

SUMMARY OF LEGISLATIVE ACTION  
ON THE BUDGET BILL  
1985-86

JULY 1985

## TABLE OF CONTENTS

LIST OF TABLES.....	ii
OVERVIEW.....	iii
THE 1985 BUDGET ACT.....	1
The Governor's Budget.....	1
Legislative Action on the Governor's Budget.....	3
Amounts Vetoed by the Governor.....	3
Further Changes to the Budget Proposed by the Governor.....	12
TOTAL EXPENDITURES.....	14
Historical Perspective on General Fund Expenditures.....	14
Total Expenditures, by Function.....	16
Total Expenditures, by Program.....	16
General Fund Cost-of-Living Adjustments.....	28
Summary of Major Expenditure Changes from 1984-85.....	32
LEGISLATION ACCOMPANYING BUDGET ACT.....	40
GENERAL FUND REVENUES.....	41
CONDITION OF THE GENERAL FUND.....	43
ALLOCATION OF TIDELANDS OIL AND GAS REVENUES.....	46
THE STATE WORKFORCE.....	48
Legislative Changes to the State Workforce.....	48
Personnel-Years Vetoed by the Governor.....	48
Changes in the Workforce from 1984-85.....	50

## LIST OF TABLES

	<u>Page</u>
Table 1    Summary of Action Taken on the 1985 Budget Act.....	2
Table 2    Total Expenditures (1983-84 through 1985-86).....	15
Table 3    Trends in General Fund Expenditures (1974-75 through 1985-86).....	17
Table 4    General Fund, Special Fund, and Bond Fund Expenditures, by Function (1983-84 through 1985-86).....	18
Table 5    General Fund Expenditures, by Program (1983-84 through 1985-86).....	19
Table 6    Total Revenues for K-12 Education.....	21
Table 7    Trends in Total Revenues for K-12 Education (1976-77 through 1985-86).....	22
Table 8    Total State Aid to Postsecondary Education.....	24
Table 9    Trends in Total Revenues for California Community Colleges (1976-77 through 1985-86).....	25
Table 10   Change in Welfare Benefits.....	27
Table 11   General Fund Cost-of-Living Adjustments.....	29
Table 12   Major Expenditure Changes from 1984-85.....	33
Table 13   Actions Affecting General Fund Revenues.....	42
Table 14   Condition of the General Fund (1984-85 and 1985-86).....	44
Table 15   Distribution of Tidelands Oil and Gas Revenues.....	47
Table 16   Summary of Actions Affecting the State Workforce.....	49
Table 17   Trends in State Employment (1977-78 through 1985-86).....	52

## OVERVIEW

This report summarizes the fiscal effect of the 1985 Budget Act (SB 150). In addition, it considers the effects on the General Fund of certain other major pieces of legislation enacted during late June, including:

- Assembly Bill 1304 (Vasconcellos), the 1985 deficiency bill;
- Assembly Bill 38 (Vasconcellos), which provides \$95 million to pay claims for desegregation costs incurred in 1983-84 and 1984-85;
- Senate Bill 1465 (Morgan), which allows the state to expand its external borrowing program; and
- Senate Bill 1079 (Alquist), which limits the amount of revenues lost in the 1985-86 fiscal year as a result of the Solar and Energy Tax credit.

This report also highlights the funding levels approved for the state's major programs in 1985-86, as well as the overall effect of the budget on the size of the state's workforce.

The expenditure and surplus estimates contained in this report are not predictions of what the final budget totals for fiscal year 1985-86 will be. Rather, these estimates simply reflect (1) the most recent projections of revenue to the General Fund, (2) the latest estimates of caseloads under "open-ended" programs, and (3) legislative action completed through June 30, 1985. As the fiscal year progresses, these estimates will be revised to reflect such factors as:

- Unanticipated economic developments;
- Changes in the rates of expenditure under entitlement programs, such as Aid to Families with Dependent Children (AFDC) and Medi-Cal;
- The enactment of new legislation;
- Administrative actions taken by the executive branch;
- Decisions handed down by the courts; and
- Actions taken by the Congress and the President on the 1986 federal budget.

## THE 1985 BUDGET ACT

The Budget Act for 1985-86 (Ch 111/85) was signed by the Governor on June 28, 1985. Table 1 presents a chronological summary of the changes made to the budget since it was proposed by the Governor on January 10, 1985.

### The Governor's Budget

Table 1 indicates that in his January budget, the Governor proposed that the state spend \$33.6 billion during fiscal year 1985-86. This amount included:

- \$27.9 billion in General Fund expenditures;
- \$5.3 billion in special fund expenditures; and
- \$0.5 billion in selected bond fund expenditures.

Subsequently, the Governor proposed changes to this spending plan that increased the total by \$1,056 million. These changes included an increase in General Fund spending of \$158 million, a \$208 million increase in special fund spending, and a \$690 million increase in spending from selected bond funds. The \$690 million increase in selected bond fund expenditures primarily reflects the reappropriation of funds for new prisons and park lands. In his January budget, the Governor anticipated that these funds would be fully expended during the 1984-85 fiscal year.

Thus, as Table 1 shows, the Governor's revised budget called for expenditures totaling \$34.7 billion, of which \$28.0 billion was to come from the General Fund.

Table 1

Summary of Action Taken on  
the 1985 Budget Act  
 (dollars in millions)<sup>a</sup>

	<u>Revenues</u>	<u>Expenditures</u>			<u>Total</u>
		<u>General Fund</u>	<u>Special Funds</u>	<u>Selected Bond Funds</u>	
Governor's Budget as submitted (January)	\$27,922	\$27,864	\$5,267	\$469	\$33,600
Changes initiated by the administration	<u>107</u>	<u>158</u>	<u>208</u>	<u>690</u>	<u>1,056</u>
Governor's Budget as revised (May)	\$28,029	\$28,022	\$5,475	\$1,159	\$34,656
Changes to the Governor's Budget made by the Legislature	<u>229</u>	<u>548</u>	<u>53</u>	<u>-163</u>	<u>438</u>
Budget as approved by the Legislature	\$28,258	\$28,570 <sup>b</sup>	\$5,528	\$996	\$35,094
Gubernatorial changes					
Amounts vetoed	<u>-37</u>	<u>-501</u>	<u>-68</u>	<u>-14</u>	<u>-583</u>
Budget as Chaptered	\$28,221	\$28,069 <sup>b</sup>	\$5,461	\$982	\$34,511
Appropriation for school desegregation claims (AB 38)	<u>--</u>	<u>95</u>	<u>--</u>	<u>--</u>	<u>95</u>
Budget as revised	\$28,221	\$28,164 <sup>b</sup>	\$5,461	\$982	\$34,606
Additional changes to the budget proposed by the Governor	<u>-69</u>	<u>221</u>	<u>--</u>	<u>--</u>	<u>221</u>
Budget as revised, plus proposed revisions	\$28,152	\$28,385 <sup>b</sup>	\$5,460	\$982	\$34,827

a. Details may not add to totals due to rounding.

b. Source: Department of Finance, adjusted to exclude special district loan repayments.

### Legislative Action on the Governor's Budget

Legislative action on the Governor's Budget resulted in a net expenditure increase of \$438 million. This reflected a \$548 million increase in General Fund spending, a \$53 million increase in special fund spending, and a \$163 million decrease in spending from selected bond funds. As a result, the Legislature approved expenditures by the state totaling \$35.1 billion for 1985-86.

### Amounts Vetoed by the Governor

The Governor vetoed a total of \$583 million from the Budget Bill. This amount, which represents 1.7 percent of total expenditures approved by the Legislature consists of:

- \$501 million appropriated from the General Fund (1.8 percent of approved expenditures);
- \$68 million appropriated from special funds (1.2 percent); and
- \$14 million appropriated from selected bond funds (1.4 percent).

In addition, the Governor reduced appropriations of federal funds by \$28 million (0.2 percent) and appropriations from nongovernmental cost funds by \$151 million (1.5 percent). Thus, the reductions made by the Governor in signing the 1985-86 Budget Bill amounted to \$761 million.

Actions taken by the Governor also had the effect of reducing General Fund revenues by \$37 million.

In acting on the Budget Bill, the Governor made a number of significant changes to the amounts appropriated by the Legislature. Among the more important of these changes, the Governor:



## **State and Consumer Services**

- Department of Consumer Affairs:

- Eliminated \$200,000 appropriated from various special funds for a study of the Department of Consumer Affairs' organizational structure and central support services.

## **Business, Transportation and Housing**

- Department of Insurance:

- Eliminated a \$300,000 legislative augmentation from the Insurance Fund for increased consumer services to the public.

