

LEGISLATURE

Items 0110-0150 from the General Fund

Budget p. LJE 1

Requested 1984-85	\$116,171,000
Estimated 1983-84	114,117,000
Actual 1982-83	94,035,000
Requested increase (excluding amount for salary increases) \$2,054,000 (+1.8 percent)	
Total recommended reduction	None

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
0110-001-001—Senate		General	\$34,033,000
0120-011-001—Assembly		General	52,081,000
0130-021-001—Joint Expenses		General	26,928,000
Subtotal, Budget Bill Appropriations			\$113,042,000
Expenditures from Contingent Fund Carry-over Balances		Contingent	<u>2,394,000</u>
Continuous Appropriation—Legislators' Retirement System		General	735,000
Total			<u>\$116,171,000</u>

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
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1. Legislators' Retirement System. Recommend that the Legislature fund the normal cost of the benefits provided under the Legislators' Retirement System.

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GENERAL PROGRAM STATEMENT

The California Constitution grants to the Legislature the legislative powers of the state, except for the powers of initiative and referendum which are reserved for the people. Under this authority, the Legislature enacts laws, makes appropriations, and levies taxes.

The Legislature consists of a Senate with 40 members who are elected for four-year terms, and an Assembly with 80 members who are elected for two-year terms. Currently, each Senator represents approximately 600,000 people, while each Assembly member has about 300,000 constituents.

The Legislature meets in two-year sessions starting on the first Monday in December of each even-numbered year. It remains in session, except for recesses, until November 30 of the following even-numbered year. The Governor, by proclamation, may call the Legislature into special session to enact legislation to deal with extraordinary circumstances specified by the Governor.

The major portion of legislative business is conducted through a system of committees. Each committee is responsible for acting on measures in a specific subject area. Currently, the Assembly has 23 standing committees and the Senate has 20. In addition, various select and special committees hold hearings and conduct research on topics of particular concern to the Legislature.

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The Legislature had 2,247 employees at the end of 1983.

ANALYSIS AND RECOMMENDATIONS

The budget includes a total of \$116,171,000 to fund the expenses of the Legislature in 1984-85. This amount includes \$115,436,000 for operational support and \$735,000 for contributions to the Legislators' Retirement System. The amount proposed for the budget year is \$2,054,000, or 1.8 percent, greater than estimated current-year expenditures.

Table 1 outlines the sources and uses of funds for legislative expenses, excluding contributions to the Legislators' Retirement System, in the prior, current, and budget years. As shown in the table, the budget provides \$115,436,000 for support of the Legislature in 1984-85. This is \$1,989,000, or 1.8 percent, above estimated expenditures in the current year. The proposed budget will increase by the cost of any salary or staff benefit increase approved for the budget year.

Historically, appropriations made to support the Legislature have been supplemented by balances carried over from prior years. In 1984-85, \$2.4 million of the \$115.4 million in proposed expenditures will be funded from carry-over balances.

Table 1
California Legislature
Sources and Uses of Funds^a
(in thousands)

<i>Sources of Funds</i>	<i>Actual 1982-83</i>	<i>Estimated 1983-84</i>	<i>Proposed 1984-85</i>	<i>Change From Current Year</i>
General Fund				
Appropriations	\$94,132	\$105,220	\$113,042	\$7,822
Carry-over ^b	1,251	553	—	-553
Totals, General Fund	\$95,383	\$105,773	\$113,042	\$7,269
Contingent Funds				
Carry-over	-\$1,985	\$7,674	\$2,394	-\$5,280
Totals, all funds	\$93,398	\$113,447	\$115,436	\$1,989
Uses of Funds				
Senate	\$29,503	\$35,925	\$36,427	\$502
Assembly	44,053	52,620	52,081	-539
Joint expenses	19,842	24,902	26,928	2,026
Totals	\$93,398	\$113,447	\$115,436	\$1,989

^a Amounts do not include contributions to Legislators' Retirement System.

