

ITEM ANALYSIS OF THE BUDGET BILL

LEGISLATURE

Items 1-12 from the General
Fund

Budget p. 1 Program p. I-1

Requested 1974-75	\$42,323,232
Estimated 1973-74	44,231,618
Actual 1972-73	29,985,776
Requested decrease \$1,908,386 (4.3 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 convenes 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 enacted annually.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposed for support of the Legislature will be funded primarily by appropriations in the first 12 items of the Budget Bill. These total \$42,323,232, which is \$1,908,386 or 4.3 percent below estimated net expenditures of \$44,231,618 from the General Fund in the current year. An additional expenditure of \$425,450 from the carryover balance in Item 11 (legislative printing) of the 1973 Budget Act will bring total General Fund support in the budget year to \$42,748,682. In the budget year, scheduled expenditure of \$2,976,067 is also proposed from the carryover balances of the Senate Contingent Fund (\$26,067), the Assembly Contingent Fund (\$800,000) and the Contingent Funds of the Senate and Assembly (\$2,150,000). The sum of proposed new appropriations and carryover balances constitutes a total proposed expenditure program for the Legislature of \$45,724,749, which is \$618,523 or 1.3 percent under the estimated expenditure of \$46,343,272 in the current year and \$15,062,100 or 49.1 percent higher than actual expenditures of \$30,662,649 in fiscal year 1972-73.

LEGISLATURE—Continued

The contingent expenses for the Senate are budgeted at \$9,978,332, and the contingent expenses for the Assembly at \$18,468,778. Joint expenses of the two houses are budgeted at \$10,442,461. The latter consists of \$5,500,000 for the expenses of joint committees, \$4,800,000 for legislative printing, binding and mailing, and \$142,461 for the Joint Legislative Committee for the Revision of the Penal Code.

We have discussed with the staffs of both legislative houses and with the state printing plant the feasibility of revising the format of the weekly histories for 1974 (the second year of biennial session) to exclude chaptered and vetoed bills. Such an exclusion is planned and will result in an estimated printing saving of \$160,000 during 1974.

A number of the expenses of the 1973-74 fiscal year were related to the cost of moving out of the State Capitol into leased space as a result of the finding that the original Capitol structure is unsafe. Such leased facilities will continue to add to the budgeted costs of legislative staffs as compared to 1972-73. Other factors increasing costs in 1973-74 were the evaluation of the cost impact on local government, a factor arising out of the requirement for state reimbursement of mandated local costs, the expansion of audit functions of the Auditor General, the implementation of certain electronic data processes, a significant rise in printing costs, and the constantly increasing number of bills to be drafted, analyzed, and acted upon.

Since much of legislative activity takes place in the form of committee studies, the need and authorization for which have been determined at the time of budget introduction, tentative amounts based on historical needs are included in the budget but these may be modified immediately prior to legislative approval of the Budget Bill late in the fiscal year. The growth of full-time professional staffs for standing and joint committees has tended to stabilize these costs so that, barring unusual circumstances such as a change in the housing requirements for the Legislature, these adjustments should be relatively minor. Moreover, as has been outlined previously, the carryover balances in the legislative budget are large and are directly related to the characteristic uncertainty of expenditures.

LEGISLATIVE COUNSEL BUREAU

Item 13 from the General Fund

Budget p. 1 Program p. I-3

Requested 1974-75	\$2,949,083
Estimated 1973-74.....	2,901,193
Actual 1972-73	2,113,073
Requested increase \$47,890 (1.6 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 renders legal opinions, drafts bills and amendments thereto, provides legal counsel at committee hearings, and represents the Legislature in litigation. The agency maintains an authorized staffing level of 149 man-years, including a professional legal staff of 58 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 \$2,949,083 budget request is \$47,890 or 1.6 percent above estimated current-year net expenditures of \$2,901,193. Current-year staffing levels will be continued in the budget year with merit salary adjustments and position reclassifications (12 legal and 2 clerical) increasing expenditures for personal services to \$2,442,339, an increase of 2.6 percent or \$62,802 (\$19,958 for salary adjustments and \$42,844 for reclassifications). Other operating expenses are expected to rise by \$5,088 for a total gross increase of \$67,890. However, an estimated \$20,000 increase in reimbursements (preparation of softbound codes for use by various agencies) produces the net increase or \$47,890.