- Department of Transportation:

- Eliminated a \$10 million transfer from the General Fund to the Transportation Planning and Development Account (TP&D) for mass transportation programs;

- Eliminated \$2.5 million reappropriated from the TP&D for the San Francisco to Monterey rail service;

- Reduced local assistance for (1) railroad crossing device maintenance costs by \$2,816,652 (State Highway Account), and (2) transit capital improvement by \$6,321,000 (General Fund).

- Department of the California Highway Patrol:

- Eliminated \$316,000 and 6.7 personnel-years (Motor Vehicle Account, State Highway Fund) for the operation of a traffic management helicopter in the Los Angeles area.

## **Resources**

- California Conservation Corps:

- Reduced by 6.2 personnel-years and \$2,188,000 the General Fund appropriation for expansion of the neighborhood corps program.

- Air Resources Board:

- Deleted 12 personnel-years and \$900,000 appropriated from the General Fund to monitor additional pesticides under the toxic air contaminant program. (The Governor also deleted \$400,000 in Department of Food and Agriculture to evaluate additional pesticides as potential toxic air contaminants.)

- Coastal Commission:

- Deleted 13.5 personnel-years and \$472,000 appropriated from the General Fund in order to eliminate the commission's Eureka district office and to reduce staff in the Santa Cruz district office;

- Reduced the appropriation of federal funds for general operating expenses by \$640,000.

- State Coastal Conservancy:

- Eliminated \$2 million in bond funds appropriated for local assistance grants for the East Bay Shoreline Project in Alameda County.

- Department of Parks and Recreation:

- Reduced local assistance grants by \$4.8 million (\$262,000 General Fund), including \$1.5 million appropriated for a grant to the City of Sunnyvale in support of the Sunnyvale Bayland

Park and \$750,000 appropriated for a grant to the City of Los Angeles in support of a Japanese American Museum.

- Department of Water Resources:

- Deleted \$2.3 million appropriated from the General Fund for activities related to selenium.

- State Water Resources Control Board:

- Deleted \$17,565,000 appropriated primarily for (1) staff (214 personnel-years) to oversee the cleanup of hazardous substances from underground tank leaks, regulation of toxic pits, and other water quality regulatory activities (\$8,931,000 General Fund and \$634,000 special funds) and (2) management of sewage originating in Mexico and flowing into San Diego and Imperial Counties (\$7,500,000 California Water Fund and \$500,000 Environmental License Plate Fund).

## Health

- Preventive Health Programs:

- Eliminated \$10 million appropriated from the General Fund for county health facilities capital outlay, contingent on passage of legislation to increase external borrowing;

- Deleted \$6.6 million appropriated from the General Fund for county health services;

- Reduced the \$9.5 million General Fund augmentation for family planning by \$5.5 million; and

- Reduced the \$9.3 million General Fund augmentation for programs related to Acquired Immune Deficiency Syndrome (AIDS) by \$6.3 million.

- Toxics and Related Programs:

- Eliminated \$4.8 million (\$4 million General Fund) in various legislative augmentations.

- Medi-Cal:

- Deleted \$5.8 million appropriated from the General Fund so that counties could exceed application denial limits established by AB 799;

- Deleted \$15 million (\$7.5 million General Fund) of the \$20 million added for hospitals with a disproportionate share of indigent patients; and

- Deleted \$20.4 million (\$10.2 million General Fund) in order to eliminate the 4 percent discretionary COLA for physicians and other providers (the Governor left in the budget funds to restore the rates for these providers to the pre-AB 799 level).

- Developmental Services:

- Deleted \$15.5 million of the \$18 million legislative augmentation from the General Fund in order to provide a rate augmentation for residential care providers.

- Mental Health:

- Deleted \$5 million appropriated from the General Fund in order to fund county proposals for alternatives to state hospital beds;

- Deleted the \$18 million appropriated from the General Fund for county programs intended to serve emotionally disturbed children; and

--Deleted \$10 million appropriated from the General Fund for distribution to the counties using the department's "equity" allocation model.

### **Welfare and Employment**

- Department of Alcohol and Drug Programs:

--Eliminated \$11 million appropriated from the General Fund in order to bring county alcohol and drug programs up to the statewide average funding level per capita.

- Employment Development Department (EDD):

--Eliminated 212.5 positions and \$12.3 million (\$6.5 million in reimbursements and \$5.8 million from the EDD Contingent Fund) added by the Legislature to support the Job Service program;

--Deleted an additional 98.3 positions and \$3.1 million for various programs which had been proposed for elimination in the Governor's Budget but were restored by the Legislature.

- Department of Rehabilitation:

--Deleted 42.2 administrative and support staff positions in the Vocational Rehabilitation program which had been proposed for elimination in the Governor's Budget but were restored by the Legislature (funding for these positions will be redirected for the support of other client services).

- Department of Social Services (DSS):

--Eliminated \$25.6 million appropriated from the General Fund to fully fund the counties' actual costs for Child Welfare Services COLA;

- Eliminated \$4.5 million appropriated from the General Fund to expand child abuse prevention projects;
- Eliminated \$13.1 million appropriated from the General Fund to provide "actual allowable cost-based" rates for foster care group homes;
- Eliminated \$5.2 million appropriated from the General Fund to give IHSS providers a 5.7 percent COLA, rather than the 4 percent COLA proposed by the Governor.

#### **Criminal Justice (General Fund)**

- Department of Justice:

- Eliminated \$3.5 million and 65 positions designated for support of the Major Fraud Unit and the Criminal Law Program.

- Office of Criminal Justice Planning:

- Deleted \$6 million appropriated for a new Runaway and Homeless Youth Program; and
- Deleted \$1 million for courtroom renovation to accommodate child abuse or molestation victims.

#### **K-12 Education**

- Reduced by \$56 million the \$60 million augmentation for child care and development programs;
- Deleted \$29.5 million appropriated for cost-of-living adjustments to various education programs;
- Eliminated \$13.3 million that was intended to recognize the 6.02 percent statutory inflation increase granted to school apportionments and special education by the Superintendent of Public Instruction in 1984-85; and

- Reduced by \$13 million an augmentation intended to increase the basic meal subsidy rate for the child nutrition program.

### **Higher Education**

- The University of California:

- Deleted \$5 million appropriated from the General Fund for "comparable worth" pay adjustments; and
- Reduced by \$4.3 million the \$6.3 million augmentation provided for AIDS research.

- California State University:

- Eliminated the \$4.1 million General Fund augmentation for "comparable worth" pay adjustments.

- California Community Colleges:

- Deleted \$29.7 million appropriated from the General Fund in order to eliminate the ".911" absence factor used to adjust average daily attendance (ADA);
- Eliminated \$10.2 million appropriated from the General Fund for a student matriculation program;
- Deleted \$16.6 million appropriated from the General Fund to partially restore the purchasing power of community college apportionments; and
- Eliminated a \$2 million augmentation for child care facilities.

## **General Government**

- California Arts Council:

- Eliminated augmentations totaling \$4 million for various grant programs and administration.

- Housing and Community Development:

- Deleted \$33 million appropriated from the General Fund for various housing programs.

- Agricultural Labor Relations Board:

- Eliminated a \$1.2 million General Fund augmentation intended to enhance the board's compliance activity.

- Mandated Local Costs:

- Deleted an \$18.7 million General Fund augmentation intended to compensate K-12 and community college districts for the costs associated with giving retirement credits for unused sick leave.

- Augmentation for Employee Compensation:

- Eliminated \$22.4 million (\$10.9 million General Fund) appropriated for comparable worth pay adjustments.

## **Capital Outlay**

- State Coastal Conservancy:

- Deleted \$1 million in park bond funds appropriated for acquisition of lands for the Sinkyone Wilderness State Park in Mendocino County.

- Department of Parks and Recreation:

- Eliminated \$14,580,000 appropriated from various special funds for park projects, including \$6 million provided for



acquisition at Sinkyone Wilderness State Park, \$3 million provided for acquisition at Baldwin Hills State Recreation Area, and \$2 million provided for campground development at Half Moon Bay State Park; and

--Reserved \$2,176,000 of the \$3,176,000 reappropriated for development at Seccombe Lake State Urban Recreation Area, pending the enactment of legislation shifting operational responsibilities for the park to the City of San Bernardino or another nonstate agency.

- Santa Monica Mountains Conservancy:

--Deleted \$5,999,000 appropriated from special funds for acquisition of lands in the Lower Zuma Canyon.

- Community Colleges:

--Reduced the Community College capital outlay program by \$4,834,000, consisting of five projects in four districts (Los Angeles, Grossmont, Peralta, and Yosemite).