^b From prior appropriation for printing.

CONTRIBUTIONS TO LEGISLATORS' RETIREMENT FUND

The Legislators' Retirement Fund (LRF) provides benefits to legislators, constitutional officers and legislative statutory officers, as well as to their survivors. The fund is administered by the Public Employees' Retirement Systems (PERS).

The state's contribution to the Legislators' Retirement System (LRS) is set at 18.8 percent of members' salaries, and funds to pay for the annual contribution are continuously appropriated from the General Fund by statute. The budget estimates the 1984-85 state costs of this item at \$735,000, which is an increase of \$65,000, or 9.7 percent, over estimated current-

year contributions. The projected growth is due to an anticipated increase in membership resulting from the election of new legislators. Membership in the LRS is optional.

Funding History

In 1977, the Legislature acted to convert the LRS from a "pay-as-you-go" to a "funded" system. It provided (1) a lump-sum appropriation of \$27.4 million to eliminate the accrued unfunded liability and (2) a continuous appropriation equal to 18.8 percent of members' salaries, to maintain the funded condition of the system. The next actuarial valuation of the LRF, performed in 1980, indicated, however, that the 1977 changes had not resulted in a fully funded system, as the Legislature intended. Specifically, the valuation identified (1) a shortfall in funding for the "normal cost" of the system (that is, the cost of paying for retirement benefits being earned in a given year), equal to 2.5 percent of members' salaries (approximately \$100,000 in 1984-85) and (2) the existence of a relatively small unfunded liability (that is, the cost of benefits earned in prior years that are not covered by current assets). That unfunded liability, however, is being reduced using the annual excess reserves in the LRF, as recommended by the consulting actuary. The funding shortfall for the "normal cost" of the system, however, probably is growing. The magnitude of this shortfall will not be known until the next actuarial valuation is made after the close of the 1983-84 fiscal year.

Recommend Legislature Give Highest Priority to Providing Adequate Funding for Normal Costs

We recommend that the Legislature fully fund the normal cost of the benefits provided under the Legislators' Retirement System.

In *Perspectives and Issues* (Part III), we discuss some of the basic issues confronting the Legislature with regard to funding for the state's retirement systems. In that discussion, we make the following general suggestions:

- **Normal Cost.** The Legislature should give highest priority to eliminating any shortfall in the funding of "normal costs."
- **Total Compensation.** In determining the *method* of allocating normal costs between employer's and employee's contributions, the Legislature should be guided by the concept of *total employee compensation*.
- **Unfunded Liability.** While it is, of course, preferable not to have any unfunded liability, there does not appear to be an analytical basis for attempting to eliminate an *existing* unfunded liability over any particular time period.

Because of the actions taken by the Legislature in 1977, the funding problems faced by the LRS are relatively minor. We recommend, however, that the Legislature take action to eliminate the normal cost funding shortfall (estimated at 2.5 percent of the member's salaries in 1980) by taking one or a combination of the following actions: (1) increase the state's contribution rate, (2) increase the member's contribution rate, or (3) revise (on a prospective basis) current retirement benefits. Given the relatively small size of the system's unfunded liability, the Legislature also might find it desirable to include in any rate increase an adjustment to amortize that liability over a specified time period.

While generally we encourage the Legislature to address any retire-

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ment system's funding problems as soon as possible, in this case the Legislature may wish to wait until next year before taking corrective action. The LRS will receive its quadrennial actuarial valuation in early 1985, and consequently, the Legislature will have during the next budgetary cycle more accurate information on which to base such action.

LEGISLATIVE COUNSEL BUREAU

Item 0160 from the General
Fund

Budget p. LJE 6

Requested 1984-85	\$18,173,000
Estimated 1983-84	17,107,000
Actual 1982-83	13,998,000
Requested increase (excluding amount for salary increases) \$1,066,000 (+6.2 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Legislative Counsel Bureau provides legal assistance to the members and committees of the Legislature. The bureau provides legal opinions, drafts bills, provides legal counsel, supplies attorney support for legislative committee hearings, and represents the Legislature in litigation. It also prepares necessary indices and tables to identify legislative measures, and compiles and indexes statutes and codes. In addition, the bureau operates a data processing system which is used for the payroll, personnel, and accounting systems maintained by both houses of the Legislature, and in the drafting of bills.

