between October 15 and December 2, 1989 within the identified disaster areas. The measures also provide that the benefits paid as a result of this waiver will not be charged to employer reserve accounts.

The acts transfer \$30 million from the Special Fund for Economic Uncertainties to the new San Francisco-Oakland Bay Bridge and I-880 Cypress Structure Disaster Fund to pay claims against the state pursuant to the earthquake. In addition, the Employment Development Department (EDD) estimates that the act will result in Unemployment Insurance Fund costs of between \$4 million and \$8 million.

Disaster Assistance for Private Nonprofit Organizations

Chapter 23x — Senate Bill 38x (Petris)

Chapter 24x — Assembly Bill 35x (Cortese)

These acts, both urgency measures change the definition of "local agency" for purposes of receiving state funds for disaster assistance. Specifically, the measures define "local agency" to include county offices of education, community college districts, and specified private nonprofit organizations. State assistance to private nonprofit organizations would be limited to \$5 million in the event that funding is insufficient to pay all eligible claims.

These acts also allow up to \$1.5 million from the Redemption Bonus Account to be used by certified community conservation corps for disaster assistance activities associated with the Loma Prieta earthquake. This provision would be repealed on July 1, 1990 unless the date is extended by a later enacted statute. Any funds from the Redemption Bonus Account used for disaster assistance must be repaid to the account, if the community conservation corps receive reimbursement for their disaster assistance activities from another source.

By broadening the definition of local agency, this act will result in additional costs to the state to provide disaster assistance to county offices of education, community college districts, and specified private nonprofit organizations as a result of the Loma Prieta earthquake and any subsequent natural disasters. The magnitude of the additional costs is unknown and will depend on the amount of eligible costs incurred by these entities.