### Further Changes to the Budget Proposed by the Governor

In his veto message, the Governor indicated that he cut-out \$289.5 million in General Fund money from the budget in order to "set aside" funds for his priorities which the Legislature did not address. In most cases, the Legislature had considered funding proposals for these priorities, but chose instead to utilize the limited funds available to support its own priorities. The specific purposes for which the Governor set aside funds are as follows:

--Local streets and roads (\$125 million);

- Reimbursement of local governments for unemployment insurance costs (\$42 million);
- Repayment of funds borrowed from the Off Highway Vehicle Account (\$14.5 million) and the Emergency Telephone Number Account (\$54.3 million);
- K-12 revenue limit equalization (\$21 million); and
- Payments to the State Teachers' Retirement System on behalf of K-12 and community college districts in order to cover the cost of granting retirement credits for unused sick leave (\$18 million).

## TOTAL EXPENDITURES

Table 2 shows the level of state expenditures approved for 1985-86 and compares it to the level of expenditures in 1983-84 and 1984-85.

Total state expenditures authorized for 1985-86, including expenditures from the General Fund, special funds and selected bond funds, amount to \$34.6 billion. This is:

- \$500 million more than the amount proposed by the Governor in May; and
- \$2,687 million more than the estimated level of expenditures in 1984-85.

General Fund expenditures for 1985-86 amount to \$28,164 million.

This is:

- \$142 million more than the amount proposed by the Governor in May; and
- \$2,327 million, or 9.0 percent, more than the estimated level of General Fund expenditures in 1984-85.

### Historical Perspective on General Fund Expenditures

To put this year's budget in perspective, we must compare the level of expenditures authorized for 1985-86 with the level of expenditures in recent years.

**State spending in "current" and "real" dollars.** Spending levels can be compared in two different ways--in "current" dollars and in "real" dollars. "Current" dollars make no allowance for the effects of inflation on purchasing power. In contrast, "real" dollars represent current dollars adjusted to remove the effects of inflation. The use of "real" dollars provides the best means of measuring the true growth in spending.

Table 2  
The 1985 Budget Act

Total Expenditures  
1983-84 through 1985-86  
(dollars in millions)<sup>a</sup>

<u>Fund</u>	<u>1983-84 Estimated<sup>b</sup></u>	<u>1984-85 Estimated<sup>b</sup></u>	<u>1985-86 Enacted<sup>c</sup></u>	<u>Change From 1984-85</u>	
				<u>Amount</u>	<u>Percent</u>
General Fund	\$22,869	\$25,837	\$28,164	\$2,327	9.0%
Special funds	<u>3,527</u>	<u>4,952</u>	<u>5,461</u>	<u>509</u>	<u>10.3</u>
Budget Expenditures	\$26,397	\$30,789	\$33,625	\$2,836	9.2%
Selected bond funds	<u>\$400</u>	<u>\$1,130</u>	<u>\$982</u>	<u>-\$149</u>	<u>13.1%</u>
State Expenditures	\$26,797	\$31,919	\$34,606	\$2,687	8.4%
Federal funds	<u>12,454</u>	<u>\$13,380</u>	<u>\$14,272</u>	<u>\$892</u>	<u>6.7%</u>
Governmental Expenditures	\$39,251	\$45,299	\$48,878	\$3,579	7.9%
Nongovernmental cost funds	<u>\$8,716</u>	<u>\$9,349</u>	<u>\$9,605</u>	<u>\$256</u>	<u>2.7%</u>
TOTAL EXPENDITURES	\$47,967	\$54,648	\$58,483	\$3,835	7.0%

a. Details may not add to totals due to rounding.

b. Source: 1984-85 General Fund expenditures represent Department of Finance's estimate as of June 28, 1985; all other fund expenditure estimates are Department of Finance estimates from the 1985 Governor's Budget.

c. Source: Department of Finance, adjusted to exclude special district loan repayments and amounts set aside by the Governor. Reflects the enactment of AB 38 to provide \$95 million to pay desegregation claims.

Table 3 shows General Fund spending from 1974-75 through 1985-86, in both current and real dollars. It indicates that measured in current dollars, General Fund expenditures in 1985-86 will exceed 1984-85 expenditures by 9.0 percent. When expenditures are adjusted for inflation and expressed in real terms, however, the size of the increase is cut by two-thirds. Table 3 shows that, using 1974-75 as the base year, real expenditures in 1985-86 will increase by 2.9 percent above the 1984-85 level. This increase will bring real expenditures to a level that is slightly above the 1979-80 level and somewhat below the 1980-81 level.

**Per capita spending.** Another means for comparing trends in General Fund expenditures is to examine spending on a per capita basis. In 1974-75, the state spent from the General Fund approximately \$393 per Californian. In current dollars, the approved 1985-86 budget provides for expenditures totaling approximately \$1,080 per citizen, or 175 percent more than the 1974-75 level. When per capita General Fund expenditures are adjusted for inflation, however, the level drops to \$489, or 24 percent more than it was in 1974-75.

#### **Total Expenditures, by Function**

Table 4 shows the distribution of budget expenditures among the three major spending categories--state operations, capital outlay, and local assistance--for 1983-84, 1984-85, and 1985-86. As the table shows, spending for local assistance accounts for the largest portion--71 percent--of total state expenditures.

#### **Total Expenditures by Program**

Table 5 illustrates how state General Fund spending is distributed among individual program areas. Spending in the K-12 education area accounts for the largest percentage of total state General Fund

Table 3  
The 1985 Budget Act

Trends in General Fund Expenditures  
1974-75 through 1985-86  
(dollars in millions)

	Total Expenditures				Per Capita Expenditures			
	Current Dollars <sup>a</sup>		1974 Dollars <sup>b</sup>		Current Dollars <sup>a</sup>		1974 Dollars <sup>b</sup>	
	Amount	Change	Amount	Change	Amount	Change	Amount	Change
1974-75	\$8,325	--	\$8,325	--	\$393	--	\$393	--
1975-76	9,103	14.3%	8,805	5.8%	442	12.5%	409	4.1%
1976-77	10,488	10.2	9,103	3.4	478	8.1	415	1.5
1977-78	11,708	11.6	9,459	3.9	524	9.6	423	1.9
1978-79	16,272	39.0	12,138	28.3	712	35.9	531	25.5
1979-80	18,568	14.1	12,624	4.0	798	12.1	543	2.3
1980-81	21,066	13.4	13,075	3.6	886	11.0	550	1.3
1981-82	21,695	3.0	12,491	-4.5	896	1.1	516	-6.2
1982-83	21,755	0.3	11,745	-6.0	883	-1.5	477	-7.6
1983-84 <sup>c</sup>	22,869	5.1	11,625	-1.0	908	2.8	462	-3.1
1984-85 <sup>c</sup> (est.)	25,837	13.0	12,395	6.6	1,008	11.1	484	4.8
1985-86 <sup>d</sup> (enacted)	28,164	9.0	12,759	2.9	1,080	7.1	489	1.0

a. Source: State Controller.

b. "1974 Dollars" equal current dollars deflated by the change in the Gross National Product implicit price deflator for state and local purchases of goods and services since 1974-75.

c. Source: Department of Finance.

d. Source: Department of Finance, adjusted to exclude special district loan repayments and amounts set aside by the Governor. Reflects the enactment of AB 38 to provide \$95 million to pay desegregation claims.

Table 4  
The 1984 Budget Act

General Fund, Special Fund, and Bond Fund Expenditures,  
By Function  
1983-84 through 1985-86  
(dollars in millions)<sup>a</sup>

	1983-84 <u>Actual<sup>b</sup></u>	1984-85 <u>Estimated<sup>c</sup></u>	1985-86 <u>Enacted<sup>d</sup></u>	<u>Change From</u> <u>1984-85</u>	
				<u>Amount</u>	<u>Percent</u>
<u>General Fund:</u>					
State Operations	\$4,686	\$5,772	\$6,569	\$797	13.8%
Local Assistance	18,183	20,057	21,520	1,463	7.3
Capital Outlay	-- <sup>e</sup>	8	--	-8	-100.0
Unclassified	--	--	75	75	NMF
SUBTOTALS	\$22,869	\$25,837	\$28,164	\$2,327	9.0%
<u>Special Funds:</u>					
State Operations	\$1,787	\$2,070	\$2,289	\$219	10.6%
Local Assistance	1,555	2,394	2,611	217	9.1
Capital Outlay	173	488 <sup>f</sup>	549	61	12.5
Unclassified	12	--	12	11	-- <sup>g</sup>
SUBTOTALS	\$3,527	\$4,952	\$5,461	\$508	10.3%
<u>Selected Bond Funds:</u>					
State Operations	\$8	\$9	\$13	\$5	44.4%
Local Assistance	267	392	444	53	13.3
Capital Outlay	124	730	524	-205	-28.2
Unclassified	--	--	--	--	--
SUBTOTALS	\$400	\$1,130	\$982	-\$149	13.2%
<u>STATE EXPENDITURES:</u>					
State Operations	\$6,481	\$7,851	\$8,872	\$1,021	13.0%
Local Assistance	20,005	22,843	24,576	1,733	7.6
Capital Outlay	297	1,226 <sup>f</sup>	1,072	-154	-12.6
Unclassified	12	--	87	86	NMF
TOTALS	\$26,796	\$31,919	\$34,606	\$2,687	8.4%

a. Details may not add to totals due to rounding.

b. Source: 1985 Governor's Budget.

c. Source: 1985 Governor's Budget, May Revision and 1985 Budget Act.

d. Source: Department of Finance, adjusted to exclude special district loan repayments and amount set aside by the Governor. Reflects the enactment of AB 38 to provide \$95 million to pay desegregation claims.

e. Includes \$87,012.

f. Includes \$423,000.

g. Percentage change exceeds 100 percent.

