

entirely from the General Fund. In the current year, the Legislature directed that the FTB's administrative costs of \$36,000 be reimbursed from the amount transferred to LACERF, rather than from the General Fund.

Financing these costs from the LACERF, rather than from the General Fund, has two distinct advantages. First, it links more closely the cost of administering this program with the benefits derived from it. To the extent LACERF resources are used to finance these costs, the local entities that benefit directly from the program are bearing the cost of supporting it. Otherwise, these costs are borne by taxpayers throughout the state, including those in areas that do not benefit from the program. Second, it frees up additional General Fund resources that can be used for other legislative priorities.

For these reasons, we recommend that the FTB's administrative costs, estimated to be \$40,000 in 1983-84, be reimbursed from the amount transferred to LACERF, and that the reimbursement to local agencies be reduced accordingly. Our analysis indicates this would not have an adverse impact on program effectiveness. Specifically, there is no evidence which indicates that state financing of these costs is required to encourage the abatement of substandard housing conditions. Rather, the incentive to comply with local codes is supplied by the tax penalty. Accordingly, we recommend that the Legislature reduce the transfer of funds from the General Fund to LACERF by \$40,000, to defray FTB's administrative costs attributable to the program.

PAYMENT OF INTEREST ON GENERAL FUND LOANS

Item 9620 from the General Fund

Budget p. GG 165

Requested 1983-84	\$1,000,000
Estimated 1982-83.....	67,100,000
Actual 1981-82	—
Requested decrease (excluding amount for salary increases) \$66,100,000 (-98.5 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Interest Cost Projection Not Realistic. Recommend Legislature direct Department of Finance to explain how the level of borrowing proposed in the budget can be financed from the proposed appropriation.

1958

GENERAL PROGRAM STATEMENT

For any month in which cumulative cash disbursements exceed cumulative incoming revenues, the General Fund is forced to borrow monies from the Reserve for Economic Uncertainties and from the Pooled Money Investment Account (PMIA). Some of these loans are interest-free. If the amount of funds needed exceeds the amount available from interest-free sources, however, the General Fund will have to borrow from other funds, and this requires the payment of interest.

PAYMENT OF INTEREST ON GENERAL FUND LOANS—Continued**ANALYSIS AND RECOMMENDATIONS****Interest Payments During 1982-83**

Originally, the Governor's Budget of 1982-83 proposed that \$20 million be appropriated for interest payments on General Fund loans. It now appears, however, that interest payments during the current year will be at least \$67,100,000. This amount includes:

- **\$20 million** appropriated in the 1982-83 Budget Act;
- **\$25 million** in additional interest payments for funds borrowed from the PMIA, to be financed through deficiency legislation;
- **\$14 million** in payment for funds borrowed during 1981-82, as provided by Ch 846/82; and
- **\$8.1 million** for interest payments due on the \$400 million of registered reimbursable warrants issued in November 1982. These costs also will be financed through deficiency legislation.

Further borrowing from external sources could increase the amount of interest payments further.

Request for 1983-84 is Absurd

We recommend that the Legislature direct the Department of Finance to explain how the level of borrowing proposed in the budget can be financed from the proposed appropriation.

The budget proposes \$1,000,000 for payment of interest on General Fund loans during 1983-84. This is *substantially* less than the amount budgeted for this purpose during the current year, and is far below the amount that will actually be needed in 1983-84.

The \$1,000,000 requested assumes that the state will end the current fiscal year with a balanced budget. The Governor's Budget, however, proposes that approximately \$750 million of the current year's projected \$1.5 billion deficit be carried into 1983-84. This will require additional borrowing by the General Fund.

Thus, the request for funds to pay interest on General Fund loans is both inconsistent with the rest of the budget and totally unrealistic given administration policy.

The amount needed to pay interest on General Fund loans depends on the amount borrowed from external sources and from those *internal sources* that require the payment of interest. While the *total* amount to be borrowed from internal sources can be estimated, the cost associated with this borrowing cannot be determined because the mix of funds in the PMIA varies widely during any given fiscal year.

The amount that will have to be paid for *external* funds can be approximated for illustrative purposes, by examining cash flow reports prepared by the Department of Finance. According to the department's projections, the state will need to borrow, from external sources, \$500 million in July, \$700 million in August, and \$600 million in both October and November. These figures assume adoption of *both* the Phase 1 plan (\$750 million in deficit-reducing actions) and the Governor's Budget. Assuming an interest rate of 5 percent, a loan of \$700 million, and a term of six months, *the interest costs for just the external borrowing could reach \$17.5 million.* The cost for internal borrowing probably will exceed this amount by a sizable margin, because the volume of internal borrowing usually is much greater.

Given the uncertainties regarding the economy, interest rates, and legislative action on the budgets for both 1982-83 and 1983-84, we are not able to develop reliable estimates of the amount that will be needed in 1983-84 for payment of interest on General Fund loans. Alternative assumptions would produce different estimates of the amount needed.

To the extent that the Budget Act appropriation does not fund the actual cost of interest on General Fund loans outstanding during the budget year, the Legislature will have to provide these funds through a deficiency appropriation. The budget submitted by the administration would not leave any uncommitted funds available in 1983-84 to pay for such deficiencies.

Accordingly, we recommend that the Legislature direct the Department of Finance to explain how the level of borrowing proposed in the budget can be financed from the proposed appropriation.

HEALTH BENEFITS FOR ANNUITANTS

Item 9650 from the General Fund

Budget p. GG 173

Requested 1983-84	\$75,817,000
Estimated 1982-83.....	70,260,000
Actual 1981-82	51,525,000
Requested increase (excluding amount for salary increases) \$5,557,000 (+7.9 percent)	
Recommendation pending	\$75,817,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Funding for Premium Increase. Withhold recommendation, pending determination of the actual increase in health and dental insurance premiums.

1962

GENERAL PROGRAM STATEMENT

This appropriation provides the state's contribution toward monthly health and dental insurance premiums for annuitants of retirement systems to which the state contributes as an employer. The systems eligible for state-funded health insurance are the Judges', Legislators', Public Employees, and Teachers' Retirement Systems. For the latter two systems, the health insurance premium contribution is limited to retired *state* employees.

This program offers a degree of post-retirement security for employees and their dependents by paying one of the following amounts toward the monthly premium of a state approved health insurance plan: (1) \$71 for the annuitant only, (2) \$133 for an annuitant with one dependent, and (3) \$168 for an annuitant with two or more dependents. These contribution levels were authorized by the 1982 Budget Act, and became effective July 1, 1982, for August 1982 coverage. The prior state contribution rates were \$58, \$107, and \$138, respectively.

Table 1
Health Benefits
Annuitants and Costs

<i>Retirement System</i>	<i>Number of Annuitants</i>					<i>State Costs (thousands)</i>				
	<i>Actual</i>	<i>Estimated</i>	<i>Projected</i>	<i>Change</i>		<i>Actual</i>	<i>Estimated</i>	<i>Projected</i>	<i>Change</i>	
	<i>1981-82</i>	<i>1982-83</i>	<i>1983-84</i>	<i>Amount</i>	<i>Percent</i>	<i>1981-82</i>	<i>1982-83</i>	<i>1983-84</i>	<i>Amount</i>	<i>Percent</i>
Judges'	442	473	506	33	7.0%	\$486	\$576	\$612	\$36	6.3%
Legislators'	93	100	107	7	7.0	96	122	129	7	5.7
Employees'	48,926	52,351	56,016	3,665	7.0	48,279	63,733	67,761	4,028	6.3
Teachers'	278	297	318	21	7.0	274	362	385	23	6.4
Totals.....	49,739	53,221	56,947	3,726	7.0%	\$49,135	\$64,793	\$68,887	\$4,094	6.3%

Table 2
Dental Benefits
Annuityants and Costs

<i>Retirement System</i>	<i>Number of Annuityants</i>					<i>State Costs (thousands)</i>				
	<i>Actual</i>	<i>Estimated</i>	<i>Projected</i>	<i>Change</i>		<i>Actual</i>	<i>Estimated</i>	<i>Projected</i>	<i>Change</i>	
	<i>1981-82</i>	<i>1982-83</i>	<i>1983-84</i>	<i>Amount</i>	<i>Percent</i>	<i>1981-82</i>	<i>1982-83</i>	<i>1983-84</i>	<i>Amount</i>	<i>Percent</i>
Judges'	313	329	353	24	7.3%	\$25	\$58	\$69	\$11	19.0%
Employees'	32,621	34,331	38,535	4,204	12.2	2,358	5,393	6,840	1,447	26.8
Teachers'	106	112	184	72	6.4	7	16	21	5	31.3
Totals.....	33,040	34,772	39,072	4,300	12.4%	\$2,390	\$5,467	\$6,930	\$1,463	26.8%

HEALTH BENEFITS FOR ANNUITANTS—Continued

The dental care program was added July 1, 1981. This portion of the appropriation provides the state's contribution for dental insurance premiums for annuitants of the Judges', Employees', and Teachers' Retirement Systems. The dental care monthly premiums vary with the specific plan and the number of dependents covered under the plan. The monthly premium of a state approved dental insurance plan ranges from a low of \$7.49 for the annuitant only to a high of \$28.01 for an annuitant with two or more dependents. The average monthly premium is \$15.50. These contribution levels became effective July 1, 1982, for August 1982 coverage.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$75,817,000 from the General Fund for payment of both health and dental insurance premiums in 1983-84. This is \$5,557,000, or 7.9 percent more than estimated current-year expenditures. The increase is attributable to the projected growth in the number of annuitants.

The proposed appropriation for the payment of health insurance premiums is \$68,887,000. This is \$4,094,000, or 6.3 percent, more than estimated 1982-83 expenditures. The proposed dental insurance premium appropriation is \$6,930,000, which is \$1,463,000 or 26.8 percent, more than current-year expenditures. The increases in the number of annuitants and state costs for each program are shown in Table 1 and Table 2 respectively.

The state contributions for these programs are paid initially from the General Fund. Special fund agencies are assessed pro rata charges for their retired employees which are then credited to the General Fund. Approximately 30 percent of the state's contribution is recovered from the special fund agencies.

