

# Analysis of the 1987-88 Budget Bill

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## *Report of the Legislative Analyst to the Joint Legislative Budget Committee*

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Hon. Willie L. Brown, Jr.  
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February 25, 1987

THE HONORABLE WILLIAM CAMPBELL, *Chairman*  
*and Members of the Joint Legislative Budget Committee*  
State Capitol, Sacramento

Members:

I am pleased to submit for your consideration an analysis of the Budget Bill of the State of California for the fiscal year July 1, 1987 to June 30, 1988, prepared in accordance with the provisions of Government Code, Sections 9140-9143, and Joint Rule No. 37 of the Senate and Assembly.

The purpose of this analysis is to assist the committee in performing its duties which are set forth in Joint Rule No. 37 as follows:

“It shall be the duty of the committee to ascertain facts and make recommendations to the Legislature and to the houses thereof concerning the state budget, the revenues and expenditures of the state, and of the organization and functions of the state, its departments, subdivisions and agencies, with a view of reducing the cost of the state government, and securing greater efficiency and economy.”

My colleagues and I thank the staff of the Department of Finance and the other agencies of state government for their generous assistance in furnishing information necessary to prepare this report.

The staff of your committee has worked with extraordinary diligence and professionalism to complete this comprehensive report within the brief time available, and to each of them I am especially grateful.

Respectfully submitted,

ELIZABETH G. HILL  
*Legislative Analyst*

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## INTRODUCTION

This *Analysis* reports the results of our detailed examination of the Governor's Budget for 1987-88. It contains our recommendations on the funding levels proposed in the budget, as well as our recommendations for changes to existing law. These recommendations are offered to assist the Legislature in its efforts to fashion a budget which reflects legislative priorities.

The Legislature's task of evaluating the proposed funding levels for the operation of state departments is complicated by two factors. First, across-the-board budget reductions have been made in the form of General Fund "Special Adjustments" in both the current and budget year. The specific reductions resulting from these adjustments, however, have not been identified. Second, the majority of state agencies have not been provided funding with which to pay merit salary adjustments or inflationary costs, even though increased expenditures will occur in both areas. In order to pay these costs, departments must make reductions in other areas or leave positions vacant. As a result of both these factors, the executive branch *rather than* the Legislature will be making the policy decision of where program expenditures and thus, service levels, will be reduced. We have identified the magnitude of the "Special Adjustment" for 1987-88 in each item of the *Analysis*.

Based on our analysis, we have recommended numerous reductions in the funding levels proposed by the Governor. Generally, we conclude that these reductions are warranted for one of the following reasons:

- The objectives established by the Legislature in a particular program area can be achieved at a lower cost to the state.
- The amounts requested by the Governor have not been justified on the basis of workload, need, or the potential benefits to be gained from the proposed expenditure.
- A program or activity is not effective in achieving the purpose for which it was created.
- A funding source other than the General Fund is available for supporting a particular activity.

We have also recommended that the budget be augmented in instances where our analysis indicates that additional funds are needed to protect the state's financial interest or where current law *and* legislative actions consistently have fully funded the program.

In many cases, our analysis indicates that the Legislature does not have sufficient information to determine the appropriate funding or staffing levels which are warranted for a particular program. This is particularly the case in a number of areas where implementation of the Governor's Budget proposal will require implementing legislation, *the specifics of which are not yet available*. Where the Legislature has not been given the information it needs, we have withheld recommendation on the budget proposal. As the information becomes available, we will provide the Legislature with "supplemental analyses" of these proposals, along with our recommendations. We will also submit analyses and recommendations for changes to the Governor's Budget proposed by the Department of Finance through "Finance letters."

Throughout this *Analysis*, we have taken legislatively established objectives as a given, and tailored our recommendations in such a way as to enhance the Legislature's ability to achieve these objectives. No attempt has been made, however, to tailor these recommendations so as to achieve

a specific overall spending level. Similarly, proposals have been evaluated on their own merits rather than the potential effect they would have on where the state stands relative to its appropriations limit.

**Perspectives and Issues**

This *Analysis* is accompanied by a companion document entitled, *The 1987-88 Budget: Perspectives and Issues*. This document is divided into three parts:

Part One, "State Finances in 1987," provides a brief summary of the state's current fiscal condition.

Part Two, "Perspectives on the 1987-88 Budget," presents detailed information on the budget as a whole—expenditures, revenues, bonding activity and staffing levels.

Part Three, "Major Fiscal Issues Facing the Legislature," discusses major issues, in addition to those raised in the *Analysis*, that we believe warrant the Legislature's attention in 1987. Most of the issues in this section fall into four categories. The first is the fiscal constraints facing the state and the counties. The second category deals with program changes that directly affect the state budget: the rising costs of incarceration, the AIDS epidemic, implementation of GAIN, financing community colleges, and California's long-term care system. The third category includes issues the Legislature needs to address in response to federal legislation: tax reform, revenue bond limitations, immigration reform and control, and early education for the handicapped. Finally, there are issues that arise from the growing deferred maintenance and capacity needs of the state's infrastructure systems: prisons, higher education campuses, state hospitals, state office buildings, highways, and sewage treatment facilities.