NMF: No meaningful figure.

Table 5  
The 1985 Budget Act

General Fund Expenditures, by Program  
1983-84 through 1985-86  
(dollars in millions)<sup>a</sup>

Program	1983-84	1984-85	1985-86	Change From 1984-85	
	Estimated <sup>b</sup>	Estimated <sup>b</sup>	Enacted <sup>c</sup>	Amount	Percent
Health and Welfare:					
Medi-Cal	\$2,018.7	\$2,083.3	\$2,242.1	\$158.8	7.6%
County health	802.6	878.0	967.1	89.1	10.2
SSI/SSP grants	1,108.1	1,248.6	1,390.0	141.4	11.3
AFDC grants	1,498.8	1,591.8	1,744.7	152.9	9.6
Mental health	551.3	640.4	739.6	99.2	15.5
Developmental Services	574.9	675.8	720.6	44.8	6.6
Special Social Services	161.3	233.0	296.0	63.0	27.0
L.A. County Med. Asst. Prg.	--	200.0	--	-200.0	-100.0
Other, health/welfare	495.1	625.9	658.6	32.7	5.2
SUBTOTALS	\$7,210.8	\$8,176.8	\$8,758.7	\$581.9	7.1%
Education:					
K-12	\$8,582.8	\$9,755.8	\$10,402.5	\$646.7	6.6%
State Teachers' Retirement	400.2	369.1	430.8	61.7	16.7
Univ. of California	1,110.0	1,457.1	1,643.4	186.3	12.8
California State Univ.	950.0	1,151.6	1,256.7	105.1	9.1
CA Community Colleges	1,067.3	1,127.8	1,174.8	47.0	4.2
Other, Postsecondary	93.7	107.9	130.0	22.1	25.9
SUBTOTALS	\$12,204.0	\$13,969.3	\$15,038.2	\$1,068.9	7.7%
Other Programs:					
Youth and Adult Corrections	\$845.6	\$1,062.4	\$1,131.4	\$69.0	6.5%
Resources	296.3	397.4	415.5	18.1	4.6
Business, Transportation, and Housing	39.0	122.8 <sup>d</sup>	64.9	-57.9	-47.2
Tax relief	1,078.1	841.0	851.5	10.5	1.3
Employee compensation (civil service)	-- <sup>e</sup>	-- <sup>e</sup>	185.7	185.7	NMF
Debt service	386.1	466.4	586.8	120.4	25.8
Capital Outlay	0.1	8.0	--	-8.0	-100.0
Unallocated	--	--	75.0	75.0	NMF
All other	809.2	793.2	1,056.5	263.3	33.2
SUBTOTALS	\$3,454.4	\$3,691.2	\$4,367.3	\$676.1	18.3%
TOTALS	\$22,869.2	\$25,837.3	\$28,164.2	\$2,326.9	9.0%

a. Details may not add to totals due to rounding.

b. Source: Department of Finance.

c. Source: Department of Finance adjusted to exclude special district loan repayments and amounts set aside by the Governor. Reflects the enactment of AB 38 to provide \$95 million to pay for desegregation claims.

d. Includes \$63 million appropriated to the Department of Corporations for the guarantee of a loan to a thrift company.

e. Funds for employee compensation allocated to specific departments and agencies and included in their funding totals.

NMF: No meaningful figure.



expenditures--over 38 percent. Health and welfare programs account for the second largest percentage of General Fund expenditures (31 percent), followed by postsecondary higher education (15 percent) and property tax relief (3 percent).

The table also shows that the programs receiving the largest dollar increases in General Fund support during 1985-86 are K-12 education, postsecondary education, Medi-Cal, Aid to Families with Dependent Children, and SSI/SSP grants. K-12 education (including contributions to the State Teachers' Retirement System) will receive \$708.4 million more in 1985-86 than the amount spent in this program area during 1984-85, while postsecondary education will receive an increase of \$360.5 million. Tables 6 through 9 show how total funding for K-12 and postsecondary education programs (including funding from sources other than the General Fund) has increased. Table 10 displays what the increases in the cash grant assistance programs will mean for the individual recipient of the welfare benefits.

**K-12 Education.** As Table 6 shows, the budget provides \$17.4 billion in funding for K-12 education in 1985-86. This is an increase of \$1,406 million, or nearly 9 percent, over what was available in 1984-85. In terms of the amount spent per unit of average daily attendance (ADA), the 1985-86 funding level provides \$3,912 per ADA, which is an increase of about 6 percent above the 1984-85 level. (These figures assume that the public schools will receive \$243.2 million in revenues from the new state lottery.)

Of the total amount that will be available for K-12 education in 1985-86, \$10,833 million will come from the state's General Fund. This is

Table 6  
The 1985 Budget Act  
Total Revenues for K-12 Education  
(dollars in millions)

	Estimated 1984-85	1985-86		Budget Act Versus 1984-85		Budget Act Versus Governor's Budget	
		Proposed by Governor	Budget As Enacted	Amount	Percent	Amount	Percent
State:							
General Fund	\$10,124.9 <sup>a</sup>	\$10,897.9	\$10,833.3	\$708.4	7.0%	-\$64.6	-0.6%
Special funds	79.4	79.3	79.4	--	--	0.1	0.1
Subtotals	\$10,204.3	\$10,977.2	\$10,912.7	\$708.4	6.9%	-\$64.5	-0.6%
Local:							
Property tax levies	\$2,830.9	\$3,210.8	\$3,210.8	\$379.9	13.4%	--	--
Subtotals, State and Local	\$13,035.2	\$14,188.0	\$14,123.5	\$1,088.3	8.3%	-\$64.5	-0.5%
Other:							
Federal	\$1,070.2	\$1,129.5	\$1,143.0	\$72.8	6.8%	\$13.5	1.2%
State capital outlay	390.0	335.0	335.0	-55.0	-14.1	--	--
Local debt service	425.0	407.0	407.0	-18.0	-4.2	--	--
Local miscellaneous revenues	1,030.0	1,105.0	1,105.0	75.0	7.3	--	--
Lottery Fund	--	243.2	243.2	243.2	N/A	--	--
Subtotals, Other	\$2,915.2	\$3,219.7	\$3,233.2	\$318.0	10.9%	\$13.5	0.4%
Totals	\$15,950.4	\$17,407.7	\$17,356.7	\$1,406.3	8.8%	-\$51.0	-0.3%

a. Reflects the enactment of the deficiency bills, Assembly Bill 38 and Assembly Bill 1304.

Table 7  
The 1985 Budget Act

Trends in Total Revenues for K-12 Education  
1976-77 through 1985-86

	Total Funding (millions)	ADA	Total Funding Per ADA			
			Current Dollars Amount	Percent Change	1976-77 Dollars Amount	Percent Change
1976-77	\$8,654.7	4,718,800	\$1,834	11.2%	\$1,834	--
1977-78	9,516.6	4,652,486	2,045	11.5	1,904	3.8%
1978-79	9,425.6	4,271,181	2,207	7.9	1,897	-0.4
1979-80	10,981.6	4,206,150	2,611	18.3	2,045	7.8
1980-81	12,341.2	4,214,089	2,929	12.2	2,095	2.4
1981-82	12,615.4	4,200,678	3,003	2.5	1,992	-4.9
1982-83	12,864.1	4,230,065	3,041	1.3	1,892	-5.0
1983-84	14,144.2	4,258,854	3,321	9.2	1,945	2.8
1984-85 (estimated)	15,950.4 <sup>a</sup>	4,326,937	3,686	11.0	2,038	4.8
1985-86 (as enacted)	17,356.7 <sup>b</sup>	4,436,868	3,912	6.1	2,042	0.2

a. Reflects the enactment of the deficiency bills, Assembly Bill 38 and Assembly Bill 1304.

b. Includes \$243.2 million in State Lottery Fund revenues.

an increase of \$708 million, or 7.0 percent, over the amount provided in 1984-85.

Total funding from state and local sources (excluding capital outlay, miscellaneous revenues, and lottery revenues) will increase by \$1,088 million, or 8.3 percent. Funding for cost-of-living adjustments (\$765 million) accounts for the bulk of this increase. Of the remainder (\$323 million), \$119 million will go to two programs that were established by SB 813 (Chapter 498, Statutes of 1983)--the longer school day program and the mentor teacher program.