Premium Cost Increase Not Budgeted

We withhold recommendation on this item, pending receipt of information from the Public Employees' Retirement System and the Department of Personnel Administration on the increases in health insurance and dental insurance premiums that will become effective for the budget year.

Government Code Section 22825.1 expresses legislative intent that the state pay an average of 100 percent of *health* insurance costs for active employees and annuitants, and 90 percent of *health* insurance costs for their dependents. As premium costs for this insurance rise, the state's contribution also must increase proportionally if the state's contribution rate is to be maintained.

The State Employees' Dental Care Act (Government Code, Section 22952) does not stipulate the same intent as that set forth in Section 22825.1.

The amount proposed in the 1983-84 budget for this item does not provide for any increase in health or dental insurance premiums. At the time this *Analysis* was prepared, the Public Employees' Retirement System (PERS) anticipated a health insurance premium increase of about 30 percent for 1983-84. The PERS advised us that it based its estimate of the premium rate increase primarily on the following factors:

- General cost increases in excess of 20 percent annually for medical care and hospital care.
- Increased usage of highly expensive technologically advanced equipment for purposes such as treating premature babies, patients with kidney ailments and certain types of cancer.
- A tendency toward greater use of hospital facilities due to a recession environment.
- Increased average age of state employees and annuitants.

The precise amount of any increase in health insurance premiums will not be known until May or June 1983, when the new premiums are adopted.

The Department of Personnel Administration (DPA) anticipates no increase in the state's contribution rate toward dental insurance premiums for annuitants in 1983-84. The DPA advises that any increase in dental premium costs would be covered by annuitant copayments. The precise amount of any premium increase and the extent to which this increase will affect the state's and annuitants' contribution rate will not be known until May or June 1983, when the new premiums are adopted.

The state's contribution rates toward health and dental insurance for active state employees are negotiable under collective bargaining. Therefore, the Legislature may want to consider any changes in health and dental insurance premiums for active employees, made during collective bargaining negotiations, prior to adjusting contribution rates for annuitants.

STATE-MANDATED LOCAL PROGRAMS

Item 9680 from the General Fund and the Indemnity Fund

Budget p. GG 176

Requested 1983-84	\$75,112,000
Estimated 1982-83.....	90,114,000
Actual 1981-82	91,489,000
Requested decrease	
\$15,002,000 (-16.6 percent)	
Total recommended reduction	\$295,000

1983-84 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
9680-101-001	State-Mandated Local Programs	General	\$75,047,000
9680-101-214	State-Mandated Local Programs	Indemnity	65,000
Total			\$75,112,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

- | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| | <i>Analysis page</i> |
| 1. <i>Economic Litigation Project. Reduce Item 9680-101-001 by \$30,000. Recommend deletion of funds for Ch 960/76 because project terminates June 30, 1983.</i> | 1967 |
| 2. <i>Regional Housing Needs. Reduce Item 9680-101-001 by \$265,000. Recommend deletion of funds for Ch 1143/80 because this function can be performed by the Department</i> | 1967 |

STATE-MANDATED LOCAL PROGRAMS—Continued

- of Housing and Community Development.
3. Local Coastal Program. Defer recommendation, pending receipt of further information from the Coastal Commission. 1968
 4. Rubella Exams. Recommend the Department of Finance explain the lack of funding for Ch 472/82. 1968
 5. Assistance to Counties for Defense of Indigents. Recommend the Department of Finance explain the underfunding of Ch 1048/77. 1968

GENERAL PROGRAM STATEMENT

Chapter 1406, Statutes of 1972 (SB 90), requires the state to reimburse local governments for various state-mandated costs and lost sales and property tax revenues. Under Ch 1406/72, local governments could submit claims for reimbursement only in cases where the mandating statute acknowledged an obligation on the state's part to cover the increased costs (or revenue loss) resulting from the mandate. Since 1972, the Legislature has broadened significantly the original reimbursement program authorized by Ch 1406/72. More importantly, the voters' approval of Proposition 4 on the November 1979 ballot (Article XIII B of the State Constitution), elevated the state's obligation to reimburse local governments for mandated costs to a constitutional requirement.

In previous fiscal years, the funds to support state-mandated local programs established by statute or executive order were provided separately, through appropriations in various Budget Act items. The budget for 1983-84, however, consolidates the appropriations for these various programs in a single Budget Act item, in order to better reflect the magnitude and total cost of the program.

ANALYSIS AND RECOMMENDATIONS

The budget proposes two appropriations totaling \$75,112,000 from the General Fund and the Indemnity Fund for support of the various state-mandated local programs in 1983-84. Of the total, \$75,047,000 is requested from the General Fund. This is a decrease of \$15,002,000, or 16.6 percent, from estimated current-year expenditures. According to the DOF, the decrease reflects: (1) the expiration of certain mandated programs, (2) legislative action denying funds for certain programs in the 1982 local government claims bill, and (3) the fact that 1982-83 funding included funds for deficiencies in prior-year appropriations for certain programs, thereby artificially raising the current-year amount.

The proposed appropriations generally reflect current-year funding levels only, with no allowance for increased costs due to workload or price changes experienced by local governments and schools.

At the time this *Analysis* was prepared, the Department of Finance (DOF) estimates that the amount of funding to be requested in the next local government claims bill (to be considered during the 1983 legislative session) will total \$184.5 million. Thus, if this bill is chaptered during the budget year without alteration, the total cost to the state of reimbursing local agencies for mandated costs could reach \$260 million. (Because a portion of these funds are attributed to mandated costs incurred in prior years, the total does not necessarily indicate the level of mandated costs being incurred by local governments and school districts in 1983-84.)

Our analysis of this item is divided into two sections: (1) mandates that

are no longer funded, and (2) funded mandates. An analysis of each mandate is included either in this item or with the analysis of the budget proposed for the relevant state agency.

MANDATES THAT ARE NO LONGER FUNDED

Funding for the following mandates is not requested in the budget for 1983-84.

Jury Duty and Peremptory Challenges

Chapter 593, Statutes of 1975, repealed the exemption from jury duty for 17 designated classes of persons, including teachers and firefighters. It also increased the number of peremptory challenges available to an attorney in both civil and criminal trials.

The Legislature denied funding for this mandate in Ch 1586/82. Nevertheless, the mandate remains in force. Based on legislative action in 1982, no funds are requested for this purpose in the budget year.

Sentencing Transcripts

Chapter 876, Statutes of 1976, requires counties to provide transcripts of specified sentencing proceedings to the Department of Corrections at the prison or other institution to which the person convicted is delivered. Previously, counties were required only to make copies of transcripts for appeals cases, pursuant to California Rules of the Court, Rule 33(a)(2). Chapter 876 applies to transcripts of all proceedings.

The Legislature in Ch 1586/82, declared that this law contains a reimbursable mandate, but it should not be enforced until funds become available to reimburse counties for the cost of complying with it. No funds are requested for this purpose in the budget year.

Determinate Sentencing

Chapter 1139, Statutes of 1976, replaced a system of indeterminate sentencing with a determinate sentencing process. Under Ch 1139/76, a judge must choose from alternative sentences for each crime. The net impact of this mandate is an increase in the amount of courtroom time required for a judge to select a determinate sentence for each convicted defendant. Under prior law, the Adult Authority, rather than the judge, fixed the term of imprisonment.

The Legislature declared in Ch 1586/82 that this law does not impose a reimbursable state-mandate on local governments. On this basis, no funds are proposed for the budget year.

Voter Registration Purge

Current law requires counties to use one of two different procedures to purge nonvoters from the voter registration files. Chapter 1401, Statutes of 1976, and Chapter 780, Statutes of 1977, require that local government be reimbursed for the net costs of purging voter files in accordance with current law. Funding for this mandate is required in alternate fiscal years. No funding is requested or required in the budget year.

Ballot Pamphlet Size

Chapter 1177, Statutes of 1973, requires state ballot pamphlets to be printed on pages not smaller than 8½ x 11 inch paper. This mandate, originally contained in Ch 1177/73, was subsequently included in Proposition 9 on the June 1974 ballot (the Political Reform Act of 1974) and

STATE-MANDATED LOCAL PROGRAMS—Continued

approved by the voters.

The Legislature has provided funds for reimbursement of this mandate in past years. Ch 1396/78, however, transferred the responsibility for mailing out state ballot pamphlets from county clerks to the Secretary of State. Because of the shift in responsibility, counties no longer incur the cost of complying with this mandate, and hence, no funds are needed to reimburse them for mandated costs in the budget.

Suisun Marsh Protection Program

Chapter 1155, Statutes of 1977, required the San Francisco Bay Conservation and Community Development Commission to prepare and implement a local protection plan for Suisun Marsh. Because the planning phase of this program has been completed and ongoing implementation costs are provided in the Department of Fish and Game budget, the budget does not request funding for this mandate in 1983-84.

Commitment of Developmentally Disabled

Chapter 984, Statutes of 1977, and Chapter 1319, Statutes of 1978, revised the procedures utilized by counties to commit developmentally disabled persons. The provisions of Chapter 984 terminated on January 1, 1979, and were replaced by the provisions of Ch 1319/78. However, a new law, Ch 644/80 refined and superseded the judicial proceeding requirements contained in Ch 1319/78. This new law effectively terminated Ch 1319/78.

Because funds are now provided for the new judicial proceedings mandate in this item, there is no longer a need to provide separate funding for mandated costs incurred pursuant to Ch 1319/78.

School Attendance Review Boards

Chapter 1215, Statutes of 1974, required county offices of education to establish school attendance review boards to provide counseling and guidance to habitually disorderly or truant students as an alternative to juvenile court. The program was made optional in the companion bill to the 1982 Budget Act, Ch 327/82. Therefore, no funds will be needed in the budget year for this mandate.

Regional Adult and Vocational Education Councils

Chapter 1264, Statutes of 1975, replaced 12 existing area vocational planning committees and adult continuing education coordinating councils with a statewide network of 72 consolidated regional adult and vocational education councils. Chapter 102, Statutes of 1981, made the program permissive beginning in 1981-82, and thereby removed the mandate as of July 1, 1981. Therefore, no funds will be needed for this program in the budget year.

