

## ITEM ANALYSIS OF THE BUDGET BILL LEGISLATURE

Items 1-11 from the General  
Fund

Budget p. 1

Requested 1975-76 .....	\$43,806,671
Estimated 1974-75.....	46,987,050
Actual 1973-74 .....	39,090,199
Requested decrease \$3,180,379 (6.8 percent)	
Total recommended reduction .....	None

### 1975-76 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
1	Salaries of Senators	General	\$875,000
2	Mileage of Lieutenant Governor, Senators, and officers	General	1,800
3	Expenses of Senators	General	296,400
4	Senate contingent expenses (staff salaries, etc.)	General	11,723,591
5	Salaries of Assemblymen	General	1,775,000
6	Mileage of Assemblymen and officers	General	3,600
7	Expenses of Assemblymen	General	592,800
8	Assembly contingent expenses (staff salaries, etc.)	General	20,075,251
9	Penal Code Revision Committee	General	163,229
10	Legislative printing	General	4,800,000
11	Expenses of joint committees	General	3,500,000
			<u>\$43,806,671</u>

### 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 and remains in session, except for 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 and not enacted 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.*

Table 1 outlines the sources and uses of funds for legislative expenses. As reflected in Table 1, legislative appropriations historically have been augmented by using carry-over balances from prior years. This is especially true in the budget year when 14 percent of proposed expenditures (\$7.4

**LEGISLATURE—Continued**

million out of \$51.2 million) will be funded from carry-over balances. Expenditure categories are not shown in the Governor's Budget.

**Table 1**  
**Budget Summary**

<i>Sources of Funding</i>	<i>Current Year</i>	<i>Proposed</i>	<i>Amount Change</i>
General Fund (appropriation) .....	\$42,685,832	\$43,806,671	\$1,120,839
General Fund (carryover)* .....	4,301,218	2,487,378	-1,813,840
Total General Fund .....	\$46,987,050	\$46,294,049	\$-693,001
Carry-over balances in Assembly and Senate			
Contingent Funds .....	\$1,506,991	\$4,925,174	\$3,418,183
California Environmental Protection Fund .....	147,000	-	-147,000
Grand Total .....	\$48,641,041	\$51,219,223	\$2,578,182
<i>Program</i>			
Senate .....	\$11,548,556	\$13,124,863	\$1,576,307
Assembly .....	22,570,444	23,619,559	1,049,115
Joint Expenses .....	14,522,041	14,474,801	-47,240
Total Expenditures .....	\$48,641,041	\$51,219,223	\$2,578,182

\* Primarily from prior appropriations for printing.

## LEGISLATIVE COUNSEL BUREAU

Item 12 from the General Fund

Budget p. 5

Requested 1975-76 .....	\$3,356,931
Estimated 1974-75 .....	3,290,484
Actual 1973-74 .....	2,709,934
Requested increase \$66,447 (2 percent)	
Total recommended reduction .....	None

### GENERAL PROGRAM STATEMENT

The Legislative Counsel Bureau provides legal assistance to members of the Legislature and legislative committees. The bureau renders legal opinions, drafts bills and amendments, provides legal counsel at committee hearings, and represents the Legislature in litigation. The authorized staffing level of 148 positions includes a professional legal staff of 58.

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 \$3,356,931 budget request is \$66,447 or two percent above estimated current year net expenditures of \$3,290,484. The staffing level will be reduced in the budget year as a result of eliminating 10 temporary help positions which were utilized for a one-time project to review the

Education Code. Four other temporary help positions are being converted to permanent clerical status to reflect more closely actual budget needs. One clerical position is being added for workload.

### CALIFORNIA LAW REVISION COMMISSION

Item 13 from the General Fund

Budget p. 6

Requested 1975-76 .....	\$227,484
Estimated 1974-75.....	218,307
Actual 1973-74 .....	199,594
Requested increase \$9,177 (4.2 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 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. Topics currently under study include nonprofit corporations, enforcement of judgments, and child custody and adoption. The commission also plans to sponsor legislation on condemnation procedures during the 1975-76 legislative session. The commission is headquartered in rental space on the Stanford University campus.

#### ANALYSIS AND RECOMMENDATIONS

*We recommend approval.*

The proposed \$227,484 appropriation reflects cost inflation and merit salary increases over the current budget.

**COMMISSION ON UNIFORM STATE LAWS**

Item 14 from the General Fund

Budget p. 8

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Requested 1975-76 .....	\$34,700
Estimated 1974-75 .....	34,700
Actual 1973-74 .....	20,973
Requested increase None	
Total recommended reduction .....	None

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**GENERAL PROGRAM STATEMENT**

The commission sponsors in California the enactment of uniform codes or statutes developed by the National Conference of Commissioners on matters in which compatibility with the laws of other jurisdictions is considered desirable. 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. The recommended uniform codes deemed by the California members to be appropriate for implementation 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 amount requested consists of 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.