Table 7 provides an historical perspective for the per-ADA increases. The table shows that 1985-86 will be the third consecutive year in which K-12 schools will receive an increase in the purchasing power of their allocations per ADA.

**Postsecondary Education.** As Table 8 shows, the budget provides \$4.3 billion in state funds to support the various segments of postsecondary education. This is an increase of \$463.2 million, or 12 percent, above the amount provided in 1984-85. Among the three major segments of postsecondary education, the University of California (UC) will receive the largest increase in state support--14 percent, and the California State University will receive an 11 percent increase. The California Community Colleges will receive a 9 percent increase in state funding.

Table 8

The 1985 Budget Act  
Total State Aid to Postsecondary Education<sup>a</sup>

	1984-85 Estimated	1985-86		Budget Act Versus 1984-85		Budget Act Versus Governor's Budget	
		Governor's Budget	Budget Act	Amount	Percent	Amount	Percent
<u>Support Budget:</u> (in thousands)							
University of California	\$1,458,187	\$1,653,175	\$1,664,558	\$206,371	14.2%	\$11,383	0.7%
California State University	1,152,716	1,278,921	1,283,576	130,860	11.4	4,655	0.4
California Community Colleges	1,138,781	1,211,552	1,243,055	104,274	9.2	31,503	2.6
Other Postsecondary	124,200	145,500	145,900	21,700	17.5	400	0.3
Totals, Support	\$3,873,884	\$4,289,148	\$4,337,089	\$463,205	12.0%	\$47,941	1.1%
<u>Capital Outlay Budget:</u> (in thousands)							
University of California	\$110,168	\$151,199	\$148,573	\$38,405	34.9%	-\$2,626	-1.7%
California State University	25,264	62,134	60,831	35,567	-- <sup>b</sup>	-1,303	-2.1
California Community Colleges	24,727	26,797	28,304	3,577	14.5	1,507	5.6
Other Postsecondary	664	295	148	-516	NMF	-147	-49.3
Totals, Capital Outlay	\$160,823	\$240,425	\$237,856	\$77,033	47.9%	-\$2,569	-1.1%
<u>Student Fee Assumptions:</u> (Fee per academic year)							
University of California							
Graduate students	\$1,369	\$1,369	\$1,369	--	--	--	--
Undergraduates	1,324	1,324	1,324	--	--	--	--
California State University:							
Graduates	609	573	573	-\$36	-5.9%	--	--
Undergraduates	573	573	573	--	--	--	--
California Community Colleges	100	100	100	--	--	--	--

a. Includes lottery proceeds of \$36 million for California Community Colleges, \$13.1 million for California State University, and \$7.4 million for University of California.

b. Percentage change exceeds 100 percent.

NMF: No meaningful figure.

Table 9  
The 1985 Budget Act

Trends in Total Revenues for California Community Colleges  
1976-77 through 1985-86

	Total Funding (millions)	Average Daily Attendance	Total Funding Per ADA			
			Current Dollars Amount	Percent Change	1976-77 Dollars Amount	Percent Change
1976-77	\$1,366.0	721,884	\$1,892	--	\$1,892	--
1977-78	1,515.2	718,303	2,109	11.5%	1,964	3.8%
1978-79	1,421.0	635,372	2,237	6.0	1,923	-2.1
1979-80	1,608.8	670,623	2,399	7.3	1,880	-2.2
1980-81	1,807.0	725,514	2,491	3.8	1,781	-5.2
1981-82	1,864.7	750,715	2,484	-.3	1,648	-7.5
1982-83	1,835.0	728,856	2,518	1.4	1,566	-5.0
1983-84	1,862.9	665,166	2,801	11.2	1,691	4.8
1984-85 (estimated)	2,010.7	640,690	3,138	12.0	1,736	5.8
1985-86 (as enacted)	2,172.0	650,941	3,337	6.3	1,747	0.6

Table 9 displays the total funding for community colleges measured on a per ADA basis in both constant and current dollars. The table shows that in 1985-86, the community colleges will receive an increase of 6.3 percent per ADA over the 1984-85 funding level. After adjusting for inflation, we find that 1985-86 will be the third consecutive year in which the community colleges will receive an increase in funding per ADA. Nevertheless, they will receive an amount per ADA that is below the 1976-77 level.

AFDC and SSI/SSP Grants. As Table 10 shows, the 1985 Budget provides X \$320 million (all funds) for cost-of-living increases to recipients under the AFDC and the SSI/SSP programs. In 1985-86, the maximum cash grant will increase under both programs by 5.7 percent.

Table 10  
The 1985 Budget Act

Change in Welfare Benefits

<u>Change in Maximum Benefits</u>	<u>1984-85</u>	<u>1985-86</u>	<u>Change</u>	
			<u>Amount</u>	<u>Percent<sup>a</sup></u>
AFDC:				
Family of two	\$448	\$474	\$26	5.7%
Family of three	555	587	32	5.8
Family of four	660	698	38	5.8
	<u>January 1985</u>	<u>January 1986</u>	<u>1/86 over 1/85 Amount</u>	<u>Percent</u>
SSI/SSP:				
Blind individual	\$565	\$597	\$32	5.7%
Aged/disabled individual	504	533	29	5.8
Aged/disabled couple	936	989	53	5.7
	<u>General Fund</u>	<u>County Funds</u>	<u>Federal Funds</u>	<u>Total</u>
<u>Cost of 1985-86 COLA (dollars in millions)</u>				
AFDC	\$91.2	\$10.8	\$105.4	\$207.4
SSI/SSP	111.8	--	0.5	112.3

a. Actual percent increase may exceed 5.7 due to rounding.



### General Fund Cost-of-Living Adjustments

The 1985 Budget Act provides \$1.6 billion from the General Fund for cost-of-living increases (COLAs) in the amount of funding provided for various state programs. These increases range from 2.3 percent to 28 percent.

As Table 11 shows, the largest dollar increase was provided for K-12 education. The budget provides increases for apportionments and categorical programs ranging from 4.0 percent to 6.19 percent. The cost of these increases amounts to \$765 million.

The budget also contains \$368 million for employee compensation increases. This will fund increases of approximately 7.5 percent for civil service employees and nonfaculty employees of the University of California (UC) and the California State University (CSU). The UC and CSU faculty will receive increases ranging from 8.8 percent to 11.3 percent.

Both Supplemental Security Income/State Supplementary Payment (SSI/SSP) and Aid to Families with Dependent Children (AFDC) recipients will receive a 5.7 percent increase in their benefits, at a total cost to the General Fund of approximately \$203 million.

Table 11  
The 1985 Budget Act

General Fund  
Cost-of-Living Adjustments  
(dollars in thousands)

Department/Program	Statutory COLA	Increase Provided in 1985-86	
		Percent	Amount
HEALTH AND WELFARE			
Aging	--	4.0%	\$538
Alcohol and Drug Realignment	--	4.0	2,760
Health Services			
County Health (AB 8)	3.63%	3.63	14,004
Medically Indigent Services	--	4.0	18,696
Public Health	--	4.0	3,626
Medi-Cal			
Noncontract Hospitals (in- cluding PHPs and RHF)	9.5	9.5	5,402
PHPs, CDS, and RHF (non- hospital services)	--	4.0	4,905
Long-Term Care Facilities, including state hospitals	--	4.0	24,334
Home Health Agencies	--	28.0 <sup>a</sup>	428 <sup>a</sup>
Providers, all others	--	--	--
Beneficiary ("Spin-off")	5.7	5.7	14,760
Drug Ingredients	6.2	6.2	3,038
County Administration	--	2.4	902
Developmental Services			
Regional Centers--Out-of-Home Care	--	7.2 <sup>b</sup>	12,048 <sup>b</sup>
Regional Centers--Other	--	4.0	6,170
State Hospital Education Programs	--	4.0	175
Local Mental Health Programs	--	4.0	14,576
Social Services			
SSI/SSP	5.7	5.7	111,789
AFDC	5.7	5.7	91,155
IHSS--Statutory	5.7	5.7	595
IHSS--Nonstatutory	--	4.0	12,266
Community Care Licensing-- Local Assistance	--	4.0	284
County Administration	--	2.3	17,486
Social Services--Other	--	4.0	8,341
Department of Rehabilitation	--	4.0	2,164
SUBTOTAL, Health and Welfare	--	--	\$370,442