Student Proficiency Assessments

Chapter 856, Statutes of 1976, required junior and senior high school districts to adopt standards of proficiency in basic skills. Specifically, the mandate required that districts provide written notification to parents of student test failures, and hold a subsequent conference with the parent and pupil.

The provisions of this mandate were amended and superseded by the provisions of Ch 894/77. Thus, funding for costs in connection with Ch 856/76 will not be needed in 1983-84. The Department of Finance pro-

poses funds in the budget year for Ch 894/77.

Bilingual and Bicultural Education

Chapter 978, Statutes of 1976, and Chapter 848, Statutes of 1978, require school districts to determine the dominant language of all students and assess the language skills of limited and non-English speaking students. To eliminate a backlog of claims for reimbursement submitted pursuant to this mandate, funding was provided in the 1982 claims bill. Funding for this program is now provided through the normal school apportionment process. Therefore, no funds will need to be appropriated for this program in this item.

Cost-of-Living Adjustments (COLAs)

Chapter 1022, Statutes of 1973; Chapter 1017, Statutes of 1976; Chapter 1147, Statutes of 1973; and Chapter 1379, Statutes of 1978; made adjustments in benefit levels under the state's workers' compensation program. The Legislature denied funds for COLAs in the current year on the basis that the increase in benefit levels merely restored the purchasing power of benefit levels to compensate for the effects of inflation, and did not mandate a new program or increased level of service. On this basis, no funds are requested for the costs incurred by local agencies in paying the increased benefits in the budget year.

FUNDED MANDATES

1. Mandates Discussed in Other Items

The following mandates are discussed in detail as part of our analysis of other budget items. The recommendations that we make for each of these mandates are also cited in this item.

Economic Litigation Project

We recommend deletion of funds for Ch 960/76 because the project terminates June 30, 1983.

Discussion of this mandate is contained in Item 0250.

Public Employees' Retirement System

We recommend approval of funds for Ch 1398/74, Ch 1170/78, Ch 1036/79, and Ch 799/80.

Discussion of these mandates is contained in Item 1900.

Health Care Services Plan

We recommend approval of funding for Ch 941/75.

Discussion of this mandate is contained in Item 2180.

Regional Housing Needs

We recommend that the Councils of Government Regional Housing needs assessments mandate be repealed, and that the \$265,000 requested to reimburse local agencies for mandated costs be deleted, because this function can be performed by the Department of Housing and Community Development.

Discussion of this mandate is contained in Item 2240.

STATE-MANDATED LOCAL PROGRAMS—Continued**Local Coastal Program**

We defer recommendation on Ch 1330/76, pending the receipt of further information from the Coastal Commission.

Discussion of the mandate is contained in Item 3720.

Health Planning

We recommend approval of funding for Ch 854/76.

Discussion of the mandate is contained in Item 4140.

Health Services

We recommend approval of funding for Ch 453/74 and Ch 842/78.

Discussion of the two mandates is contained in Item 4260.

Developmental Services

We recommend approval of funding for Ch 694/75, Ch 498/77, Ch 644/80, Ch 1253/80, and Ch 1304/80.

Discussion of these mandates is contained in Item 4300.

Mental Health Services

We recommend approval of funding for Ch 1061/73, Ch 1036/78, (as amended by Ch 991/79).

Discussion of these mandates is contained in Item 4440.

Social Services

We recommend approval of funding for Ch 102/81.

Discussion of the mandate is contained in Item 5800.

Various Education Mandates

We recommend approval of funding for Ch 961/75, Ch 1216/75, Ch 1253/75, Ch 894/77, Ch 965/77, Ch 973/77, Ch 1176/77, and Ch 1347/80. We further recommend that the Department of Finance explain the lack of funding for mandated costs incurred pursuant to Ch 472/82.

Discussion of these mandates is contained in Item 5180.

Contributions to Teachers' Retirement Fund

We recommend approval of funding for Ch 89/74, Ch 1036/79, and Ch 1286/80.

Discussion of these mandates is contained in Item 6300.

Indigent Defendants

We recommend the Department of Finance explain the underfunding of mandated costs incurred pursuant to Ch 1048/77.

Discussion of the mandate is contained in Item 8160.

Subventions for Guardianship and Conservatorship Proceedings

We recommend approval of funding for Ch 1357/76.

Discussion of the mandate is contained in Item 8170.

2. Discussion of Specific Mandates

The following mandates are not discussed in other program areas.

Circuit Court Judges' Salaries

We recommend approval of funding for Ch 1355/76.

Chapter 1355 reimburses counties for costs incurred to support their justice court judges when those judges are assigned to another county by the Chief Justice. The budget requests \$13,000 for this purpose, the same amount appropriated for the current year. Our analysis indicates that this is a reasonable estimate of budget year costs. Therefore, we recommend approval.

Court Interpreter Services

We recommend approval of funding for Ch 158/78.

Chapter 158 requires the Superior Court in each county to establish and maintain a *list* of qualified interpreters, to be used by the court. Counties had already been required under the Constitution to provide interpreters to parties requesting them. The budget proposes an appropriation of \$10,000 to reimburse counties for the additional costs incurred in connection with this mandate, the same amount appropriated for the current year. This is a reasonable estimate of budget year costs, therefore, we recommend approval.

Judicial Arbitration

We recommend approval of funds for Ch 743/78.

Chapter 743 requires all Superior Courts with 10 or more judges to establish mandatory arbitration programs for all civil actions involving \$15,000, or less (or in four counties, actions of \$25,000 or less). The budget requests \$2,500,000 for reimbursement of costs mandated by this act in 1983-84, the same amount appropriated in 1982-83. Our analysis indicates that this is a reasonable estimate of budget year costs and, therefore, we recommend approval.

Deaf Teletype Equipment

We recommend approval of funds for Ch 1032/80.

Chapter 1032 requires counties which provide emergency services to provide deaf teletype equipment at a central location in the county to relay requests for such emergency services. The budget proposes that \$21,000 be appropriated from the General Fund to reimburse counties for their costs of complying with this mandate. We believe this request is reasonable and, therefore, we recommend approval.

Destruction of Marijuana Records

We recommend approval of funds for Ch 952/76.

Cities and counties must be reimbursed for the costs of destroying criminal records of persons arrested or convicted of specified marijuana offenses, as required by Chapter 952. The budget proposes a \$2,000 General Fund appropriation for this purpose. Based on past experience, we recommend approval.

STATE-MANDATED LOCAL PROGRAMS—Continued**Dental Records**

We recommend approval of funds for Ch 462/78.

Chapter 462 requires cities and counties to have dental examinations performed on unidentified dead bodies and to obtain dental records of missing persons. The budget for 1983-84 requests \$33,000 from the General Fund to reimburse them for these costs. Our analysis indicates that this request is reasonable. Therefore, we recommend approval.

Candidate Filing Fees

We recommend approval of funds for Ch 454/74.

Chapter 454 waives the requirement for a filing fee when a candidate for public office files a petition signed by a specified number of registered voters in the area to be represented. The 1983-84 budget proposes \$24,000 to fund costs incurred by counties pursuant to this mandate. This amount is less than current-year estimated funding because filings for statewide elections are budgeted in alternate years. We recommend approval of the lesser amount.

Voter Registration Procedures

We recommend approval of funds for Ch 704/75.

Chapter 704 requires counties to provide for voter "self-registration" through the use of postage paid registration cards. Chapter 704 also requires the Secretary of State to adopt regulations directing each county to design and implement programs to identify and register qualified electors who are not registered voters.

Current-year funding for this mandate is underestimated. The budget year request reflects a more accurate estimate of likely expenditures to reimburse counties for costs incurred pursuant to this mandate. In addition, all 58 counties will file claims for this mandate, instead of only 48, due to the simplification of the claims process. Our analysis indicates the budget estimate is reasonable, therefore, we recommend approval.

Substandard Housing

We recommend approval of funds for Ch 218/74.

Under this mandate, local agencies are required to report to the Franchise Tax Board (FTB) the names of substandard housing owners. The FTB then disallows certain deductions on the tax returns of such owners, and the resulting revenue is distributed back to the local governments. The state now reduces reimbursements claimed by local agencies pursuant to the mandate in order to reflect the revenues returned to them. Nevertheless, there are some agencies which incur reimbursable costs but receive no revenues. Consequently, a small amount must be provided in the budget to fund these costs. The budget proposes \$5,000 for this item in 1983-84, and we recommend approval.

Workers' Compensation Benefits

We recommend approval of funds for Ch 1021/73 and Ch 1023/73.

The budget requests \$2.0 million in 1983-84 to reimburse local governmental agencies for the costs incurred in connection with (1) Ch 1021/73, which reduced the period during which a worker must be disabled in order to qualify for temporary disability benefits and (2) Ch 1023/73,

which established a life pension for workers who suffer industrial injuries which leave them permanently and totally disabled at the same statutory rate that temporary disability benefits are paid (up to \$196 per week in 1983 and \$224 beginning on January 1, 1984). The amount requested is consistent with the expenditure trend in past years for these measures. We, therefore, recommend approval.

Victims of Violent Crimes

We recommend approval of funds for Ch 1123/77.

The budget proposes an appropriation of \$65,000 from the Indemnity Fund to reimburse local governments for costs which they incur as a result of Ch 1123/77. This law requires probation officers to include two determinations regarding possible probation conditions in their reports on violent offenders: first, could the person pay a fine without causing his dependents to rely on public welfare? Second, should the court require the defendant to pay restitution to the victim or to the Indemnity Fund? The officer is required to recommend the amount of any payment and the manner of its assessment in both instances.

Our analysis indicates that the request for \$65,000 is sufficient to reimburse counties for this program. Therefore, we recommend approval.

Senior Citizens' Property Tax Deferral

We recommend approval of funds for Ch 1242/77.

The Senior Citizens' Property Tax Postponement program allows persons 62 years of age or older with low or moderate incomes to defer payment for all or a portion of the property taxes on their residences. Deferred taxes are paid to local governments by the state, which places a lien on the property to assure that the taxes are paid when the property is transferred. Thus, the program essentially provides state loans to the eligible property owners with repayment being made when the property is sold.

The budget request provides reimbursement for county costs incurred in administering the program. Our analysis indicates that the proposed budget request is reasonable. Therefore, we recommend approval.

