

## **ANALYSIS AND RECOMMENDATIONS WITH RESPECT TO GENERAL CONTROL SECTIONS**

The so-called "control sections" included in the 1984 Budget Bill set forth general policy guidelines governing the use of state funds. These sections place limitations on the expenditure of certain appropriations, extend or terminate the availability of certain other appropriations, establish procedures for the expenditure and control of funds appropriated by the Budget Act and contain the traditional constitutional severability and urgency clauses.

The control sections proposed for fiscal year 1984-85 may be found in Section 3.00 through Section 36.00 of Senate Bill No. 1378 (Alquist) and Assembly Bill No. 2313 (Vasconcellos). In many instances, the numbering of these sections is not consecutive, as the section numbers in the 1984-85 Budget Bill have been designed to correspond with the equivalent or similar sections in the Budget Act of 1983.

In addition, the Budget Bill includes sections 1.00, 1.50, 99.00 and 99.50. These are technical provisions relating to the coding, indexing and referencing of the various items in the bill.

### **SECTION 3.00**

#### **BUDGET ACT DEFINITIONS AND STATUTORY SALARIES**

#### **ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

This section sets forth various conditions under which appropriations for support, capital outlay, and acquisition of land are to be made. It restricts expenditures to categories or projects set forth in the Budget Act schedule, unless authority to shift Funds from one category to another is provided in other sections of the act. Also, various words, terms and phrases found in the categorical schedules of individual Budget Act items are defined by this section.

This section also provides that the statutorily established salaries and wages of state officers are included in the appropriate support items of the Budget Act of 1984 in the amount in effect on June 30, 1984. Without the provisions of this section, the salary increases previously approved by the Legislature could not be continued, and the salaries for these positions would be reduced to the base salary authorized in the statutes.

### **SECTION 3.50**

#### **EMPLOYEE BENEFITS**

#### **ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

This section, which is identical to Section 3.50 of the 1983 Budget Act, provides that state contributions for payment of employee benefits—such as retirement, disability, unemployment, health insurance, survivors' insurance and workers' compensation insurance, all of which have continuing statutory appropriations—shall be paid from appropriations made by individual items in the Budget Act.

In addition, this section continues the authority to use the statutory appropriations for expenditures not chargeable to Budget Act appropriations. It also authorizes the use of these statutory appropriations to meet prior-year obligations, if sufficient funds are not available.

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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, may be paid directly from funds appropriated in the act.

This section increases legislative oversight of the payment of court-awarded attorney fees. It was included for the first time in the Budget Act of 1980.

The Budget Bill includes an item which appropriates \$400,000 from various funds for the payment of attorney fee claims, settlements, and judgments against the state pursuant to the Code of Civil Procedure Section 1021.5, the "private attorney general" doctrine, or the "substantial benefit" doctrine. (Please see our analysis of Item 9810.)

### **SECTION 5.50**

#### **OVERSIGHT OF CONSULTANT CONTRACTS**

## **ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

This section, which is identical to Control Section 5.50 of the 1983 Budget Act, requires the Director of General Services to notify the Joint Legislative Budget Committee within 30 days after approving any contracts or interagency agreements for consultant or professional services.

### **SECTION 6.00**

#### **STATE BUILDING ALTERATIONS**

## **ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

This section establishes certain limits on the use of support budget funds for alteration of state buildings. Departments may not undertake building alterations using support budget funds which cost more than \$10,000 unless the Director of Finance determines that the proposed alteration is critical. Critical projects, moreover, may not exceed \$150,000, and the Department of Finance's determination must be reported to the Chairperson of the Joint Legislative Budget Committee not less than 30 days prior to requesting bids for the project. Alteration projects which cost less than \$10,000 are not subject to any approval or reporting requirement.

This language is identical to that which was included in the 1983 Budget Act under Section 6.00.

### **SECTION 6.50**

#### **TRANSFER OF AMOUNTS WITHIN SCHEDULES**

## **ANALYSIS AND RECOMMENDATIONS**

*We withhold recommendation on this section, pending further review.*

This section authorizes the Department of Finance, when requested by an agency, to transfer amounts between categories, programs or projects within the same schedule in the agency's items of appropriation. The Director of Finance is required to issue quarterly reports to the fiscal

committees of each house and to the Joint Legislative Budget Committee (JLBC) regarding all transfers approved pursuant to this authority.

Transfers made under this section, with one exception (Department of Transportation Highway Program), are limited to 20 percent of the scheduled amount. Transfers in the Highway Program are limited to 10 percent of the scheduled amount, in order to conform to other statutory restrictions on the department's expenditures. In addition, for appropriations in excess of \$2 million, this section allows proposed schedule transfers of between 10 and 20 percent only after 30 days' advance notification has been given to the fiscal committees and the JLBC.