<u>Department/Program</u>	<u>Statutory COLA</u>	<u>Increase Provided in 1985-86</u>	
		<u>Percent</u>	<u>Amount</u>
YOUTH AUTHORITY			
County Justice System Subvention Programs	--	4.0%	\$2,564
K-12 EDUCATION			
Apportionments:			
District Revenue Limits	6.19%	6.19	584,051
Meals for Needy Pupils	6.0	6.0	1,341
Summer School	6.19	6.19	3,775
Apprentice Programs	--	6.19	152
Small School District Trans- portation	--	4.0	765
Transportation	--	4.0	10,985
K-12--County Offices of Education	6.19	6.19	11,092
Regional Occupational Centers/ Programs	--	6.19	11,650
Child Nutrition	4.0	4.0	1,203
American Indian Education Centers	--	4.0	33
Native American Indian Education	--	4.0	14
Child Care Program	--	4.0	9,824
Special Education	6.19	6.19	84,120
Staff Development	--	4.0	810
Preschool	--	4.0	1,364
Libraries	--	4.0	288
Meade Aid	--	4.0	397
Urban Impact Aid	--	4.0	2,902
Gifted and Talented	6.0	6.0	1,134
Instructional Materials (K-8)	4.3	6.19	3,854
Instructional Materials (9-12)	--	6.19	1,233
Demonstration Programs in Reading and Math	--	6.19	247
Education Technology	--	4.0	611
Economic Impact Aid	--	4.0	7,500
Adult Education	6.0	6.0	12,420
Adults in Correctional Facilities	6.0	6.0	95
Foster Youth Services	--	4.0	31
School Improvement Prog (K-6)	6.19	6.19	10,509
School Improvement Prog (7-12)	--	4.0	1,098
Miller-Unruh Reading Program	--	6.19	1,124
High School Pupil Counseling	--	4.0	282
Youth Suicide Prevention	--	4.0	12
Opportunity Classes	--	4.0	165
Specialized Secondary Schools	--	4.0	80
SUBTOTAL, K-12 Education	--	--	\$765,161

<u>Department/Program</u>	<u>Statutory COLA</u>	<u>Increase Provided in 1985-86</u>	
		<u>Percent</u>	<u>Amount</u>
POSTSECONDARY EDUCATION			
Board of Governors, California			
Community Colleges			
Apportionments	6.2%	6.2%	\$96,409
Handicapped Student Services	--	4.0	945
EOPS	--	4.0	1,069
Student Aid Commission--Awards	--	9.2	8,905
CSU-EOPS	--	4.0	311
SUBTOTAL, Postsecondary Education	--	--	\$107,639
ALL OTHERS			
State Contribution to STRS	5.1%	5.1%	\$11,039
Employee Compensation			
Civil Service and Related	--	7.5	185,698
University of California	--	8.8 <sup>c</sup>	94,699
California State University	--	11.3 <sup>d</sup>	86,618
Hastings College of Law	--	8.8 <sup>c</sup>	596
SUBTOTAL, All Others	--	--	\$378,650
TOTAL	--	--	\$1,624,456

- a. The budget includes a baseline adjustment totalling \$18,611,000 (General Fund) to restore provider rates to their pre-AB 799 levels.
- b. Of this amount, 3.2 percent will be granted in January 1986.
- c. 7.5 percent for faculty and staff on July 1, 1985, and an additional 3.1 percent increase for faculty of January 1, 1986.
- d. Faculty COLA, nonfaculty COLA is 7.5 percent.

**Summary of Major Expenditure Changes from 1984-85**

Table 12 highlights the major changes in expenditure levels between 1984-85 and 1985-86.

Table 12  
The 1985 Budget Act

Major Expenditure Changes From 1984-85  
(dollars in millions)

<u>Description</u>	<u>Expenditure Change From 1984-85</u>	
	<u>General Fund</u>	<u>Special Funds</u>
STATE AND CONSUMER SERVICES		
<u>Department of General Services</u>		
● Increased reimbursement for "911" Telephone Systems		\$11.4
BUSINESS, TRANSPORTATION AND HOUSING		
<u>Department of Housing and Community Development</u>		
● Additional funding to house the homeless and low-income persons	\$11.5	
<u>Department of Savings and Loan</u>		
● 29 new examiner and appraiser positions to handle increased regulatory workload		1.7
<u>Department of Transportation</u>		
● Highway capital outlay		451.8
● Capital outlay support staff		10.8
● Highway maintenance		8.6
● Special transportation program-- State Transit Assistance		-16.8
<u>California Highway Patrol</u>		
● Additional telecommunications equipment		9.6
<u>Department of Motor Vehicles</u>		
● DMV automation		2.9

<u>Description</u>	<u>Expenditure Change From 1984-85</u>	
	<u>General Fund</u>	<u>Special Funds</u>
● Phone Mail appointment system		\$2.6
● Voice telecommunication equipment		2.5
RESOURCES		
<u>Energy Commission</u>		
● Energy technology grants and loans		6.0
<u>Department of Fish and Game</u>		
● Funding shift and General Fund loan to avoid a deficit in the Fish and Game Preservation Fund	\$4.0	-2.0
<u>Department of Boating and Waterways</u>		
● Local assistance, marina loans and grants for boat launching facilities		5.1
<u>State Coastal Conservancy</u>		
● First-year allocation of 1984 bond funds for grants to preserve, enhance or restore coastal resources		5.8
<u>Parks and Recreation</u>		
● Radio system, equipment, special maintenance and repairs		5.0
● First-year allocations of 1984 Park Bond Funds for local park and recreation grants		30.1
<u>Department of Water Resources</u>		
● Selenium--related activities	2.2	
<u>State Water Resources Control Board</u>		
● Funding to implement Toxic Pits Act		2.1
● Increases for water quality regulatory activities	6.0	

<u>Description</u>	Expenditure Change From 1984-85	
	<u>General Fund</u>	<u>Special Funds</u>
● Statewide studies of selenium and other toxic elements	\$2.4	
HEALTH AND WELFARE		
<u>Department of Aging</u>		
● Funds primarily for nutrition and long-term care programs	10.2	
<u>Medi-Cal</u>		
● Changes in share-of-cost calculations required by <u>Johnson vs. Rank</u>	16.6	
● Beneficiary cost-of-living adjustments	14.8	
● Changes in drug formulary required by <u>Jeneski vs. Kizer</u>	19.8	
● Increase in long-term care reimbursement rates	31.7	
● Expanded choice program	22.8	
● Provider cost-of-living adjustments	35.0	
● Abortion funding	-12.9	
● Restoration of provider rates cut by AB 799	18.6	
● Additional funding for disproportionate providers	2.5	
● Relaxation of AB 799 utilization controls	5.0	
<u>Preventive Health Services</u>		
● New equipment for county health facilities		\$5.0
● Increased funding for drinking water programs	6.2	
● County Medical Services program augmentation	5.8	
● Medically Indigent Services program augmentation	50.0	



<u>Description</u>	Expenditure Change From 1984-85	
	<u>General Fund</u>	<u>Special Funds</u>
● Acquired Immune Deficiency Syndrome (AIDS) program	\$3.0	
● Family planning	4.0	
● Adolescent pregnancy		\$5.0
● Perinatal programs		5.4
● Cost-of-living adjustment	36.4	
<u>Toxics</u>		
● Bond program		6.4
<u>Department of Developmental Services</u>		
● Cost-of-living adjustment	12.7	
<u>Department of Mental Health</u>		
● Residential care rate supplement	11.3	
● Cost-of-living adjustment	14.6	
● Local assistance augmentation	60.0	
<u>Department of Social Services</u>		
● AFDC cash grants	152.9	
● SSI/SSP cash grants	141.4	
● Social services programs	63.0	
YOUTH AND ADULT CORRECTIONS		
<u>Board of Corrections</u>		
● Increased funding for county jail construction, renovation, and repair projects		50.0

<u>Description</u>	Expenditure Change From 1984-85	
	<u>General Fund</u>	<u>Special Funds</u>
K-12 EDUCATION		
● 6.19 percent COLA for revenue limits special education, and specified categorical programs; 6.0 percent or 4.0 percent COLA for other categorical programs	\$765.2	
● Full funding for second year of "longer school day" program established in SB 813	105.3	
● Increased funding for special education to establish new--and expand existing--programs	33.0	
● Funding for expansion and equalization of School Improvement Program, pursuant to SB 813	15.0	
● Funding for expansion of mentor teacher program	14.0	
● Augmentation for Educational Technology program	10.0	
● Increased funding for Public Library Foundation program (aid to local libraries)	6.3	
● Funding for 4 percent growth in Regional Occupational Centers and Programs	7.2	
● Funding for 2.5 percent growth and equalization of adult education	5.9	
● Lottery Fund		\$243.2
<u>Contributions to State Teachers' Retirement System</u>		
● Statutory increase in state's contribution	31.0	
● Increased funding for retirees' COLA	31.8	

