

ITEM ANALYSIS OF THE BUDGET BILL

LEGISLATURE

Items 1-12 from the General
Fund

Budget p. 1 Program p. I-1

Requested 1973-74	\$33,767,262
Estimated 1972-73.....	33,355,989
Actual 1971-72	30,049,924
Requested increase \$411,273 (1.2 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The adoption of Proposition 4 on the November 1972 ballot amended the California Constitution to provide for two-year legislative sessions and make several related changes in legislative procedures. Under the terms of this measure, the Legislature will convene in even-numbered years on the first Monday in December (the first two-year session commenced on Monday, January 8, 1973, to allow time for the final "veto session") and remain in session, except as either or both houses may go into recess, until November 30th of the following even-numbered year.

Bills may be introduced in either the first or second year, and bills introduced in the first year are automatically carried over to the second, except in the case of bills which have not been passed by their house of origin by January 30th of the second year. However, the Budget Bill will continue to be introduced and acted on annually.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposed for the support of the Legislature will be funded by appropriations in the first 12 items of the Budget Bill totaling \$33,767,272, which is \$411,273 or 1.2 percent higher than net appropriations of \$33,355,989 from the General Fund in the current year. In the budget year, scheduled expenditures of \$1,614,547 are proposed from the carryover balances of the Senate Contingent Fund (\$314,547), the Assembly Contingent Fund (\$900,000) and the Contingent Funds of the Senate and Assembly (\$400,000), making a total proposed expenditure program for the Legislature of \$35,381,809, which is \$744,903 or 2.2 percent higher than estimated expenditures of \$34,636,906 in the current year.

The contingent expenses for the Senate are budgeted at \$8,866,790, and the contingent expenses for the Assembly at \$12,837,543. Joint expenses of the two houses are budgeted at \$8,509,729. This consists of \$3,800,000 for the expenses of joint committees, \$4,550,000 for legislative printing, binding and mailing, and \$159,729 for the Joint Legislative Committee for the Revision of the Penal Code. For the first time, the cost (\$300,000) of printing the Governor's Budget is not reflected in the legislative printing item, such costs having been transferred to the Governor's office.

Last year the Joint Legislative Committee for the Revision of the Penal

LEGISLATURE—Continued

Code indicated that its duties should be completed by June 30, 1974. The committee advises that its target date for termination has been changed to June 30, 1975, because legislation (SB 1506) concerning revision of the Criminal Code was introduced late in the 1972 session without sufficient time for action and additional work is necessary before legislation is ready to be introduced on revision of criminal procedures and correctional institutions.

LEGISLATIVE COUNSEL BUREAU

Item 13 from the General Fund

Budget p. 2 Program p. I-3

Requested 1973-74	\$2,370,091
Estimated 1972-73	2,212,704
Actual 1971-72	1,871,362
Requested increase \$157,387 (7.1 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The objective of the Legislative Counsel Bureau is to provide such legal assistance as Members of the Legislature and legislative committees may require in the legislative process. This assistance is provided on a confidential basis under an attorney-client relationship.

The bureau's services include rendering legal opinions, drafting bills and amendments thereto, providing legal counsel at committee hearings, and representing the Legislature in litigation. The agency maintains an authorized staffing level of 131 man-years, including a professional legal staff of 51 positions.

In addition to providing direct legal services, the bureau is responsible for indexing all legislation introduced and for editing and compiling all state-published codes for the State Printer on a reimbursable basis.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The bureau's \$2,370,091 budget request is \$157,387 or 7.1 percent above estimated current-year expenditures. Current-year staffing levels will be continued in the budget year, with salary adjustments increasing expenditures for personal services by 2.2 percent, or \$44,699, to \$2,085,675. Other operating expenses are expected to rise by \$112,688, primarily for the continuation of an experimental legislative data processing system initiated by the Joint Rules Committee during the 1970-71 fiscal year. This project, a joint venture with the State Printing Plant to improve the work flow of the bureau, will give the bureau immediate access to proposed legislation while it is in the printing process, thereby eliminating the necessity of waiting for printed bills to be processed and delivered from the printing plant.

The bureau's budget-year workload is expected to approximate the 1972-73 level of some 32,500 requests for assistance.

CALIFORNIA LAW REVISION COMMISSION

Item 14 from the General Fund

Budget p. 3 Program p. I-6

Requested 1973-74	\$191,511
Estimated 1972-73.....	182,302
Actual 1971-72	168,592
Requested increase \$9,209 (5.1 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Law Revision Commission is composed of 10 members, seven appointed by the Governor, plus one from each house of the Legislature, and the Legislative Counsel who serves as an ex officio, nonvoting member.

Under the commission's direction, its full-time staff of eight employees (including five professional positions) performs in-depth research and study on various topics of law assigned by concurrent resolution of the Legislature for the purpose of noting deficiencies and outdated provisions in the law and identifying policy issues for legislative attention. It disseminates research material on those studies to interested parties for review and comment and drafts proposed revisions of the statutes. The commission is headquartered in rental space on the Stanford campus.