**AUGMENTATION FOR EMPLOYEE COMPENSATION,
CIVIL SERVICE, EXEMPT, STATUTORY, ACADEMIC
AND NONACADEMIC EMPLOYEES**

Items 9800 from the General
Fund and various other funds.

Budget p. GG 180

Requested 1983-84	\$337,283,000
Total recommended reduction	None
Recommendation pending	\$337,283,000

1983-84 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
9800-001-001	—Compensation Increase	General	\$210,559,000
9800-001-494	—Compensation Increase	Special	66,194,000
9800-001-988	—Compensation Increase	Nongovernmental cost	60,530,000
Total			\$337,283,000

**AUGMENTATION FOR EMPLOYEE COMPENSATION,
CIVIL SERVICE, EXEMPT, STATUTORY, ACADEMIC
AND NONACADEMIC EMPLOYEES—Continued**

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	<i>Analysis page</i>
1. Employee Compensation Increases. Withhold recommendation, pending submission to the Legislature of memoranda of understanding and compensation proposals for nonrepresented state employees.	1972
2. Constitutional Salaries.	1980
a. Recommend legislation increasing salaries of constitutional officers, effective January 5, 1987.	
b. Recommend legislation increasing salaries of Legislators, effective December 3, 1984.	
3. Statutory Salaries. Recommend the Department of Personnel Administration submit to the fiscal committees by May 15, 1983, its recommendations for adjusting the salaries of statutory officers.	1980

ANALYSIS AND RECOMMENDATIONS

The Governor's Budget includes \$337,283,000 for compensation increases for state employees, of which \$210,559,000 would come from the General Fund. This would provide for compensation increases of about 5 percent to state employees. Additionally, the employee compensation program for 1983-84 would continue the state's current level of funding for health and dental benefits (including those paid on behalf of retired annuitants—please see our analysis of Item 9650).

The budget states that "The funds appropriated for the 1983-84 year will be allocated to salary or benefit enhancements through the collective bargaining process. Memoranda of understanding will be submitted to the Legislature for approval of the issues and costs agreed to between labor and management."

Employee Compensation Increases Subject to Collective Bargaining

We withhold recommendation on employee compensation increases pending submission to the Legislature of memoranda of understanding (MOUs) and compensation proposals for nonrepresented state employees.

This is the second year that employee compensation increases for state employees will be subject to collective bargaining. Collective bargaining agreements, calling for compensation increases and other improvements in the terms and conditions of employment for state employees were approved for 1982-83 under provisions of the State Employer-Employee Relations Act (SEERA) and the Higher Education Employer-Employee Relations Act (HEERA). (We discuss collective bargaining for state employees in detail in *The 1983-84 Budget: Perspectives and Issues.*)

Until the new or amended MOUs, together with the increases proposed by the administration for employees *not* covered by collective bargaining are submitted for the Legislature's consideration, we will have no basis for (1) evaluating the nature or magnitude of increases proposed or (2) the amount of funds required to implement these increases. Therefore, we

withhold recommendation on this item, pending review of these proposals.

Cost of Alternative Salary Increase Proposals

The cost of providing salary increases of various sizes to the major categories of state employees is shown in Table 1. The table shows that each 1 percent increase in state salaries will increase General Fund costs by \$37.9 million and special fund costs by \$10.9 million.

Table 1
Costs of Providing Various Salary Increases
For State Employees (Excluding Judges)
(in thousands)

<i>Employee Group</i>	<i>Fund</i>	<i>Cost of Increase</i>		
		<i>1</i>	<i>5</i>	<i>9</i>
		<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Civil Service and related	General	\$18,721	\$93,605	\$168,489
	Special	10,868	54,340	97,812
	Other	9,059	45,295	81,531
	Total	(\$38,648)	(\$193,240)	\$347,832
University of California (UC)				
Academic	General	\$5,309	\$26,545	\$47,781
Nonacademic	General	4,489	22,445	40,401
	Total	(\$9,798)	(\$48,990)	(\$88,182)
California State University (CSU)				
Academic	General	\$5,570	\$27,850	\$50,130
Nonacademic	General	3,810	19,050	34,290
	Total	(\$9,380)	(\$46,900)	(\$84,420)
All State Employees	General	37,899	189,495	341,091
	Special	10,868	54,340	97,812
	Other	9,059	45,295	81,531
	Total	\$57,826	\$289,130	\$520,434

A Review of the Current-Year Compensation Increase Program

Fiscal year 1982-83 was the first year in which compensation increases for state employees were subject to collective bargaining, granting to state employees the right to bargain collectively over the terms and conditions of their employment. Under the statute, the Legislature has the responsibility to approve all provisions of negotiated agreements (called memoranda of understanding, or MOUs), which require either (1) the expenditure of funds or (2) a change in the law before these provisions can be implemented.

Action by the Legislature. In his budget for 1982-83, the Governor proposed \$256,630,000 (\$168,322,000 General Fund) for compensation increases for state employees. This, however, was considerably more than could be funded within the level of revenues proposed by the Governor. As a result, collective bargaining yielded an economic package that was considerably less than what the Governor proposed.

In response to compensation increases (a) negotiated by the administration for state employees covered by collective bargaining and (b) proposed by the administration for noncovered state employees, the Legislature:

1. Appropriated \$61,991,000 to provide for maintaining the state contri-

**AUGMENTATION FOR EMPLOYEE COMPENSATION,
CIVIL SERVICE, EXEMPT, STATUTORY, ACADEMIC
AND NONACADEMIC EMPLOYEES—Continued**

bution rate for employee health insurance at an average of (a) 100 percent of coverage costs for employees (and annuitants) and (b) 90 percent of coverage costs for the dependents of employees.

2. Appropriated \$28,783,000 to provide funding for continuing an employee dental care program for civil service and related employees. Of this amount, \$16,219,000 was appropriated from the General Fund. Funds for this purpose were included in the support budgets for the University of California (UC) and California State University (CSU) employees, in the amounts of \$7,400,000 and \$6,200,000, respectively.

3. Appropriated \$3,080,000 to provide for the payment of shift differentials and overtime for civil service and related employees.

These compensation adjustments became effective when the Director of Finance certified that the Board of Administration of the Public Employees' Retirement System (PERS) reduced employer contribution rates and took other actions sufficient to generate savings in 1982-83 to defray the cost of the adjustments.

In addition, the Legislature:

- Added Budget Act language expressing its intent that (a) employee contributions to the PERS be reduced up to a maximum of \$50 per month, except for uniformed officers of the CHP, whose contributions were to be reduced up to a maximum of \$100 per month, and (b) employees who are members of the University of California Retirement System (UCRS) receive similar benefits if adequate UCRS or other UC resources are available.
- Deleted language in the Budget Bill as introduced, which would have prevented state civil service employees who have not reached the top of their salary range from receiving annual 5 percent merit salary adjustments.

The Legislature also made changes in the Government Code in order for employees who are *not* covered by collective bargaining to receive the same benefit improvement as those negotiated for covered employees, with respect to vacation credits, paid holidays, bereavement leave, and unpaid leaves of absence, and uniform allowances.

Direct Cost of 1982-83 Compensation Package. The budget for 1983-84 shows that the cost to the General Fund of the compensation package for 1982-83 will exceed the \$61,914,000 anticipated in the 1982 Budget Act. The budget indicates the need for a deficiency appropriation from the General Fund of \$13,797,000 to cover the 1982-83 cost of the package. The deficiency appropriation is needed because (1) the Budget Act appropriation did not provide enough money to fully fund the employee compensation increases and (2) the reduced employer contributions to the PERS did not generate enough savings to defray the total costs of the compensation adjustments. Table 2 shows the factors responsible for the deficiency appropriation.

As Table 2 shows, direct current-year expenditures from the General Fund for compensation increases were underestimated by \$2,798,000. The increase in General Fund expenditures is due primarily to (1) a \$1,507,000 increase in the cost of dental insurance premiums for civil service and related employees and (2) a \$1,237,000 increase in costs for shift differentials and overtime pay for civil service and related employees.

Table 2
Summary of Fund Adjustments
For Employee Compensation Increases
in 1982-83
(in thousands)

	Amount Anticipated in 1982 Budget Act		Current Estimate		Change for Amount Anticipated in Budget Act	
	General Fund	All Funds	General Fund	All Funds	General Fund	All Funds
<i>Expenditures</i>						
Health Insurance	\$43,707	\$61,991	\$43,251	\$56,108	-\$456	-\$5,883
Dental Insurance	16,219	28,783	17,726	25,082	1,507	-3,701
Shift Differentials and Over-time pay	1,988	3,080	3,225	3,380	1,237	300
Employee Compensation for Legislature	—	—	510	510	510	510
Totals.....	\$61,914	\$93,854	\$64,712	\$85,080	\$2,798	-\$8,774
<i>Funding</i>						
Transfers from Departments for Retirement Adjustment of January 1, 1983	\$61,914	\$93,854	\$50,915	\$71,283	-\$10,999	-\$22,571
Allocation from Reserves for Contingencies	—	—	13,797	13,797	13,797	13,797
Totals.....	\$61,914	\$93,854	\$64,712	\$85,080	\$2,798	-\$8,774

Additionally, the savings generated from the reduced employer contribution rates to PERS did not provide enough money to finance the General Fund employee compensation provisions. The actual savings allocated for compensation adjustments amount to \$50,915,000, rather than the \$61,914,000 estimated upon passage of the Budget Act.

These two factors—the \$2,798,000 increase in expenditures and the \$10,999,000 shortfall in funds to finance the expenditures—account for the \$13,797,000 General Fund deficiency in the current year.

Table 2 also shows that the actual current-year cost of these provisions from all funds is closer to \$85.1 million rather than the \$93.9 million appropriated in the 1982 Budget Act. This is because the appropriations for these provisions from the special and other funds were overstated by \$11.6 million.

Provisions Considered Absorbable Within Existing Appropriations. In addition to those changes in the terms and conditions of employment for which funds were appropriated explicitly in the 1982 Budget Act, the collective bargaining agreements and noncovered employee compensation packages contain provisions affecting various conditions of employment which will require the expenditure of an *additional \$61.3 million* from all funds in 1982-83. No funds have been *specifically* appropriated by the Legislature to cover these costs. Instead, funds appropriated by the Legislature for other purposes will be used to finance these benefits. It is in this sense that the \$61.3 million in additional costs are considered absorbable within existing appropriations.