The bureau is continuing the 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 total budget-year request for this project is \$203,444, an increase of \$61,040 or 42.9 percent over estimated current-year expenditures of \$142,404. This increase is offset by a reduction in other operating expenses of \$55,952, producing the net increase in operating expenses of \$5,088. The budget-year reduction in other expenses reflects the one-time expense incurred by the bureau in moving from its quarters in the Capitol Building to another location as directed by the Legislature.

LEGISLATIVE COUNSEL BUREAU—Continued

The bureau's budget-year workload is expected to approximate the 1973-74 level of some 30,000 requests for assistance.

CALIFORNIA LAW REVISION COMMISSION

Item 14 from the General Fund

Budget p. 2 Program p. I-5

Requested 1974-75	\$203,042
Estimated 1973-74.....	199,571
Actual 1972-73	179,713
Requested increase \$3,471 (1.7 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 University campus.

At present, the Legislature has assigned 20 topics to the commission for study. During 1973, the commission drafted and recommended five bills to the Legislature. Two of these, SB 81 (concerning civil arrest and bail) and AB 103 (relating to the judicial procedure for repossession of personal property), were enacted as Chapters 20 and 526, respectively. The remaining three bills, AB 101 (wage garnishment), AB 102 (discharge from employment), and AB 727 (escheatment of abandoned, intangible property), are still under consideration by the Legislature. The commission also sponsored a resolution, Resolution Chapter 76, Statutes of 1973 (AJR 27), which memorialized Congress to revise the law relating to escheatment of abandoned, intangible property. This resolution concerns the same subject matter as AB 727 mentioned above.

The commission states that in 1974 it will present recommendations on the following subjects: (1) prejudgment attachments, (2) enforcement of sister state money judgments, (3) erroneously ordered disclosure of privileged information, (4) physician-patient relationships, (5) inheritance rights of nonresident aliens, (6) special assessment improvement acts, (7) liquidated damages, (8) abandonment of leased real property, and (9) personal property left on premises vacated by tenant. For submission to the Legislature in 1975, the commission is preparing a proposed comprehensive revision of the law on eminent domain.

The commission advises that it will not request the addition of new

topics for study by the 1974 Legislature but will propose that three 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) counterclaims and cross-complaints, (2) joinder of causes of action, and (3) power of appointment.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The proposed \$203,042 appropriation represents an increase of \$3,471 or 1.7 percent over the estimated current-year expenditures.

Approximately 71 percent of the commission's expenditures are for personal services, and such costs are expected to increase by \$695 in the budget year because of merit salary adjustments. Other operating expenses are expected to rise by 5 percent or \$2,776.

COMMISSION ON UNIFORM STATE LAWS

Item 15 from the General Fund

Budget p. 2 Program p. I-7

Requested 1974-75	\$34,700
Estimated 1973-74.....	23,100
Actual 1972-73	18,879
Requested increase \$11,600 (50.2 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The commission sponsors 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 \$34,700, which is an increase of \$11,600 or 50.2 percent over estimated current-year expenditures, represents California's contribution (\$28,950) for the support of the National Conference of Commissioners on Uniform State Laws plus travel expenses (\$5,750) for the state's commissioners. The requested support contribution for the national body is expected to rise from \$18,350 in the current year to \$28,950

COMMISSION ON UNIFORM STATE LAWS—Continued

in the budget year, an increase of \$10,600 or 57.8 percent. New York has the next highest contribution request of \$26,400. The commission's budget request is allocated to the states under the following formula: a base amount of \$1,800 per state plus \$1.35 per 1,000 population. California's contribution was increased in fiscal year 1972-73 by \$7,729 or 73.7 percent over the fiscal year 1971-72 assessment of \$10,487. Out-of-state travel expenses for the California members in the budget year are expected to increase by \$1,000 or 24.2 percent to a total of \$5,125.

We have discussed the budget request with the national staff and have summarized in Table 1 budget data for the national conference spanning the most recent five-year period. During that time, the conference has increased its staff from three to the current level of six positions (three professional and three clerical) plus a part-time executive director. Other expenses have increased primarily as a result of higher printing costs and expenses for semiannual meetings of bill-drafting committees.