At present, the Legislature has assigned 22 topics to the commission for study. Two of these, (1) condemnation and (2) creditors' remedies, will receive the major portion of staff time in the budget year. The commission states that it will present to the 1973-74 Legislature its recommendations on these subjects.

During the 1972 session, two commission-sponsored bills concerning evidence and pleadings in civil action were enacted. The commission advises it will not request the addition of new topics for study by the 1973-74 Legislature but will propose that four topics, which the commission has studied in recent years and on which the Legislature has acted, be removed from its agenda. These topics relate to (1) fictitious business names, (2) quasi-community property, (3) powers of appointment, and (4) unincorporated associations.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The proposed \$191,511 appropriation represents an increase of \$9,209 or 5.1 percent over the estimated current-year expenditures of \$182,302.

Approximately 71 percent of the commission's expenditures are for personal services, and such costs are expected to increase 6.5 percent or \$8,340 in the budget year over the current year due to salary adjustments. Other operating expenses are expected to rise by 1.6 percent or \$869.

COMMISSION ON UNIFORM STATE LAWS

Item 15 from the General Fund

Budget p. 3 Program p. I-8

Requested 1973-74	\$23,100
Estimated 1972-73.....	23,100
Actual 1971-72	11,742
Requested increase None	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The commission's objective is to sponsor in California the enactment of uniform codes or statutes developed by the National Conference of Commissioners on matters of law in which compatibility with the laws of other jurisdictions is considered desirable. In meeting this objective, the California commissioners attend the annual conference of the national body, at which time the various uniform codes developed or modified by it in the past year are reviewed and submitted to the total membership for consideration and recommendation. Such of these recommended uniform codes as are deemed by the California members to be appropriate to the state's needs are then presented to the Legislature for consideration.

The California commission consists of seven members, four appointed by the Governor, two selected by the respective houses of the Legislature, and the Legislative Counsel, a nonvoting, ex officio member. All seven members must belong to the California State Bar.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The proposed appropriation of \$23,100, which is the same level as in the current year, consists of California's contribution (\$18,350) for the support of the National Conference of Commissioners' on Uniform State Laws, plus travel expenses (\$4,750) for the state's commissioners. California's 1972-73 contribution to the conference was increased by 50 percent over that of the prior year due to the adoption of a new population formula for allocating conference costs to the states.

Since 1911, some 48 uniform acts have been adopted in California as a result of the commission's efforts. During the 1972 legislative session, three commission-supported bills relating to the (1) Uniform Commercial Code, (2) Uniform Consumer Credit Code, and (3) escheatment of postal savings accounts were introduced, but none was enrolled. The California commission advises that it has not yet determined whether similar measures will be introduced in 1973-74.

LEGISLATORS' RETIREMENT FUND

Item 16 from the General Fund

Budget p. 4 Program p. I-9

Requested 1973-74	\$654,171
Estimated 1972-73.....	642,134
Actual 1971-72	1,036,229
Requested increase \$12,037 (1.9 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The object of the Legislators' Retirement System is to provide retirement benefits to legislators, certain legislative statutory officers (the Chief Clerk of the Assembly, the Secretary of the Senate, and the Sergeant at Arms of the respective houses), and constitutional officers other than judges who, during their tenure in office, have enrolled and remained in the system for at least four years. Included in such benefits are automatic cost-of-living increases based on the consumer price index, death benefits to the surviving spouse or estate, and one-half continuance of retirement benefits to the surviving spouse until death or remarriage.

Chapter 1300, Statutes of 1971, mandatorily applies federal social security coverage to all legislators and other state officers who first take office on or after January 1, 1972, and whose offices are covered by the Legislators' Retirement System. Prior to Chapter 1300, a member of the system could elect to be covered by social security under a one-time option which was exercisable within 30 days following the commencement of the member's first term of office. Chapter 1300 also permitted all existing members of the system who were not covered by social security to elect such coverage retroactive to January 1, 1970, and appropriated \$160,000 to fund the employer and employee retroactive costs, subject to total reimbursement of such costs by the electing members. Fourteen members elected this coverage, and retroactive contributions amounting to \$32,698 were paid to the federal government. Repayment of the members' portion of these contributions began in the 1971-72 fiscal year and will be completed in the budget year. As of June 30, 1972, a total of 69 members including the 14 members mentioned above (62 legislators and 7 other officers) had such coverage.

Legislation Affecting the System

Four statutes enacted in 1972 affect the Legislators' Retirement System. Two of these improve benefits. The first, Chapter 1409, makes available on an optional basis, for a \$2 monthly contribution, a monthly survivor benefit to legislators who are not covered by social security. This benefit, which is payable to eligible dependent survivors of an active legislator, is \$180 for one survivor, \$360 for two, and \$430 for three or more survivors. (A similar benefit has been available since 1959 to other state employees who are not covered by social security.) The second, Chapter 1419, increases the benefit factors of the retirement formula applicable to legislative service rendered during the years 1973 and 1974 from 5 percent on

LEGISLATORS' RETIREMENT FUND—Continued

the first \$500 of salary to 5.5 percent and from 3 percent on salary in excess of \$500 to 3.3 percent.