Table 3 shows the "absorbable" costs identified by the Department of Personnel Administration (DPA), the Department of Finance, and CSU officials.

**AUGMENTATION FOR EMPLOYEE COMPENSATION,
CIVIL SERVICE, EXEMPT, STATUTORY, ACADEMIC
AND NONACADEMIC EMPLOYEES—Continued**

Table 3
Employee Compensation Costs Absorbed by State Agencies and CSU
1982-83
(in thousands)

Provisions	Employee Group			Totals
	Civil Service and Related Covered by MOUs	CSU Covered by MOUs	Excluded From Collective Bargaining or not Covered by MOUs	
Special pay	\$214	—	—	\$214
Change in rest periods	14,717	—	—	14,717
Credit for Saturday holidays	10,152	1,924	3,552 ^a	15,628
Adjustment of vacation accruals.....	5,765	—	-3,387 ^a	9,152
Sick leave (includes bereavement leave)	2,158	52	1,421 ^a	3,631
Uniform allowances	810	10	154 ^b	974
Changes in work week	3	—	—	3
Overtime	689	99	—	788
Overtime holidays	—	24	—	24
Training	686	—	—	686
Safety	—	6	—	6
Increase in per diem rate	8,191	15	3,505 ^b	11,711
Increase in mileage rate.....	1,744	—	811 ^b	2,555
Miscellaneous.....	1,175	—	—	1,175
Totals.....	\$46,304	\$2,130	\$12,830	\$61,264

^a Includes costs for civil service and related employees only. Data are not available for CSU employees.

^b Includes costs for civil service and related employees and CSU employees.

The \$61 million in "absorbable" costs shown in Table 3 is a *minimum* estimate of these costs for 1982-83. This is because the costs of providing Saturday holiday credits, vacation accrual adjustments, and changes in sick leave benefits for CSU employees that are not covered by an MOU were not available at the time this Analysis was completed. As Table 3 shows, the three benefits for which full cost data are not available, account for a significant portion of the "absorbable" costs incurred on behalf of excluded civil service employees. Thus, we anticipate the actual cost to the state of these benefits will be significantly in excess of \$61 million.

Of the total cost to be absorbed in 1982-83, \$48.4 million, or 79 percent, is attributable to the various provisions of the state civil service and CSU MOUs. The remainder is attributable to benefits provided for employees outside this year's bargaining process.

The employee benefit provisions which result in the greatest "absorbable" costs are:

- Changes in rest periods (\$14.7 million);
- Credit for Saturday holidays (\$15.6 million);
- Adjustment of vacation accruals (\$9.2 million);
- Changes in sick leave provisions, including the provision of bereavement leave (\$3.6 million) and
- Increases in per diem and mileage rates (\$14.3 million).

1982-83 Fiscal Effect Summary. Our analysis indicates that collective bargaining agreements and the compensation package for noncovered employees resulted in current-year costs of approximately \$146 million,

consisting of \$85 million in costs reviewed by the Legislature (including recent adjustments) and \$61 million in costs which were never presented to the Legislature for its consideration.

Historical Comparison of Salary Increases

Table 4 compares the annual salary increases received by superior court judges, employees in private business, state civil service employees, state statutory officers (those officials whose salaries are specified by statute) and state legislators, during the period 1967-68 through 1982-83.

Table 5 shows both the dollar amounts and percentages by which the 1982-83 salary levels exceed the 1967-68 levels, for each group. For comparative purposes, the table also shows the percentage change in the Gross National Product Personal Consumption Deflator (price index) between 1967-68 and 1982-83.

Table 4
Annual Salary Increases Received by Judges,
Employees in Private Business, State Civil Service Employees,
Statutory Officers and State Legislators
1967-68 Through 1982-83

	Superior Court		Private	Civil Service		Statutory	State Legislators	
	Salary	Increase	Employment ^a	Increase	Increase		Salary	Percent
			Average	per	per	Percent		
			Employee	Payroll	Employee	Increase		
1967-68.....	\$25,000	—	4.5%	4.9%	5.1%	—	\$16,000	—
1968-69.....	30,572	23.3%	4.8	5.3	5.7	5.0%	16,000	—
1969-70.....	31,816	4.1	6.7	5.6	5.6	11.5	16,000	—
1970-71.....	33,407	5.0	4.7	5.0	5.2	—	19,200	20.0%
1971-72.....	35,080	5.0	6.6	—	—	—	19,200	—
1972-73.....	36,393	3.7	6.3	8.3	9.0	5.0	19,200	—
1973-74.....	37,615	3.4	6.2	12.9	11.7	12.5	19,200	—
1974-75.....	40,322	7.4	6.3	5.3	5.0	5.0	21,120	10.0
1975-76.....	45,299	12.3	8.2	7.1 ^b	6.7	—	21,120	—
1976-77.....	49,166	8.5	7.3	6.6	7.1 ^c	1.9	23,232	10.0
1977-78.....	49,166	—	6.5	7.5	7.1	7.5	23,232	—
1978-79.....	51,624	5.0	7.4	—	—	—	25,555	10.0
1979-80.....	54,205	5.0	7.0	15.0	14.5	15.0	25,555	—
1980-81.....	59,686	10.1	10.5	10.0	10.0	9.75	28,111	10.0
1981-82.....	63,267	6.0	10.4	6.5	6.5	6.0	28,111	—
1982-83.....	63,267	—	8.2	—	—	—	28,111	—

^a Based on salaries in effect each March, as surveyed by the Department of Personnel Administration. (For example, the 8.2 percent increase indicated for 1982-83 represents the increase from March 1981 to March 1982.)

^b Does not include one-time bonus of \$400 paid to employees having a maximum salary of \$753 or less on July 15, 1975.

^c Not calculated because of flat salary increases.

During this 15-year period, the price index increased 155 percent, while salaries increased as follows:

1. Private employees—194 percent
2. Civil service employees—161 percent
3. Judges—153 percent
4. Statutory officers—113 percent
5. Legislators—76 percent

**AUGMENTATION FOR EMPLOYEE COMPENSATION,
CIVIL SERVICE, EXEMPT, STATUTORY, ACADEMIC
AND NONACADEMIC EMPLOYEES—Continued**

Table 5
Salary Increases
for Judges, Private Employees, State Civil Service Employees,
Statutory Officers and Legislators
1967-68 Through 1982-83

	1967-68	1982-83	Increase	
	Salary	Salary	Amount	Percent
Private employees ^a	\$16,000	\$46,965	\$30,965	193.5%
State civil service employees ^b	16,000	41,718	25,718	160.7
Superior Court Judges	25,000	63,267	38,267	153.1
GNP Personal Consumption Deflator				154.5
Statutory officers ^c	\$16,000	\$34,049	\$18,049	112.8
Legislators	16,000	28,111	12,111	75.7

^a Based on hypothetical employee (1) earning \$16,000 in February 1967 and (2) receiving annual increases each March equivalent to the average increase in private employment as surveyed by the Department of Personnel Administration.

^b Based on hypothetical employee (1) earning \$16,000 on June 30, 1967, and (2) receiving annual increases equivalent to the average increases for the total civil service payroll. (Civil service salaries actually are adjusted individually on a class-by-class basis.)

^c Based on hypothetical statutory officer earning \$16,000 on June 30, 1967. (All statutory officers currently receive the same annual percentage increases.)

The table indicates that during this 15-year period:

- No group of state employees was able to keep pace with private sector employees in terms of salary increases.
- The real incomes of state civil service employees increased, because their salaries rose more than the cost-of-living (as measured by the GNP deflator).
- The salaries paid to judges pretty much kept pace with the increased prices. During this period, their salaries declined, in real terms, by .6 percent.
- Statutory officers lost ground, in terms of both their real incomes and the relation of their own salaries to the employees they supervise. During this period, statutory officers' salaries actually *declined* in real terms by 16.4 percent. In addition, many of the employees they supervise moved past them on the salary ladder. (See Table 7 of this analysis.)
- Legislators lost the most ground to the prices they must pay. During this period, their salaries actually declined in real terms, by 31.0 percent.

Table 4 indicates that during 1982-83, while private sector salaries went up an average of 8.2 percent, no category of state employees received a salary increase per se (although, as a result of collective bargaining, a number of state employees received a de facto increase as a result of their jobs being reclassified).

Neither Tables 4 or 5 indicate the extent to which changes in fringe benefits during the 1967-68 to 1982-83 period may have offset the gap between private sector and state-employee salary increases.

Salaries of Constitutional and Statutory Officers

Table 6 shows the increases in salaries during the period 1967-68 to 1982-83 for:

- The seven state constitutional officers
- The chairman and members of the State Board of Equalization
- Selected statutory officers
- Legislators

The table also shows the percentage increase in the GNP Personal Consumption Deflator (price index) during the same period.

The table shows that from 1967-68 to 1982-83:

- The Chairman and members of the Board of Equalization lost ground to inflation. In real terms, their salaries declined by 3.6 percent and 2.5 percent, respectively.
- Statutory officers—particularly the Director of Finance—lost ground relative to the prices they must pay. In real terms, the decline in their real incomes ranged from 8.8 percent to 17.5 percent.
- Constitutional officers fared poorly, relative to other groups of state employees, in terms of maintaining their real income. In real terms, these officials "lost" between 33 percent and 56 percent of their salary to inflation.
- Legislators fared only slightly better than the seven constitutional officers, losing 31 percent of salary to inflation.

Thus, the largest declines in real income have been experienced by statutory officers, constitutional officers, and Members of the Legislature.