Table 1
Selected Budget Data for the National Conference of
Commissioners on Uniform State Laws

	<i>Fiscal year</i>				
	<i>1969-70</i>	<i>1970-71</i>	<i>1971-72</i>	<i>1972-73</i>	<i>1973-74</i> <i>(est.)</i>
Income					
From states	\$145,178	\$132,234	\$154,750	\$177,300	\$250,000
Other ^a	17,680	29,688	23,620	49,313	40,000
Total	<u>\$162,858</u>	<u>\$161,922</u>	<u>\$178,370</u>	<u>\$226,613</u>	<u>\$290,000</u>
Expenses					
Salaries	\$47,061	\$49,117	\$64,893	\$78,990	\$86,800
Other	70,363	75,429	84,211	157,771	209,600
Total	<u>\$117,424</u>	<u>\$124,546</u>	<u>\$149,104</u>	<u>\$236,761</u>	<u>\$296,400</u>
Income minus expenses	<u>\$45,434</u>	<u>\$37,376</u>	<u>\$29,266</u>	<u>\$(10,148)</u>	<u>\$(6,400)</u>
Prior year surplus	77,786	123,220	160,596	189,862	179,714
Carryover surplus	<u>\$123,220</u>	<u>\$160,596</u>	<u>\$189,862</u>	<u>\$179,714</u>	<u>\$173,314</u>

^a Interest, sales of publications and contributions from bar associations.

Since 1911, some 49 uniform acts have been adopted in California resulting from the commission's efforts, the latest being Chapter 693 Statutes of 1973, (AB 1220), which added the Uniform Child Custody Jurisdiction Act to the California Civil Code. The other commission-sponsored bill (SB 3, relating to a consumer credit code), is still under consideration by the Legislature.

The following five bills, which are not commission sponsored but also relate to uniform laws, are before the 1973-74 Legislature: (1) SB 1—Uniform Probate Code, (2) SB 1140—Uniform Management of Institution Funds Act, (3) AB 547—Uniform Public Assembly Act, (4) AB 689—Uniform Management of Institution Funds Act (similar to SB 1140), and (5) AB 1202—Landlord and Tenant Relationships Act. The commission anticipates that it will be asked to comment on these bills.

LEGISLATORS' RETIREMENT SYSTEM

Item 16 from the General Fund

Budget p. 3 Program p. I-8

Requested 1974-75	\$1,143,538
Estimated 1973-74	654,171
Actual 1972-73	642,134
Requested increase \$489,367 (75 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. Administrative Expenses. Recommend the Government Code be amended to permit funding of administrative expenses for this system from excess interest earnings of Legislators' Retirement Fund rather than Public Employees' Retirement Fund. 9

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. The remaining portion of the \$160,000 appropriation not utilized for social security payments and the members' repayments will be utilized for benefit payments in the same manner as the annual General Fund appropriation. Repayment of the members' portion of these contributions began in the 1971-72 fiscal year and will be completed in fiscal year 1972-73. As of June 30, 1973, a total of 79 members including the 14 members mentioned above (72 legislators and 7 other officers) had such coverage.

LEGISLATORS' RETIREMENT SYSTEM—Continued**Funding of System**

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.

Two statutes enacted in 1972 affect the funding of the system. One, Chapter 1192, requires a quadrennial actuarial valuation of the system beginning June 30, 1973. The other, Chapter 539, declares legislative intent that the Legislators' Retirement System be fully funded and actuarially sound by January 1, 2002. The Public Employees' Retirement System, which administers this program, advises that the first valuation and recommendations on a funding method will be presented to the Legislature on or before February 1, 1974.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The \$1,143,538 request for the budget year is \$489,367 or 75 percent above the current year appropriation of \$654,171. Benefit payments in the current year will exceed the level originally budgeted by approximately \$230,000, primarily as a result of the death of five legislators. This higher than anticipated level of payments will produce an estimated deficit of \$103,278 in the state's account in the retirement fund. Table 1 summarizes fund revenues and benefit disbursements for fiscal years 1972-73 through 1974-75.

Table 1
Fund Revenues and Benefit Disbursements

Revenues	1972-73	1973-74	1974-75
Carryover (from prior year) ^a	\$368,633	\$187,057	(\$103,278)
Budget Act appropriation	642,134	654,171	1,143,538
Retired member accounts	42,006	53,853	46,147
Total revenue	\$1,052,773	\$895,081	\$1,086,407
Disbursements			
Retirement allowances	\$702,899	\$810,911	\$908,220
Death benefits	160,321	187,448	178,187
Chapter 1300, Statutes of 1971	2,496 ^b	—	—
Total	\$865,716	\$998,359	\$1,086,407
Carryover	187,057	(103,278)	—

^a Includes Chapter 1300 repayments and appropriation balance.

^b Represents advance social security payment by one member.