In the Budget Act of 1983, the Legislature amended this section to provide that any transfers of scheduled amounts *exceeding \$100,000* could *not* be approved by the Department of Finance unless 30-days' advance notice had been given to both the fiscal committees and the JLBC. The 1984-85 Budget Bill *omits* this reporting requirement. As proposed, Section 6.50 in the 1984 Budget Bill is identical to Section 27.00 of the Budget Act of 1982.

We withhold recommendation on this section, pending further review.

### SECTION 7.00

#### TORT LIABILITY INSURANCE

#### ANALYSIS AND RECOMMENDATIONS

*We recommend that this section be deleted from the Budget Bill because it duplicates the provisions of Control Section 7.20.*

This section prohibits the use of funds appropriated in the Budget Act to purchase a discretionary tort liability insurance policy unless 30-days' advance notification, together with a cost-benefit analysis of the proposed policy, has been provided to the Joint Legislative Budget Committee.

This prohibition is necessary because a number of agencies have continued to purchase commercial tort liability policies on a discretionary basis, despite the state's policy of self-insuring against these risks wherever possible. The section was included for the first time in the Budget Act of 1981.

In the 1983 Budget Act, the Legislature expanded its policy of controlling the expenditure of funds for insurance policies by adding Control Section 7.20 which applied these identical restrictions to *all* discretionary commercial insurance policies. Thus the purchase of tort liability insurance is subject to the provisions of Section 7.20 as well as those in Section 7.00. To eliminate this duplication, we recommend that the Legislature delete Control Section 7.00 from the Budget Bill.

### SECTION 7.20

#### DISCRETIONARY COMMERCIAL INSURANCE

#### ANALYSIS AND RECOMMENDATIONS

*We recommend modifications to Section 7.20 that would: (1) reduce the purchase of commercial insurance policies covering the loss of state assets, because such expenditures by state agencies are not in the long run the most cost-effective method of insuring against risks; and (2) direct the Department of Finance to reduce support appropriations for state agencies by deleting funds budgeted for elective commercial insurance premiums (reversion of \$457,000—\$79,000 General Fund—to original funding sources).*

## **ANALYSIS AND RECOMMENDATIONS WITH RESPECT TO GENERAL CONTROL SECTIONS—Continued**

This section prohibits the use of funds appropriated in the Budget Act to purchase a discretionary commercial insurance policy unless 30-days' advance notification, together with a cost-benefit analysis of the proposed policy, has been provided to the Joint Legislative Budget Committee.

This section was included for the first time in the Budget Act of 1983 (Section 7.20) as an expression of the Legislature's intent that the expenditure of funds for private insurance be held to a minimum.

In Item 1760 of this *Analysis*, we review the practice of insuring state assets. Our analysis indicates that for both economic and budgetary reasons, the state should in almost all cases self-insure against losses rather than purchase commercial insurance policies. (Please see Item 1760, "The Insurance of State Assets," for more detail.) In order to implement this policy, we recommend that the Legislature amend Control Section 7.20 to reduce the number of exceptional cases in which private insurance is purchased and require the reversion of funds currently provided in departments' budgets for the purchase of discretionary insurance policies.

Accordingly, we recommend that Control Section 7.20 be adopted in an amended form to read as follows:

- 7.20 (a) No funds appropriated by this act may be expended for a commercial insurance policy unless such coverage is either required by law or necessary in order to ensure that a particular state governmental function can be performed. Such a policy may not be purchased without the review and approval of the Department of General Services, and no sooner than 30 days after notifying the Chairman of the Joint Legislative Budget Committee regarding the necessity of the insurance policy, or no sooner than such lesser time as the Chairman may in each instance determine.
- (b) Notwithstanding any other provision of this act, the Department of Finance shall reduce the appropriations of all state departments by the amounts allotted for the purchase of elective commercial insurance policies, and revert the unallotted amounts to their original funding sources. The Department of Finance shall have the authority to exempt departments from the provisions of this subdivision in cases where the funds appropriated for the purchase of an elective commercial insurance policy have been approved for expenditure under the provisions of subdivision (a) of this section.

### **SECTION 7.50**

#### **ACCOUNTING PROCEDURES FOR STATEWIDE APPROPRIATIONS**

## **ANALYSIS AND RECOMMENDATIONS**

### *We recommend approval.*

This section, which is identical to Section 7.50 of the Budget Act of 1983, provides that, for accounting purposes, certain authorized expenditures may be considered to be an augmentation of the appropriation made by this act. These expenditures include those authorized from the Reserve for Contingencies or Emergencies, total equivalent compensation funds, the price increase funds, the salary increase funds, or special funds pursuant to Section 11006 of the Government Code.