<u>Description</u>	Expenditure Change From 1984-85	
	<u>General Fund</u>	<u>Special Funds</u>
HIGHER EDUCATION		
<u>The University of California</u>		
● Employee compensation increases (faculty and nonfaculty)	\$129.7	
● Funding for enrollment increases	15.3	
● Teaching hospital subsidy	15.0	
● Funding to maintain current student fee level	12.0	
● New or expanded research:	8.1	
AIDS research (\$2.0)		
Others (6.1)		
● Increased funding for equipment replacement	10.7	\$1.4
● Increased funding for instructional computers		6.0
● Building maintenance/janitorial improvements	5.0	
● Lottery Fund		7.4
<u>California State University</u>		
● Employee compensation increases (faculty and nonfaculty)	86.6	
● Additional funds for instructional equipment	7.0	
● Lottery Fund		13.1
<u>California Community Colleges</u>		
● 6.2 percent COLA for apportionments	97.0	
● 1.6 percent increase in funded ADA	16.0	
● Declining enrollment adjustment factor	31.0	

<u>Description</u>	Expenditure Change From 1984-85	
	<u>General Fund</u>	<u>Special Funds</u>
● Lottery Fund		\$36.0
● Increased funding for instructional equipment		26.1
● Increased funding for deferred maintenance		5.0
<u>Student Aid Commission</u>		
● Funding for 1,940 new grant awards and an increase in maximum awards	\$18.2	
● Increased funding for purchase of defaulted loans (federal funds)		67.5
GENERAL GOVERNMENT		
<u>Tax Relief</u>		
● Eliminated reimbursements to local governments for sales and property tax revenue losses	-4.6	
<u>Employee Compensation (Civil Service)</u>		
● Employee Compensation Increases	185.7	177.5
CAPITAL OUTLAY		
● State and Consumer Services		-5.9
● California Tahoe Conservancy		-10.0
● Wildlife Conservation Board		12.7
● State Coastal Conservancy		6.4
● Parks and Recreation		28.1
● State Hospitals		23.5
● Youth and Adult Corrections		-272.9
● Higher Education		77.4

## LEGISLATION ACCOMPANYING THE BUDGET ACT

Two pieces of legislation--SB 1079 (Alquist) and SB 1465 (Morgan)--make statutory changes necessary to provide a portion of the General Fund resources on which adoption of the Budget Bill by the Legislature was premised.

Senate Bill 1079 revises the Solar and Energy Tax credit in order to reduce the amount of revenue that the state will lose in 1985-86 as a result of the credit. This change will save the General Fund an estimated \$109 million in revenues during 1985-86.

Senate Bill 1465 allows the state to expand its external borrowing program by moving the contingency reserve for economic uncertainties into the Special Fund for Economic Uncertainties. This change makes it clear that the reserve is not part of the General Fund for purposes of meeting the General Fund's need for cash. Thus, the state will be able to determine the size of its external borrowing issues without regard to monies held in reserve. This will result in a net revenue gain to the General Fund of \$34 million in 1985-86.

## GENERAL FUND REVENUES

The overall condition of the General Fund depends upon both expenditures and revenues. In 1985-86, General Fund revenues and transfers are projected to reach \$28.2 billion. This is \$1.6 billion, or 6.0 percent, more than the most-recent estimate of revenues and transfers for 1984-85. (The overall growth in General Fund revenues would be a bit stronger--6.8 percent--if the effects of 1985 legislation (discussed below) and certain one-time tax revenues are eliminated from the totals for both 1984-85 and 1985-86.) The projected growth in 1985-86 revenues includes increases of \$830 million (8.6 percent) in sales and use taxes, \$390 million (4.0 percent) in personal income taxes, and nearly \$340 million (9.2 percent) in bank and corporation taxes.

Table 13 shows the actions taken in connection with the 1985 Budget Act that had a significant effect on General Fund revenues. These actions increased projected General Fund income by a total of \$192 million. Two actions accounted for most of the change in estimated revenues. First, the Legislature cut by nearly 50 percent the revenue loss in 1985-86 resulting from Solar and Energy Tax credits, thereby increasing General Fund revenues by \$109 million. It did so by enacting SB 1079 which revised the credits. Second, the Legislature enacted SB 1465 to expand the state's external borrowing program. While this action will result in a \$56 million increase in interest costs to the General Fund, these increased costs will be more than offset by an increase in General Fund interest earnings of \$90 million.

Table 13  
The 1985 Budget Act

Actions Affecting General Fund Revenues  
(dollars in millions)

	<u>1985-86</u>
ESTIMATED REVENUES PRIOR TO LEGISLATIVE ACTION	\$28,029 <sup>a</sup>
REVENUE CHANGES MADE BY THE LEGISLATURE	
<u>One-time revenues:</u>	
Tidelands Oil transfer	\$27
Off-Highway Vehicle Fund Transfer	<u>-7</u>
SUBTOTAL, One-Time Legislative Changes	\$20
<u>Ongoing revenues:</u>	
Energy tax credit funding	109
Expanded External Borrowing	90
Franchise Tax Board audit positions	<u>10</u>
SUBTOTAL, Ongoing Legislative Changes	\$209
REVENUES VETOED BY THE GOVERNOR	
<u>One-time revenues:</u> Tidelands Oil transfer	-\$27
<u>Ongoing revenues:</u> Franchise Tax Board Audit positions	<u>-\$10</u>
SUBTOTAL, Amounts Vetoed by The Governor	<u><u>-\$37</u></u>
Estimated Revenues Following Action by the Governor	\$28,221

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a. Source: 1985 May Revision.

## CONDITION OF THE GENERAL FUND

Table 14 shows the condition of the General Fund on June 30, 1985 and the effects on the General Fund of the revenue and expenditure programs approved for 1985-86.

The actual General Fund condition as of June 30, 1985 will not be known until September or October of 1985, when the State Controller reports revenues and expenditures for the year on an accrual accounting basis. The Department of Finance's current estimates of revenues and expenditures, however, indicate that the balance in the General Fund was \$1,265 million on June 30, 1985. Of this amount, \$1,260 million was uncommitted.

The Governor's spending plan for 1985-86 includes a Reserve for Economic Uncertainties--the state's "rainy day fund"--of \$1,040 million. The Legislature, in Control Section 12.30, appropriated an amount necessary to bring the balance of the reserve up to that level on July 1, 1985. The same control section also provides that at the end of the fiscal year (June 30, 1986) the unencumbered balance in the General Fund or the difference between the state's 1985-86 "appropriation's subject to limitation" and its "appropriations limit," whichever is less, will automatically be appropriated to the reserve. Subsequent legislation, SB 1465, amends Control Section 12.3 of the Budget Act and adds a section to the Government Code to replace the contingency reserve for economic uncertainties with a new Special Fund for Economic Uncertainties. The same provisions that applied to the contingency reserve, however, now apply to the special fund reserve.



Table 14  
The 1985 Budget Act

Condition of the General Fund  
1984-85 and 1985-86  
(dollars in millions)

	<u>1984-85</u>	<u>1985-86<sup>a</sup></u>
STARTING BALANCE (July 1 of fiscal year):	\$491	\$1,265
REVENUES AND TRANSFERS:		
May Revision revenue estimate	26,536	28,029
Legislative changes	76	229
Gubernatorial vetoes	<u>--</u>	<u>-37</u>
TOTALS, Revenues and Transfers	\$26,612	\$28,221
EXPENDITURES:		
May Revision estimate of expenditures	25,982	28,022 <sup>b</sup>
Legislative changes	-145	548
Gubernatorial vetoes	--	-501
Desegregation Funding bill (AB 38)	<u>--</u>	<u>95</u>
TOTALS, Expenditures	\$25,837	\$28,164 <sup>b</sup>
ENDING BALANCE (June 30 of fiscal year):	\$1,265	\$1,322
Funds already committed	15	3
Reserve for Economic Uncertainties	1,250	1,319
Additional expenditures/revenue reductions proposed by the Governor	--	290
Residual Balance in Reserve for Economic Uncertainties if the Governor's proposals are approved.	--	1,029

- a. Reflects the enactment of AB 38 to provide \$95 million for desegregation claims.
- b. Source: Department of Finance, adjusted to exclude special district loan repayments and amounts set-aside by the Governor.

Based on the Department of Finance's revenue and expenditure projections by the Governor, we estimate that, absent any further changes to the budget, the balance in the General Fund on June 30, 1986 will be \$1,322 million. Of this amount, \$1,319 million will be uncommitted. If however, the Legislature approves the Governor's various proposals to increase expenditures by \$220.7 million and to reduce revenues by \$68.8 million in 1985-86, the reserve on June 30, 1986 would be reduced to \$1,029 million.

(The administration estimates the reserve on June 30, 1986 to be \$1,051 million. The difference between this estimate and our estimate of \$1,139 million reflects (1) the \$289.5 million set-aside proposed by the Governor and (2) \$21.8 million in loan repayments from certain special districts. Our analysis indicates that under existing law, these loan repayments will not be received during 1985-86.)