Administrative Expenses

We recommend that the Government Code be amended to permit the administrative expenses of this system to be funded from excess interest earnings of the Legislators' Retirement Fund rather than the Public Employees' Retirement Fund.

Government Code Section 9353 requires the Board of the Public Employees' Retirement System (PERS) to administer the Legislators' Retirement System, but no specific provision is made to fund the expenses, which approximate \$30,000 annually. Consequently, this administrative expense has been absorbed in the PERS operating budget which is derived from interest earnings of the PERS fund.

The legislators' fund has accumulated a reserve account for the purpose of guaranteeing interest credits to member contributions and covering possible losses in security transactions. This reserve is produced primarily from the interest earnings on the annual General Fund appropriation which is received at the beginning of each fiscal year and invested (in the same manner as member contributions) until such time as needed for benefit payments throughout the year. The interest earned on these funds is credited to the reserve account. Member contributions in the fund are credited at the same rate of interest (5.75 percent for 1973-74) as contributions in the PERS fund. Table 2 shows the growth of the reserve account since June 30, 1969.

Table 2
Growth of Reserve Account

	1969-70	1970-71	1971-72	1972-73	1973-74
Reserve at beginning of year	\$87,529	\$125,022	\$162,113	\$184,990	\$253,401
Interest earned during year	77,685	85,079	112,853	131,756	—
Interest applied to member accounts.....	(40,192)	(47,988)	(53,788)	(63,345)	—
Absorbed stock loss	—	—	(36,188)	—	—
Net growth in reserve	\$37,493	\$37,091	\$22,877	\$68,411	—

We recommend that Government Code Section 9354 be amended as follows to allow the administrative expense of this system to be funded from the reserve account:

9354. The Legislators' Retirement Fund in the State Treasury is hereby established. All moneys received by this system pursuant to this chapter shall be deposited in the fund, and all retirement allowances, benefits, optional settlements, and other obligations or payments payable by this system pursuant to this chapter shall be paid from the fund. *Costs of administration of the system shall be paid from earnings on the fund, provided the amount of earnings applied to such purpose shall not exceed the amount by which total accumulated earnings exceed the sum of interest required to be credited to contributions and such amount as may be needed to maintain an adequate reserve for the guarantee of interest to member contributions.*

If this legislation is enacted, the reserve fund would continue to increase because the annual administrative cost is below the amount of excess interest earned. We withhold recommendation on other uses of this reserve until the PERS Board suggests methods of putting this system on a

LEGISLATORS' RETIREMENT SYSTEM—Continued

fully funded basis. As stated above, such recommendations are expected on or before February 1, 1974.

JUDICIAL

Item 17 from the General Fund
and 18 from the Motor Vehicle Account, State Transportation Fund

Budget p. 3 Program p. I-9

Requested 1974-75	\$11,730,646
Estimated 1973-74.....	11,110,087
Actual 1972-73	9,710,301
Requested increase \$620,559 (5.6 percent)	
Increase to improve level of service \$109,775	
Total recommended reduction	\$61,775

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Court of Appeals, Third District. Reduce \$109,775.* Delete two associate justices, two senior attorneys II and two judicial secretaries. 15
2. *Court of Appeals, First District. Augment \$48,000.* Add two senior attorneys II for increased workload. 16

GENERAL PROGRAM STATEMENT

Section 1, Article VI, of the California Constitution vests the judicial power of the state in the Supreme Court, courts of appeal, superior, municipal, and justice courts. The Supreme Court and courts of appeal are wholly state supported. Except for the major portion of the superior court judges' salaries and employer contributions to the Judges' Retirement Fund for superior and municipal court judges (which costs are paid by the state), the remaining courts are supported by the counties and by fees and costs collected by the courts.

Section 6, Article VI, of the State Constitution created the Judicial Council and provided for its membership and duties. The objective of the council is to improve the administration of justice by surveying judicial workload and making appropriate recommendations; adopting rules for court administration, practice and procedure not inconsistent with statutory provisions; and performing other duties as prescribed by statute.

The state-supported courts hear appeals alleging errors in procedure or interpretation of law in the trial courts; resolve conflicting interpretations of law between trial courts; interpret the provisions of the State Constitution when appropriate constitutional issues are raised on appeal; hold hearings on and grant or deny writs of habeas corpus, mandamus, etc.; and process other motions and orders authorized by law. The law also provides for appeals from decisions of the justice and municipal courts to the superior court.