

*California
Legislature*

THE 1983-84 BUDGET:



**PERSPECTIVES
AND ISSUES**

*Report of the
Legislative Analyst*

to the

*Joint Legislative
Budget Committee*

HON. DAVID A. ROBERTI
*President pro Tempore
of the Senate*

HON. WILLIE L. BROWN, JR.
Speaker of the Assembly

Members of the Committee

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Alfred E. Alquist
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INTRODUCTION

The purpose of this document is to assist the Legislature in setting its priorities and reflecting these priorities in the 1983 Budget Act. It seeks to accomplish this purpose by providing (1) *perspectives* on the state's fiscal condition and the budget proposed by the Governor for 1983-84, and (2) identifying some of the major *issues* facing the Legislature in 1983. As such, this document is intended to complement the *Analysis of the Budget Bill*, which contains our traditional item-by-item review of the Governor's Budget.

The *Analysis* continues to report the results of our detailed examination of all programs and activities funded in the Governor's Budget. It also contains our recommendations on the various amounts proposed in the Budget Bill, as well as our recommendations for legislative changes in the statutory provisions governing individual programs and activities. In contrast, this document presents an analytical overview of the state's fiscal condition. The recommendations included herein cut across program or agency lines, and do not necessarily fall under the jurisdiction of a single fiscal subcommittee.

The 1983-84 Budget: Perspectives and Issues is divided into three parts.

Part I, "State Finances in 1983" (blue page), provides a perspective on the state's current fiscal situation, including options for addressing the deficit in the General Fund Budget for 1982-83.

Part I is divided into three sections:

- I. *Fiscal Problems Facing the Legislature*, which discusses the state's cash flow and deficit problems, as well as current service level expenditure requirements for 1983-84.
- II. *Alternatives for Legislative Action*, which examines options for addressing the current-year budget problem, including options for improving the state's ability to meet its cash needs, strategies for reducing expenditures, and strategies for increasing revenues.
- III. *Long-term Fiscal Outlook*, which discusses the state's economic outlook through 1985-86.

Part II, "Perspectives on the 1983-84 Budget" (gold page), presents data on the budget as a whole—expenditures, revenues and the fiscal condition of state and local government—to provide a perspective on the budget issues that the Legislature faces in 1983-84. Part II is divided into five sections:

- I. *Overview*, which provides a brief description of the purpose and components of this part;
- II. *Expenditures*, which details the total spending plan for the state from all funding sources and highlights the major changes in program activities proposed by the Governor;
- III. *Revenues*, which discusses the various sources of income to the state, as well as the economic circumstances that will influence the level of revenues in the current and budget years;
- IV. *State and Local Borrowing*, which discusses short-term and long-term government borrowing, both by the state and by local governments; and
- V. *The State's Workforce*, which looks at trends in the number of state employees and compares these trends to trends in the state budget.

Part III, "Major Issues Facing the Legislature" (green page), discusses major issues that have been identified in our review of the state's current fiscal condition and the Governor's Budget for 1983-84. Some of these

issues involve matters over which the Legislature has little or no control, such as the amount and form of federal aid received by the state, and the cost of providing needed services to refugees who reside in California. In most cases, however, the issues fall well within the Legislature's purview. Wherever possible, our analysis identifies options which the Legislature may wish to consider in addressing these issues. This part is divided into six sections:

- I. *Revenue Issues*, which include issues having to do with tax expenditures, the allocation of tidelands oil revenues and the viability of using one-time revenues.
- II. *Expenditure Issues*, which include issues dealing with cost-of-living adjustments; statewide legal staff reductions; state block grants proposed by the Governor; federal aid to California; and the state's capital outlay needs.
- III. *State Borrowing Issues*, which include issues that arise in connection with short-term and long-term borrowing by the state and its local governments.
- IV. *Local Government Finance Issues*, which include issues involving local fiscal relief, the flexibility of local government financing, state mandates, and infrastructure needs at the local level.
- V. *Legislative Control of the Budget*, which discusses issues dealing with collective bargaining for state employees, court decisions which have caused the state to incur additional costs or forego anticipated savings, the oversight role of the State Public Works Board, and the need for better information on state revenues, expenditures, and staffing levels.
- VI. *Emerging Issues*, which discusses the impact of refugees on California and work for benefit programs.