## **ALLOCATION OF TIDELANDS OIL AND GAS REVENUES**

The amount of tidelands oil and gas revenue available for expenditure in 1985-86 is estimated at \$587 million. This amount includes \$101 million in prior-year revenues. As Table 15 shows, the Governor's Budget (as revised) proposed to spend \$528 million of these revenues, leaving an unappropriated balance of \$59 million on June 30, 1986.

The Legislature approved total expenditures from tidelands oil revenues of \$549 million, and provided for the transfer of \$27 million to the General Fund. Subsequently, however, the Governor vetoed \$36 million appropriated from tidelands oil revenues and deleted the \$27 million transfer to the General Fund.

The effect of the Governor's action was to increase the unappropriated balance in the Special Account for Capital Outlay by \$57 million. The Budget Act as chaptered, leaves a total of \$67.8 million in tidelands oil revenues unappropriated, consisting of \$4.3 million in the Capital Outlay Fund for Public Higher Education, \$0.2 million in the Energy and Resources Fund and \$63.3 million in the Special Account for Capital Outlay.

Table 15  
The 1985 Budget Act

Distribution of Tidelands Oil and Gas Revenues  
(dollars in thousands)

	<u>Governor's Budget</u>	<u>Legislative Action</u>	<u>Final Action</u>
REVENUES			
Balance available (all funds)	\$101,352	\$101,352	\$101,352
Tidelands revenues	<u>485,800</u>	<u>485,800</u>	<u>485,800</u>
TOTALS, Resources	\$587,152	\$587,152	\$587,152
EXPENDITURES			
<u>State Operations:</u>			
Statutory	\$14,473	\$14,473	\$14,473
California Water Fund	25,000	25,000	25,000
Central Valley Project Construction Fund	5,000	5,000	5,000
Sea Grant Matching program	500	500	500
Energy and Resources Fund (ERF)	--	3,502	3,502
Special Account for Capital Outlay (SAFCO)	<u>28,867</u>	<u>28,867</u>	<u>28,867</u>
SUBTOTALS	\$73,840	\$77,089	\$77,089
<u>Local Assistance:</u>			
State School Building Lease-Purchase Fund	\$150,000	\$150,000	\$150,000
Capital Outlay Fund for Public Higher Education (COFPHE)	--	14,200	6,100
ERF	--	2,486	2,000
SAFCO	<u>16,972</u>	<u>53,670</u>	<u>48,920</u>
SUBTOTALS	\$166,972	\$220,356	\$207,020
<u>Capital Outlay:</u>			
COFPHE	\$129,935	\$130,903	\$126,069
ERF	--	--	--
SAFCO	<u>\$157,529</u>	<u>\$120,900</u>	<u>109,141</u>
SUBTOTALS	<u>\$287,464</u>	<u>\$251,803</u>	<u>\$235,210</u>
TOTALS, Expenditures	\$528,276	\$549,248	\$519,319
BALANCE, Tidelands Revenues	\$58,876	\$37,904	\$67,833
Transfer to General Fund	(--)	(\$27,015)	(--)
Unappropriated Balance Available in COFPHE	(--)	(\$4,353)	(\$4,353)
Unappropriated Balance Available in ERF	(--)	(\$180)	(\$180)
Unappropriated Balance Available in SAFCO	\$54,876	(\$6,356)	(\$63,300)

## **THE STATE WORKFORCE**

The Budget Act, as signed by the Governor, includes funding for 228,166 personnel-years (all funds). As Table 16 shows, this is 1,014 personnel-years less than the number proposed by the Governor, and 2,591 personnel-years less than what the administration estimates was the number of personnel-years in 1984-85.

### **Legislative Changes to the State Workforce**

In January, the Governor proposed a state workforce of 227,888 personnel-years. Subsequently, the administration proposed a reduction in the workforce of 737 personnel-years, thereby reducing the total to 227,152 personnel-years.

The Legislature added 2,065 personnel-years to the total proposed by the Governor. The major additions to the workforce approved by the Legislature were in the areas of health and welfare, state and consumer affairs, and resources.

### **Personnel-Years Vetoed by the Governor**

The Governor eliminated 1,051.3 personnel-years (all funds) from the budget approved by the Legislature. Significant personnel-year vetoes included the following:

- **Employment Development Department:**

- 310.8 personnel-years. Of this amount, 212.5 were associated with the Employment Service Program and 58.4 personnel-years were in general administration.

Table 16  
The 1985 Budget Act

Summary of Actions Affecting  
the State Workforce  
(in personnel-years)

	<u>Personnel-Years</u>
Governor's Budget as introduced (January)	227,888
Changes proposed by the administration	<u>-737</u>
Governor's budget as revised (May)	227,152
Changes to the Governor's Budget made by the Legislature	<u>2,065</u>
Personnel-years approved by the Legislature	229,217
Personnel-years vetoed by the Governor	<u>-1,051</u>
Personnel-years approved for 1985-86	<u>228,166</u>
Number of personnel-years approved for 1985-86 compared with:	
Current year, 1984-85	230,757
Number	2,591
Percent	1.1%
Governor's Budget as revised (May)	227,152
Number	1,014
Percent	0.5%

- State Water Resources Control Board:

--206 personnel-years. The largest portion of these, 167, would have been involved with underground tank cleanup.

#### Changes in the Workforce from 1984-85

In January, the Governor proposed to reduce the size of the state's workforce in 1985-86 by 2,869 personnel-years, or 1 percent, below what the budget estimated to be the level in 1984-85. The 1985 Budget Act, as chaptered, provides for a workforce that is 2,591 personnel-years smaller than what the administration estimates the 1984-85 workforce to have been. Table 17 shows the distribution of these reductions among various program areas.

State workforce reductions have been a central theme of the Governor's Budget for both 1984-85 and 1985-86. As we demonstrated in The 1985-86 Budget: Perspectives and Issues, while a portion of the reduction claimed by the Governor can legitimately be attributed to "increased efficiencies," other factors play a large role in explaining the apparent reduction. For example, our analysis of the Governor's Budget found that the estimate of 1984-85 personnel-years, to which the staffing level for 1985-86 is compared, was inflated, thus giving the appearance of a larger drop in the number of personnel-years than will actually occur. As part of the total reduction, the Governor also counts a significant number of authorized positions that would have terminated automatically at the end of 1984-85.

In some instances personnel-years appear to be declining when, in fact, no change in work effort will result. The reason for the apparent change is simply a change in bookkeeping. In addition, the Governor put forward numerous proposals in January to contract for personnel-related work currently performed by state employees or of the type generally done by state employees. While some of these proposals may well provide a means for delivering services at less cost to the taxpayer, in numerous cases the decision to propose contracting out, rather than hiring or retaining state workers, appears to have been based on the effect that contracting would have on the size of the state's workforce.



Table 17  
The 1985 Budget Act

Trends in State Employment  
1977-78 through 1985-86  
(in personnel-years)

	<u>Legislative, Judicial and Executive</u>	<u>State, and Consumer</u>	<u>Business Transporta- tion and Housing</u>	<u>Resources</u>	<u>Health and Welfare</u>	<u>Youth and Adult Corrections</u>	<u>K-12 Education</u>	<u>Higher Education</u>	<u>General Government</u>	<u>Total</u>
1977-78	8,649.9	10,784.2	32,327.8	14,192.5	39,531.8	12,613.2	2,673.7	92,394.6	8,173.7	221,341.4
1978-79	8,575.5	10,402.7	30,867.6	14,167.9	40,460.9	12,805.6	2,650.3	90,152.0	8,447.6	218,530.1
1979-80	8,713.7	10,671.3	31,293.4	13,779.5	42,325.2	12,548.6	2,665.0	89,840.5	8,355.3	220,192.5
1980-81	9,132.3	11,023.2	31,955.0	13,889.2	43,320.7	13,118.3	2,746.5	91,629.8	8,752.4	225,567.4
1981-82	9,418.3	11,325.3	31,859.4	14,373.0	41,589.7	13,934.6	2,796.1	93,988.5	9,528.5	228,813.4
1982-83	9,289.9	11,378.2	32,181.5	14,141.0	40,931.0	14,673.7	2,666.0	94,188.0	9,040.0	228,489.3
1983-84	9,486.1	11,255.7	33,092.2	13,518.6	39,288.0	15,336.1	2,547.6	93,091.6	9,079.3	226,695.2
1984-85 (est.)	9,960.2	12,195.5	33,527.8	13,842.1	39,680.4	18,153.9	2,711.8	91,081.3	9,604.0	230,757.0
1985-86 (enacted)	10,182.8	11,783.9	32,747.6	13,784.1	37,583.5	19,025.6	2,722.1	90,813.7	9,522.6	228,165.9
Change over 1984-85:										
Amount	222.6	-411.6	-780.2	-58.0	-2,096.9	871.7	10.3	-267.6	-81.4	-2,591.1
Percent	2.2	-3.4	-2.3	-0.4	-5.3	4.8	0.4	-0.3	-0.9	-1.1