Table 6
Salary Increases for State Legislators, State Constitutional Officers,
Board of Equalization Members and Selected
State Statutory Officers
1967-68 through 1982-83

	1967-68 Salary	1982-83 Salary	Increase	
			Amount	Percent
Board of Equalization:				
Members	\$20,500	\$50,850	\$30,350	148.0%
Chairman	21,000	51,513	30,513	145.3
GNP Personal Consumption Deflator				154.5
Selected Statutory Officers:				
Director of Corrections "Level II" ^a	\$23,500	\$54,556	\$31,056	132.2
Director of Veterans Affairs "Level III" ^b	22,500	49,990	27,490	122.2
Director of Finance "Level I" ^c	30,319	63,628	33,309	109.9
State Constitutional Officers:				
Others ^d	25,000	42,500	17,500	70.0
Attorney General	32,000	47,500	15,500	48.4
Governor	44,100	49,100	5,000	11.3
Legislators	16,000	28,111	12,111	75.7

^a Under existing law (Government Code Section 11552), the Director of Corrections, 19 other department heads and members of the Public Utilities Commission currently receive the same salary.

^b Under existing law (Government Code Section 11554), the Director of Veterans Affairs, 8 other agency heads and the State Architect currently receive the same salary.

^c Under existing law (Government Code Section 11550), the Director of Finance and the various agency secretaries currently receive the same salary.

^d Lieutenant Governor, Controller, Treasurer, Secretary of State and Superintendent of Public Instruction.

**AUGMENTATION FOR EMPLOYEE COMPENSATION,
CIVIL SERVICE, EXEMPT, STATUTORY, ACADEMIC
AND NONACADEMIC EMPLOYEES—Continued****Present Constitutional Salaries Will Remain in Effect Until 1991, Unless They
Are Increased Before January 1987**

We recommend that legislation be enacted to increase the salaries of the seven constitutional officers, effective January 5, 1987 (that is, when their current term expires).

We further recommend that legislation be enacted to increase the salaries of Members of the Legislature, effective December 3, 1984.

Under the State Constitution (Article V, Section 12), salaries of the seven constitutional officers may not be changed during their elected terms of office. Consequently, January 1987 is the next date on which salaries of constitutional officers can be adjusted. If they are not adjusted by that date, the present salary rates will remain in effect until January 1991.

In order to provide adequate compensation to constitutional officers, we recommend that the salaries of these officials be increased effective January 1987 by *at least* the same percentage above 1967-68 levels as judges' salaries have been increased during that period.

The State Constitution (Article IV, Section 4) provides that any statute adjusting compensation for Legislators, may not apply until the beginning of the regular session commencing after the next general election. Such increases are limited to 5 percent a year since the last adjustment. Therefore, we recommend that Legislators salaries be increased, effective December 3, 1984, by the maximum amount authorized by the constitution.

Department Heads' Salaries Have Been Surpassed

We recommend that the Department of Personnel Administration report to the fiscal committees by May 15, 1983. Its recommendations for adjusting the salaries of statutory officers in a manner which is (1) internally consistent and (2) equitable in relation to state civil service salaries.

Until recent years, each department director received a higher salary than any of his or her subordinates. As indicated above, however, state civil service salaries have been increased over the years by a significantly larger percentage than salaries of statutory and constitutional officers. As a result, many civil service employees currently receive higher salaries than the department head to whom they report.

At our request, the DPA surveyed eleven departments known to have at least some civil service employees who are paid more than their respective department heads, to determine the incidence of this pay disparity. The survey results are shown in Table 7. As the table indicates in the eleven departments surveyed, the maximum salary for 995 employees in civil service positions exceeded the director's salary.

The number of employees being paid more than their respective department heads will increase significantly in future years, causing serious salary distortions and inequities, unless steps are taken to adjust the salaries of the statutory officers. Accordingly, we recommend that the Department of Personnel Administration report to the fiscal committees by May 15, 1983, its recommendations for adjusting the salaries of statutory officers in a manner which is (1) internally consistent, and (2) equitable in relation to state civil service salaries.

Table 7

**Sample of Departments Known to Have Civil Service Positions
With a Maximum Salary Higher Than the
Salary of the Department Head**

<i>Department</i>	<i>Number of Employees In Positions Having a Maximum Salary Above the Director's Salary</i>
Corrections	93
Education	60
Transportation	32
Health Services	93
Developmental Services	197
Mental Health	81
Office of Statewide Health Planning and Development	2
Rehabilitation	15
Social Services	72
Justice	329
Youth Authority	21
Total	<u>995</u>

POSTSECONDARY EDUCATION SALARIES

Academic Salaries

We continue to believe that the most relevant data available to the Legislature for evaluating the provisions of MOUs and other salary proposals for UC and CSU faculty is the data on faculty salaries and fringe benefits paid at the comparison institutions used by the University of California and the California State University in evaluating the standing of their own employees. This is because the market for faculty members is much wider than it is for state employees, and it will therefore be necessary for California to keep pace with the salaries offered in other states if it is to remain competitive in recruiting and retaining quality persons.

CPEC Preliminary Report

A preliminary report on 1983-84 faculty salaries was prepared by CPEC in December 1982, using estimated data. A second report, reflecting actual current-year salaries at comparison institutions, will be published in April 1983.

CPEC's December report indicates that faculty in the California segments not only are paid less than faculty at the comparison institutions in the current year; they are projected to fall even further behind in 1983-84. Specifically, faculty salaries at UC are projected to lag *16.52 percent* behind salaries paid to faculty at comparison institutions, while faculty salaries at CSU are projected to be *9.03 percent* below those paid at their comparison institutions. These differentials are shown in Table 8.

**AUGMENTATION FOR EMPLOYEE COMPENSATION,
CIVIL SERVICE, EXEMPT, STATUTORY, ACADEMIC
AND NONACADEMIC EMPLOYEES—Continued**

Table 8
**Changes in Faculty Salaries Required to Maintain Parity
With Salaries at the Comparison Institutions of
the University of California and
the California State University**

	Average UC and CSU Salaries in 1983-84	Salary Projects for Comparison Institutions		Comparison Institutions Projections Lead UC and CSU by	
		1982-83	1983-84	1982-83	1983-84
University of California	\$35,768	\$38,507	\$41,676	7.66%	16.52%
California State University	31,054	31,794	33,857	2.38%	9.03%

Segmental Salary Proposals

The UC Regents have requested a 16.52 percent faculty salary increase in 1983-84, at a projected cost of \$87.6 million to the General Fund. The Regents' salary agenda item, however, recognizes that salary parity will be difficult to achieve in one year, given the financial difficulties facing the state. The Regents' agenda states that:

“ . . . the President be instructed to negotiate with the Governor . . . and the Legislature a salary increase for the faculty which will bring them back to full parity with the comparison institutions as soon as possible, given the financial stringencies facing the state. The Regents recognize that because of those stringencies, it is unrealistic to assume that full parity can be achieved by July 1, 1983, but the board believes it to be essential that it be achieved no later than July 1, 1984, and further instructs the President to negotiate as necessary to that end.”

The CSU Trustees have requested a lump sum amount of \$95 million to “provide for increases in salaries and benefits, both new benefit programs and/or expansion of existing programs.” A lump sum amount is requested because in 1983-84, approximately 31,000 CSU employees will be represented by an exclusive bargaining agent; therefore, the actual amount of salary and fringe benefit change for these employees will be determined through the collective bargaining process.

Table 9 shows the cost of providing various salary increases for UC and CSU employees.

Table 9
**Funding Needed for Salary Increase
for UC and CSU Employees
(in millions)**

Percent Salary Change	UC		CSU	
	Faculty	Nonfaculty	Faculty	Nonfaculty
1.00%	\$5.3	\$4.5	\$5.6	\$3.8
16.52% (UC need) ^a	87.6	—	—	—
9.03% (CSU need) ^a	—	—	50.6	—

^a UC and CSU need based on CPEC salary report.

PAYMENT OF SPECIFIED ATTORNEY FEES

Item 9810 from the General

Fund and various funds

Budget p. GG 183

Requested 1983-84	\$400,000
Estimated 1982-83.....	400,000
Actual 1981-82	None
Requested increase—None	
Total recommended reduction	None

1983-84 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
9810-001-001—Attorney Fees		General	\$200,000
9810-001-494—Attorney Fees		Special	100,000
9810-001-988—Attorney Fees		Nongovernmental Cost	100,000
Total			\$400,000

GENERAL PROGRAM STATEMENT

This item, included for the first time in the 1982 Budget Act, provides funds for the payment of attorney fee claims, settlements, and judgments against the state awarded pursuant to the Code of Civil Procedure Section 1021.5, or the judicially created theories of the "private attorney general" and "substantial benefit" doctrine. Section 1021.5 provides that a court may award attorney fees to a successful party in any legal action which has brought about the enforcement of an important right and has resulted in a significant benefit to the public.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$400,000 from various funds for payment of court-awarded attorney fees in 1983-84. This amount consists of \$200,000 from the General Fund, \$100,000 from special funds, and \$100,000 from nongovernmental cost funds. This is the same amount as appropriated in the current year.

It is difficult to evaluate the appropriateness of the funding level proposed in this item, because of the state's limited experience in paying court-awarded attorney fees in this manner. The Department of Finance advises that it approved payment of two claims totaling \$10,069.77 in the first six months of the current year. Nevertheless, there is a potential for a significant volume of claims to be submitted against this item in the future. A report prepared by the Attorney General's office pursuant to the *Supplemental Report of the 1981 Budget Act* indicates that during 1981-82 over \$400,000 of attorney fee claims were awarded in judgments against the state pursuant to the Code of Civil Procedure Section 1021.5, the "private attorney general" theory or the "substantial benefit" doctrine, or included as part of settlements.

Background

Payment of Attorney Fees. Historically, the generally accepted rule regarding the award of attorney fees is that (1) attorney fees are not chargeable against the losing party, and (2) the right to fees is a contractu-

PAYMENT OF SPECIFIED ATTORNEY FEES—Continued

al one between the attorney and client. The Legislature, however, has enacted a number of statutes which provide for state-paid attorney fees in specific cases.

In addition, the courts award attorney fees under judicially created theories such as "substantial benefit," "common fund," and "private attorney general."

Finally, attorney fees are sometimes awarded under federal law (in federal civil rights actions, for example).

Prior to 1980-81, payment of attorney fees by the state generally occurred under one of the following circumstances:

1. The Budget Act appropriated funds for payment of attorney fees for specific types of cases,
2. Departments paid attorney fees out of their support budgets, as part of settlements or judgments,
3. Funds for the payment of attorney fees were appropriated, either in the omnibus claims bill or in separate legislation.