The other two statutes affect the funding of the system. One, Chapter 1192, requires a quadrennial actuarial valuation of the system beginning June 30, 1973. The Public Employees' Retirement System, which administers this program, estimates the cost of a valuation at \$30,000, but no funding provision was contained in the bill or in this budget request. The other statute, Chapter 539, declares legislative intent that the Legislators' Retirement System be fully funded and actuarially sound by January 1, 2002.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The \$654,171 request for the budget year is \$12,037 or 1.9 percent above the current-year appropriation of \$642,134. However, budget-year disbursements for benefits are estimated at \$877,627, which is \$115,514 or 15.7 percent above the current-year estimate of \$762,113 (excluding the retroactive social security contributions discussed above). Table 1 summarizes fund revenues and benefit disbursements for fiscal years 1971-72 through 1973-74.

Table 1
Funding of Benefits
Legislators' Retirement System

	1971-72	1972-73	1973-74
Revenues			
Carryover (from prior year)	\$ -10,978	\$368,192	\$265,616
Budget Act appropriation	876,229	642,134	654,171
Chapter 1300, Statutes of 1971	160,000	—	—
Repayment of member social security advance	2,496	15,101	15,101
Retired member accounts	32,530	35,000	38,000
Total revenues	\$1,060,277	\$1,060,427	\$972,888
Disbursements			
Retirement allowances	\$637,475	\$709,572	\$822,459
Monthly death benefits	54,610	52,541	55,168
Chapter 1300, Statutes of 1971	—	32,698	—
Total disbursements	\$692,085	\$794,811	\$877,627
Total carryover surplus	\$368,192	\$265,616	\$95,261
Appropriation surplus	208,192	138,314	95,261
Chapter 1300 surplus	160,000	127,302	—

The Legislators' Retirement System is an "unfunded system" in that it has inadequate cash reserves to meet its annual benefit payments and the accruing liabilities for the active and inactive membership. Member contributions are 4 percent of salary for members first elected prior to March 4, 1972, and 8 percent of salary for members first elected after that date. These contributions plus interest earnings and an annual General Fund appropriation provide the benefits payable each fiscal year. The General Fund contribution can be expected to grow almost directly in proportion to the number of annuitants, cost-of-living adjustments in pensions, and

base salary increases.

The Legislators' Retirement System is administered by the Public Employees' Retirement System at an estimated annual cost of \$30,000 paid by the interest earnings of the Public Employees' Retirement Fund.

Output and Growth

During fiscal year 1971-72, the system paid benefits to 90 service and 4 disability retirees. In addition, it paid benefits to 22 beneficiaries of deceased retired members and monthly death benefits to 8 "survivors" of members who died in office. Persons classified as "survivors" are not reflected in Table 2 because PERS treats their allowances as "monthly death benefits" (see Table 1) rather than as annuities. In 1971-72, the system received net earnings of \$76,666 on year-end investment assets having a book value at \$1,747,261. Table 2 summarizes selected items of the system's most recent five-year growth pattern.

Table 2
Selected Data—Legislators' Retirement System

<i>Detail</i>	<i>1967-68</i>	<i>1968-69</i>	<i>1969-70</i>	<i>1970-71</i>	<i>1971-72</i>
Active members	131	127	130	131	131
Members under social security	43	43	47	53	69
Inactive members	64	66	59	63	63
Retirees and beneficiaries	99	101	105	112	116
Deaths during year	2	6	7	5	5
State contribution	\$510,000	\$450,000	\$540,000	\$550,000	\$1,036,670
Net interest income	\$51,118	\$61,395	\$77,685	\$85,079	\$76,666 ¹
Total benefits paid	\$473,182	\$558,232	\$598,690	\$624,327	\$692,085
Investments (book value) as of 6/30	\$873,406	\$960,594	\$1,108,152	\$1,221,401	\$1,747,261

¹ Reflects a loss of \$36,188 under a portfolio management procedure which will produce added income of \$37,500 by 1980.

JUDICIAL

Items 17-18 from the General
Fund and the Motor Vehicle
Account in the State Transportation Fund

Budget p. 5 Program p. I-10

Requested 1973-74	\$10,147,178
Estimated 1972-73	9,820,517
Actual 1971-72	8,611,952
Requested increase \$326,661 (3.3 percent)	
Total recommended augmentation	\$289,063

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *New Positions. Augment \$289,063.* Recommend 13 additional positions for workload increases:
 - (a) *Augment \$45,000* to provide two senior attorney II positions and related expenses for the Supreme Court. 10
 - (b) *Augment \$244,063* to provide 11 new positions and reclassify one position for the courts of appeal. 12