Beginning in 1981-82, the bureau implemented an automated legislative information system which provides information on legislative actions.

The bureau is authorized 303.8 personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes a General Fund appropriation of \$18,173,000 for support of the bureau in 1984-85. This is an increase of \$1,066,000 or 6.2 percent, above estimated current-year expenditures. Additionally, the bureau anticipates budget-year reimbursements of \$131,000, for a total expenditure of \$18,304,000 in 1984-85. The budget increase is due to routine merit salary and price adjustments, and will grow by the amount of any salary or staff benefit increase approved for the budget year.

CALIFORNIA LAW REVISION COMMISSION

Item 0170 from the General
Fund

Budget p. LJE 7

Requested 1984-85	\$450,000
Estimated 1983-84.....	420,000
Actual 1982-83	372,000
Requested increase (excluding amount for salary increases) \$30,000 (+7.1 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The California Law Revision Commission consists of 10 members—one from each house of the Legislature, seven appointed by the Governor, and the Legislative Counsel, who is a nonvoting member.

Under the commission's direction, a staff of eight employees studies areas of statutory and decisional law which the Legislature, by concurrent resolution, requests the commission to review for the purpose of recommending substantive and procedural reforms. The commission supplements this staff by contracting with legal scholars and other experts in the areas of law which the commission is required to study.

The commission currently has before it 22 topics assigned by the Legislature. In 1983, the commission recommended 14 bills to the Legislature, of which 12 were enacted. These bills include a comprehensive revision of the law relating to wills and intestate succession, as well as bills affecting the division of marital property, missing persons, creditors' remedies, and various other subjects.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes an appropriation of \$450,000 from the General Fund for support of the commission in 1984-85. This is \$30,000, or 7.1 percent, above estimated current-year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

The requested increase is due to an increase in expenditures for consulting contracts, as well as for routine merit salary and price adjustments. These increases appear to be reasonable.

COMMISSION ON UNIFORM STATE LAWS

Item 0180 from the General
Fund

Budget p. LJE 8

Requested 1984-85	\$58,000
Estimated 1983-84	51,000
Actual 1982-83	49,000
Requested increase \$7,000 (+13.7 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Commission on Uniform State Laws sponsors the adoption by California of uniform codes or statutes developed by the National Conference of Commissioners wherever compatibility with the laws of other jurisdictions is considered desirable. The commission consists of seven members—four appointed by the Governor, two members of the Legislature (one selected by each house), and the Legislative Counsel.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$58,000 from the General Fund for support of the commission in 1984-85. This is \$7,000, or about 14 percent, more than estimated current-year expenditures.

Approximately 85 percent of the budget is used to pay the state's annual membership fee to the national conference. The balance covers travel and per diem expenses for three meetings. The budget proposes to fund an increase in the state's membership fee—from \$38,500 in the current year to \$48,500 in 1984-85.

JUDICIAL

Items 0250 from the General
Fund and the State Transportation Fund

Budget p. LJE 8

Requested 1984-85	\$51,823,000
Estimated 1983-84	44,322,000
Actual 1982-83	38,931,000
Requested increase (excluding amount for salary increases) \$7,501,000 (+16.9 percent)	
Total recommended reduction	\$1,540,000
Recommendation pending	\$8,923,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
0250-001-001—Support		General	\$51,456,000
0250-001-044—Support/Traffic Program		Transportation	60,000
0250-101-001—Local Assistance		General	243,000
Total, Budget Bill Appropriation			\$51,759,000
Chapter 158, Statutes of 1978		General	64,000
Total, State Funds			\$51,823,000