Increased Legislative Oversight. In order to increase legislative oversight of attorney fees paid by the state, the Legislature adopted Control Section 4.50 in the 1980 Budget Act. This section prohibited the use of funds appropriated by the act to pay attorney fees in specified cases, prior to legislative review and approval. Only court-awarded attorney fees specifically authorized and set forth in an item or section of the act, or expressly authorized by a statutory provision other than Section 1021.5 of the Code of Civil Procedure, could be paid directly from funds appropriated in the Budget Act. A similar section was included in subsequent Budget Acts and is proposed in Section 5 of the 1983 Budget Bill.

As a result of the control section, departments could no longer use funds appropriated for department support or other purposes to pay court-awarded attorney fees. Thus, an increasing number of attorney fee claims, judgments, and settlements were presented to the Legislature for payment in omnibus claims bills. This provided the Legislature with an opportunity to review the claims and determine whether to appropriate funds to pay the awards.

Mandel v. Myers. The California Supreme Court recently determined that the Legislature's method of reviewing claims and appropriating funds to pay selected claims was invalid. On June 18, 1981, the California Supreme Court held in the *Mandel v. Myers* case that "the Legislature cannot pay some awards and not others solely because it readjudicates and redecides the merits of a case in which the court has reached a final judgment. . . . The Legislature is not a super-court that can pick and choose on a case-by-case basis which final judgment it will pay and which it will reject."

In its ruling, however, the court acknowledged that the Legislature has broad authority to adopt (1) appropriate measures to limit governmental expenditures and (2) general rules that apply without arbitrary discrimination to the recovery of attorney fees. The court suggested several means by which the Legislature could restrict potential attorney fee costs:

1. Establish a fixed or maximum hourly rate of recovery for attorney services,
2. Prescribe a maximum "per-case" limit on attorney fee awards,
3. Limit the kinds of cases in which attorney fees may be awarded,
4. Appropriate a designated sum of money to an "attorney fee payment fund" and provide a reasonable basis for allocating such funds among

eligible claimants should the designated sum prove insufficient to pay all fee awards.

System for Controlling Attorney Fee Costs. According to the Attorney General's office, the system established in this item for paying attorney fees will meet the criteria established by the California Supreme Court in the *Mandel v. Myers* case. The Budget Bill contains provisions specifying (a) individual payments from this item shall not exceed the hourly rate charged by the Attorney General, (b) notwithstanding the hourly rate provision, no single payment shall exceed \$50,000, and (c) a payment made from the item constitutes full satisfaction of any claim, settlement, compromise, or judgment.

RESERVE FOR CONTINGENCIES OR EMERGENCIES

Items 9840 from the General
Fund and special funds

Budget p. GG 184

Requested 1983-84	\$4,500,000
Appropriated by the Budget Act of 1982	4,500,000
Total recommended reduction	None

1983-84 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
9840-001-001	Reserve for Contingencies or Emergencies	General	\$1,500,000
9840-001-494	Reserve for Contingencies or Emergencies	Special	1,500,000
9840-001-988	Reserve for Contingencies or Emergencies	Nongovernmental Cost	1,500,000
9840-011-001	Reserve for Contingencies or Emergencies (Loans)	General	(2,500,000)
Total			\$4,500,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Notice Requirements For Contingencies and Emergencies. Recommend that the fiscal committees direct the Department of Finance to explain why it has failed to comply with current reporting requirements and what steps have been taken to assure that compliance will take place in the future. 1987
2. Notice Requirement For Loans. Recommend that Item 9840-011-001 be amended to require advance notice to the Legislature prior to approving loans made out of the General Fund. 1988

ANALYSIS AND RECOMMENDATIONS

The budget proposes appropriations totaling \$4,500,000 for 1983-84, consisting of \$1,500,000 each from the General Fund, special funds and nongovernmental cost funds for allocation by the Department of Finance to state agencies for expenses resulting from unforeseen contingencies and emergencies not covered by specific appropriations.

Item 9840-011-001 appropriates an additional \$2,500,000 to provide for

RESERVE FOR CONTINGENCIES OR EMERGENCIES—Continued

temporary loans to state agencies whose operations are in danger of being curtailed because of delayed receipt of reimbursements or revenue. The loans are to be repaid or accrued for repayment by the end of the fiscal year in which they are made.

Proposed Appropriation Perpetuates A Fiction

The \$1.5 million appropriation from the General Fund is a token amount which has been significantly less than actual deficiencies in every year since 1959-60. To satisfy actual requirements, a deficiency appropriation must be enacted toward the end of each fiscal year.

Table 1
Reserve for Contingencies or Emergencies
Appropriations and Allocations from the General Fund
1971-72 to 1983-84

	<i>Appropriated</i>	<i>Allocated to Agencies</i>	<i>Deficiency Appropriation</i>
1971-72.....	\$1,000,000	\$4,993,871	\$4,918,009
1972-73.....	1,000,000	8,076,724	7,500,000
1973-74.....	1,500,000	5,644,544	10,900,000
1974-75.....	1,500,000	15,112,367	14,700,000
1975-76.....	1,500,000	24,918,959	30,520,089
1976-77.....	1,500,000	11,200,217	11,550,000
1977-78.....	1,500,000	18,969,869	17,500,000
1978-79.....	1,500,000	12,192,578	11,000,000
1979-80.....	1,500,000	26,207,778	25,646,471
1980-81.....	1,500,000	19,004,553	18,600,000
1981-82.....	1,500,000	25,545,000	25,000,000
1982-83.....	1,500,000	61,627,000 ^a	61,200,000 ^b
1983-84 (proposed)	1,500,000	—	—

^a Total amount of current-year allocations made and anticipated by the Department of Finance as of January 1983.

^b Estimated

Table 1 displays the amounts budgeted and allocated for contingencies or emergencies, along with the deficiency appropriations from the General Fund needed to make up the difference, since 1971-72. The table shows that the Department of Finance anticipates a deficiency appropriation of \$61.2 million for the current year. This amount would supplement the \$1.5 million appropriated for contingencies and emergencies in the 1982 Budget Act. The total amount available would then be \$62.7 million. As of January 1983, the department had approved or anticipated allocations to state agencies in 1982-83 of approximately \$61,627,000, which would leave a balance of \$1,073,000 for unforeseen contingencies and emergencies for the remainder of the fiscal year.

This deficiency allocation is \$36.1 million more than the General Fund deficiencies approved by the Department of Finance in 1981-82. This significant increase can be attributed primarily to (1) a \$25 million deficiency for the payment of interest on General Fund loans (Item 9620) resulting from increased borrowing and (2) a \$13.8 million deficiency in employee compensation (Item 9800) resulting from faulty expenditure and reimbursement estimates.

Table 2 displays corresponding information with respect to special and

nongovernmental cost funds since 1978-79, the first year in which legislative control and oversight was extended to these funds.

Table 2
Emergency Fund Appropriations and Allocations
from Special and Nongovernmental Cost Funds
1978-79 to 1983-84

	<i>Special Funds</i>			<i>Nongovernmental Cost Funds</i>		
	<i>Appropriated</i>	<i>Allocated to Agencies</i>	<i>Deficiency Appropriation</i>	<i>Appropriated</i>	<i>Allocated to Agencies</i>	<i>Deficiency Appropriation</i>
1978-79	\$1,500,000	\$253,817	—	\$1,500,000	\$675,711	—
1979-80	1,500,000	821,310	—	1,500,000	6,271,858	\$5,300,000
1980-81	1,500,000	1,859,000	\$1,000,000	1,500,000	3,959,000	—
1981-82	1,500,000	5,121,000	5,000,000	—	279,000	—
1982-83	1,500,000	2,166,000 ^a	1,750,000	1,500,000	14,408,000 ^a	14,000,000
1983-84 (proposed)	1,500,000	—	—	1,500,000	—	—

^a Total amount of current-year allocations made and anticipated by the Department of Finance as of January 1983.

History of Noncompliance With Statutes

We recommend that the fiscal committees direct the Department of Finance to explain why it has failed to comply with current reporting requirements and what steps have been taken to assure that compliance will take place in the future.

The annual Budget Bill includes language provisions applicable to the Reserve for Contingencies or Emergencies. These provisions require the Department of Finance (DOF) to give specific notice to the Joint Legislative Budget Committee (JLBC) upon approving expenditure authorizations based on "emergencies" or "contingencies", as defined. In authorizing expenditures arising from "contingencies", the DOF approval may not become effective sooner than 30 days after written notification has been given to the JLBC. In cases involving "emergencies", the Budget Act permits DOF to give notice to the JLBC within 10 days *after* approval.

According to the annual Budget Bill, "emergencies" are: "... proposed expenditures arising from unexpected conditions or losses for which no appropriation, or insufficient appropriation has been made by law *and* which in the judgment of the Director of Finance require immediate action to avert undesirable consequences or to preserve the public peace, health, or safety." (emphasis added)

Our review indicates that the department has not complied with the notification requirements that apply to the Reserve for Contingencies or Emergencies.

In 1981-82, the committee received improper or insufficient notice with respect to 80 percent of the authorizations approved by DOF. A similar percentage of contingency or emergency authorizations was approved by DOF in 1980-81 without providing the notification required by the Budget Act.

The DOF reports that the JLBC and the fiscal committees receive a detailed summary statement of the emergency and contingency authorizations approved by the department prior to their consideration by the Legislature in the annual omnibus deficiency bill. This summary, however, is provided on an informal staff-to-staff basis, usually less than one week

RESERVE FOR CONTINGENCIES OR EMERGENCIES—Continued

before the deficiency bill is considered by the Legislature. Our experience indicates that this is not sufficient to permit adequate legislative review and analysis of these emergency and contingency transactions. Nor is it a satisfactory substitute for compliance with the notice requirements *required by law*. We therefore recommend that the fiscal committees direct the Department of Finance to explain why it has failed to comply with current reporting requirements and what steps have been taken to assure that compliance will take place in the future.

Impose Reporting Requirements on General Fund Loans

We recommend that the reporting requirements in Items 9840-001-001, 9840-001-494, and 9840-001-988 be applied to loans authorized under Item 9840-011-001, in order to enhance legislative oversight.