Since 1911, some 50 uniform acts have been adopted in California resulting from the commission's efforts, the latest being Chapter 950, Statutes of 1973 (SB 1140) which added the Uniform Management of Institution Funds Act to the California Civil Code. The commission advises that it has not yet adopted its recommendations for 1975-76.

**LEGISLATORS' RETIREMENT SYSTEM**

Item 15 from the General Fund

Budget p. 8

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Requested 1975-76 .....	\$1,291,788
Estimated 1974-75.....	1,143,538
Actual 1973-74 .....	654,171
Requested increase \$148,250 (13 percent)	
Total recommended reduction .....	None

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**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS***Analysis  
page*

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|---|---|
| 1. Full Funding. Recommend legislation be enacted to fully fund the Legislators' Retirement System.   | 8 |
| 2. Administrative Expenses. Recommend legislation 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.

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 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.

Chapter 1, 1973-74 Second Extraordinary Session (AB 7), revised the Legislators' Retirement System by (1) repealing the provisions which allowed legislators to retire regardless of age under certain reapportionment conditions, (2) basing the retirement allowance of constitutional officers on their compensation at the time of retirement rather than on the salary of the incumbent, and (3) eliminating a "retroactive" (to 1954) cost-of-living adjustment for constitutional officers. These provisions do not apply to persons who retired prior to October 10, 1974, the effective date of this legislation.

**ANALYSIS AND RECOMMENDATIONS****Reserve Fund**

*We recommend that legislation be enacted to fully fund the system.*

Two bills concerning the funding of this system were chaptered in 1972. The first, Chapter 539, declared legislative intent that after January 1,

**LEGISLATORS' RETIREMENT SYSTEM—Continued**

2002, the system shall be fully funded and actuarially sound. The second, Chapter 1192, required a quadrennial actuarial valuation of the system commencing June 30, 1973.

The first such valuation was completed in early 1974 by a consulting actuary. The valuation indicated an unfunded liability (the current value of benefits which have accrued to the system's members for which there are no assets) of \$19,303,000. The major portion of this liability, \$13,379,000 is attributable to the retired and inactive members (former members who have left their contributions in the system in order to receive a benefit at some future date). The remaining \$5,924,000 is for benefits already earned by (and payable in the future to) the present active members.

To place the system on a funded basis, we recommend implementation of the actuary's funding proposal as follows: (1) an annual \$3 million appropriation for five fiscal years to fund the liabilities for retired and inactive members, and (2) a state (employer) contribution of 10.2 percent of payroll until January 1, 2002, to fund the accrued liabilities for active members. In addition to these funding requirements, an annual state (employer) contribution of 25.5 percent of payroll is necessary to fund future service benefits. Such funding would reduce the long-term costs of the system under the present funding provision because the state's contributions would earn interest. Senate Bill 2094 of the 1973-74 session would have implemented the preceding funding recommendations.

**Administrative Expenses**

*We recommend that the Government Code be amended to permit the administrative expenses of this system 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 1 shows the growth of the reserve account since June 30, 1969.

**Table 1**  
**Growth of Reserve Account**

	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75
Reserve at beginning of year	\$87,529	\$125,022	\$162,113	\$184,990	\$253,401	\$329,938
Interest earned during year	77,685	85,079	112,853	131,756	157,048	—
Interest applied to member accounts .....	(40,192)	(47,988)	(53,788)	(63,345)	(80,511)	—
Absorbed stock loss .....	—	—	(36,188)	—	—	—
Net growth in reserve....	\$37,493	\$37,091	\$22,877	\$68,411	\$76,537	—

If the recommended legislation is enacted, the reserve fund would continue to increase because the annual administrative cost is below the amount of excess interest earned.

### JUDICIAL

Item 16 from the General Fund  
and Item 17 from the Motor Vehicle Account, State Transportation Fund

Budget p. 9

Requested 1975-76 .....	\$14,532,222
Estimated 1974-75.....	13,478,363
Actual 1973-74 .....	10,943,107
Requested increase \$1,053,859 (7.8 percent)	
Total recommended reduction .....	None

#### 1975-76 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
16	Judicial	General	\$14,503,797
17	Judicial	State Transportation Fund	28,425
			<u>\$14,532,222</u>

### GENERAL PROGRAM STATEMENT

#### Court Structure

Section 1, Article VI, of the California Constitution vests the state judicial power in the Supreme Court, the courts of appeal and the superior, municipal and justice courts. The Supreme Court and the five courts of appeal are wholly stated supported. The remaining courts are supported by the counties except for the major portion of the superior court judges' salaries and the employer contributions to the Judges' Retirement Fund for superior and municipal judges, which are state obligations. Fines, fees, and forfeitures collected by the courts are paid into each county general fund to be distributed to the cities, counties, districts and state special funds as required by law.

The Supreme Court and Courts of Appeal hear appeals from the trial courts and have original jurisdiction over certain writs such as habeas corpus, mandamus, and prohibition.