The annual Budget Act authorizes DOF, under certain conditions, to make loans to state agencies out of a General Fund set-aside amount of \$2.5 million. Currently, the DOF is not required to report these transactions either in advance of, or following, their approval by the department.

There is no reason why these transactions should not be reported to the Legislature. Moreover, our review indicates that the administration has used the loan fund in such a way as to weaken legislative control and oversight of state expenditures.

For example, in June 1981 the DOF approved a General Fund loan of \$275,000 to the Department of Consumer Affairs (Vocational Nurse and Psychiatric Examiners Fund) to support the Vocational Nurse Program in 1981-82. Hence, the 1980-81 General Fund loan authority in the Reserve for Contingencies or Emergencies was used to support a state program's activities in the *subsequent* fiscal year.

Later that same year, in October 1981, DOF approved a \$30,000 loan to the Office of Citizen Initiative and Voluntary Action to cover the office's October salaries. Our analysis indicates that this loan represented a means of restoring funds that had been specifically deleted by the Legislature in the 1981-82 budget.

By requiring 30 days' advance notice to the JLBC, legislative oversight and control of these loans would be strengthened. Accordingly we recommend that the Legislature adopt language applying the reporting requirements contained in Items 9840-001-001, 9840-001-494, and 9840-001-988 to loans authorized under Item 9840-011-001, to enhance legislative oversight of these loan transactions.

Other Deficiencies

As indicated in Table 1, the budget proposes a General Fund deficiency appropriation of \$61.2 million to supplement the amounts appropriated in the 1982 Budget Act for defraying contingency or emergency expenses. The budget proposes additional deficiency appropriations totaling \$442,957,000 (\$426,270,000 General Fund) for 1982-83 in the budgets of various individual agencies. These deficiencies are detailed on page GG 188 of the Governor's Budget. Of the total amount, \$301 million is allocated to the Department of Health Services (\$937,000 for a salary savings adjustment and \$300 million for deficiencies in the Medi-Cal program). The Department of Education is allocated \$65 million for district and county K-12 education apportionments.

RESERVE FOR CONTINGENCIES OR EMERGENCIES—REAPPROPRIATION

Item 9840-490 from the General Fund, special funds and non-governmental cost funds

Budget p. GG 184

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item reverts any balances from the appropriations made in the 1983 Budget Act to the Reserve for Contingencies or Emergencies (Items 9840-001-001, 9840-001-494, and 9840-001-988) that remain unexpended as of June 30, 1983, to the unappropriated surplus of the General Fund, special funds, and nongovernmental cost funds, respectively.

The amounts reverted on June 30, 1983, are reappropriated by this item on July 1, 1983 to the Reserve for Contingencies or Emergencies (Items 9840-001-001, 9840-001-494, and 9840-001-988). The reappropriated funds are thus made available during the budget year for allocation by the Director of Finance to cover any additional costs associated with any 1982-83 deficiencies discovered after the fiscal year ends.

An item historically has been included in the Budget Bill for this purpose. Generally, the Department of Finance sets aside \$1 million for General Fund deficiencies and an equal amount for deficiencies in special funds and nongovernmental costs funds. The Department of Finance staff indicates that this "cushion" is designed to cover previously underestimated deficiencies and court judgments affecting prior year appropriations.

UNALLOCATED CAPITAL OUTLAY

Item 9860-301 from the General Fund, Special Account for Capital Outlay

Budget p. GG 189

Requested 1983-84	\$400,000
Recommended approval	100,000
Recommended reduction	300,000

ANALYSIS AND RECOMMENDATIONS

Project Planning

We recommend Item 9860-301-036, be reduced by \$300,000, because a large backlog of planned projects already exists. We further recommend that the \$300,000 in savings from our recommendation be transferred from the Special Account for Capital Outlay to the General Fund, in order to increase the Legislature's flexibility in meeting high-priority needs state-wide.

This item provides \$400,000 for developing cost estimates for new projects to be financed from the General Fund, Special Account for Capital Outlay (SAFCO). These funds would be allocated by the Department of Finance. An item for this purpose historically has been included in the Budget Bill. The proposed amount would provide for approximately \$27

UNALLOCATED CAPITAL OUTLAY—Continued

million in construction for new projects, assuming the historical ratio of planning to construction (1.5 percent).

Our analysis indicates that a planning effort of this magnitude is not realistic. In 1981-82, a large portion of projects approved in the 1981 Budget Act were deferred either indefinitely or to 1982-83. Again in 1982-83, projects approved in the 1982 Budget Act have not proceeded because of an administrative freeze on capital outlay expenditures. Moreover, at the time this *Analysis* was written, the Legislature was considering a proposal to transfer to the General Fund a portion of the amounts appropriated from SAFCO for capital outlay.

The impact of these deferral actions has been to create a backlog of approved projects which have been planned and for which cost estimates are available. Consequently, funding at the historical level to plan new projects should not be required in 1983-84, and we recommend a reduction of \$300,000 from Item 9860-301-036. The remaining \$100,000 should be adequate to (1) if necessary, update cost estimates for previously planned projects and (2) plan a total of over \$6 million (construction cost) of new projects.

Transfer to General Fund. Approval of the above recommendation would leave an unappropriated balance of tidelands oil revenue in the Special Account for Capital Outlay where it would be available only to finance programs and projects of a specific nature.

Leaving unappropriated funds in special accounts limits the Legislature's options in allocating funds to meet high-priority needs. So that the Legislature may have additional flexibility in meeting these needs, we recommend that any savings resulting from approval of this recommendation be transferred to the General Fund.

UNFUNDED LEGISLATION

Item 9875 from the General Fund

Budget p. GG 195

Requested 1983-84	—
Estimated 1982-83.....	—
Actual 1981-82	—
Requested decrease—None	
Total recommended reduction	None
Recommendation pending	

GENERAL PROGRAM STATEMENT

During the 1982 legislative session, various fiscal measures were enacted. Some contained specific appropriations to cover the cost of the measure. Others did not.

The 1983-84 budget requests funding for measures in the first category—funded—within the budgets of the various departments. The budget, however, does *not* request funding for various measures which were not funded with a specific appropriation. The unfunded acts are listed in Item

9875 in order "that the Legislature should reconsider these measures in view of their costs and the 1982-83 Budget's projected deficit."

ANALYSIS AND RECOMMENDATIONS

Table 1 identifies each of the acts for which the budget requests no funding, the measure's estimated cost, and the Budget Bill item under which we discuss the 1982 legislative action in this *Analysis*.

Were the Legislature to fund *all* of these measures, it would have to augment the proposed budget by \$80,163,000 from the General Fund.

We have no analytical basis for advising the legislature as to whether these measures should or should not be funded. That is properly a matter for the Legislature to decide, based on its own priorities, the amount of funds available in 1983-84, and other demands on these funds. We recommend, however, that if the Legislature chooses to appropriate funds to support these measures, it do so not in this item, but rather in the item that provides funds for the department or agency charged with administering the program or activity authorized by the measure.

Table 1
Detail of Unfunded Financial Legislation
(in thousands)

	<i>Estimated 1982-83</i>	<i>Estimated 1983-84</i>	<i>Analyzed Under Item</i>
State Operations			
State and Consumer Services			
State Teachers' Retirement system:			
Ch 1606/82 (SB 1562)-Makes annual cost-of-living adjustments for certain STRS recipients.....	—	\$20,500	6300-101-001
Health and Welfare			
Department of Health Services:			
Ch 204/82 (SB 834)-Establishes a system for collection of information on birth defects, still births, and miscarriages.	—	421	4260-001-001
Education			
University of California:			
Ch 1070/82 (AB 2627)-Exempt specified graduate students from nonresident tuition require- ments.	—	1,221	6440-001-001
Total, State Operations.....	—	\$22,142	
Local Assistance			
Health and Welfare			
Department of Social Services:			
Ch 1398/82 (AB 1733)-To fund child abuse preven- tion programs.....	(\$10,000) ^a	\$9,390	5180-151-001
Education			
Department of Education:			
Ch 67/82 (AB 971)-Authorizes Coastal Conservancy loan/grant authority to local governments, repayment of obligations and extension of exist- ing "welfare" exemption from property taxation for specified natural areas and open space lands.	—	(129) ^b	6100-101-001
Ch 822/82 (Ab 2640)-Creates home-to-school entitle- ment for Redding Elementary School District.	—	92	6100-111-001
Ch 1044/82 (AB 713)-Allows excess Regional Occu- pation Program funds to be used for capital outlay purposes.....	—	300	6100-101-001

UNFUNDED LEGISLATION—Continued

Table 1—Continued
Detail of Unfunded Financial Legislation
(in thousands)

	<i>Estimated 1982-83</i>	<i>Estimated 1983-84</i>	<i>Analyzed Under Item</i>
Ch 1192/82 (Ab 2448)-Revises home-to-school transportation reimbursement formula and authorizes school districts to charge parents a fee for home-to-school transportation.	—	Unknown	6100-111-001
Ch 1201/82 (SB 1345)-Makes numerous changes to program requirements and funding provisions of special education.	—	Unknown	6100-161-001
Ch 1619/82 (SB 550)-Authorizes reimbursements to school districts for racial desegregation.	—	20,000	6100-114-100
State Library:			
Ch 1498/82 (SB 358)-Establishes a foundation program to support the state's public library system	—	25,500	6100-211-001
Board of Governors of the Community Colleges:			
Ch 937/82 (AB 2347)-Includes timber tax revenue in computation of apportionments.	—	1,000	6870-101-001
General government			
Tax Relief:			
Ch 1274/82 (AB 2932)-Provides refunds for sales tax payments for lease or purchase of specified custom computer programs.	—	1,200	0860-001-001
State-Mandated Local Programs:			
Ch 472/82 (SB 818)-Imposes additional requirements regarding immunizations for various diseases when transferring between schools.	(610) ^a	539	9680-101-001
Ch 1395/82 (SB 1343)-Requires counties to transfer certain mobilehomes from property tax rolls to vehicle license fees, upon request.	—	Unknown	
Total, Local Assistance	—	<u>\$58,021</u>	
Total, Unfunded Legislation (State Operations and Local Assistance)	—	\$80,163	

^a The bill contained a specific appropriation for the current year in the amount indicated.

^b Amount included in departmental budget.