**SECTION 8.50****APPROPRIATION OF FEDERAL FUNDS****ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

This section, which is identical to Section 8.50 of the Budget Act of 1983, appropriates any additional amounts of federal funds received in excess of the amounts appropriated in the Budget Act, expresses legislative intent that state agencies should apply for the maximum amount of federal funds available to the state, and imposes reporting requirements on the Department of Finance with regard to reductions in federal funds. Specifically, the Director of Finance must report to the fiscal committees and the Joint Legislative Budget Committee when (1) federal funding for any of the federal block grant programs assumed by the state is reduced by an amount in excess of 5 percent of the amount appropriated in the Budget Act or (2) federal funding for *any* Budget Act *item* receiving federal funds is reduced by an amount in excess of 5 percent of the amount appropriated in the Budget Act.

**SECTION 8.51****FEDERAL TRUST FUND ACCOUNT NUMBERS****ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

This section, which is identical to Control Section 8.51 of the 1983 Budget Act, requires each state agency to use the Federal Trust Fund account numbers when certifying charges against federal funds appropriated by Budget Act items. We recommend approval of this section because it ensures consistent accounting between the State Controller's office and each state agency.

**SECTION 9.00****SUPPLEMENTAL LANGUAGE REPORT****ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

This section states that the Supplemental Report of the Committee of Conference on the Budget Bill, which is prepared by the Legislative Analyst, reflects legislative intent in enacting the Budget Act. This section also directs the Legislative Analyst to send the report to all affected agencies.

**SECTION 9.50****FUNDING SOURCE FOR REAPPROPRIATIONS****ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

This section provides that unless otherwise noted in the Budget Bill, any reappropriation for capital outlay funds from the General Fund contained in the Budget Bill shall be payable from the Special Account for Capital Outlay.

**ANALYSIS AND RECOMMENDATIONS  
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The Budget Bill, as introduced, does not include any reappropriations for capital outlay from the General Fund. Consequently, if the Budget Bill is enacted in this form, Section 9.50 would not have any effect. In the event the budget is amended to include reappropriations of capital outlay funds from the General Fund, this section would switch the fund source to the SAFCO unless language citing another fund source is included under the specific reappropriation.

**SECTION 11.10**

**TRANSFER OF TIDELANDS OIL REVENUES TO STATE SCHOOL BUILDING  
LEASE-PURCHASE FUND**

**ANALYSIS AND RECOMMENDATIONS**

This control section provides that, notwithstanding the provisions of current law, the 1984-85 appropriation of tidelands oil revenues to the State School Building Lease-Purchase Fund shall not exceed \$100 million. In addition, Section 30 of the budget trailer bill proposes to appropriate \$125 million in tidelands oil revenues to the Lease-Purchase Fund in each fiscal year from 1985-86 through 1988-89. Current law provides an appropriation of \$200 million in 1984-85 but makes no appropriation of tidelands oil funds for school construction in subsequent years.

We have no analytical basis for determining the amount of tidelands oil revenues which should be appropriated to the Lease-Purchase Fund, rather than for some other purpose, during the budget and subsequent fiscal years. This is a policy decision for the Legislature to make and, accordingly, we make no recommendation on this section. Our analysis of this section appears in Item 6100 (Department of Education, School Construction).

**SECTION 11.20**

**ELIMINATES FOR 1984-85 THE TRANSFER FROM THE SPECIAL ACCOUNT  
FOR CAPITAL OUTLAY TO THE GENERAL FUND FOR THE REVENUE LOSS  
FROM ENERGY CONSERVATION TAX CREDITS**

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

This control section specifies that, for the budget year, no funds will be transferred from the Special Account for Capital Outlay (SAFCO) to the General Fund for making energy tax refunds provided for in Chapter 904, Statutes of 1980. Chapter 904 authorized refundable income tax credits of up to \$1,500 for the cost of energy conservation measures. In addition, Ch 904/80 provided for an annual transfer of up to \$42 million from the SAFCO from 1982-83 through 1985-86 in order to partially offset the General Fund revenue loss. This section would eliminate this transfer for 1984-85.

The Budget Bill includes proposed appropriations from the SAFCO totaling \$125.8 million, leaving an unappropriated balance of \$10.6 million. The proposed appropriations are contingent upon eliminating the \$42 million transfer to the General Fund. Consequently, if this section is not approved, the amount appropriated from the SAFCO would have to be reduced by at least \$31.4 million.

*We Have Recommended Transfers to the General Fund.* Throughout this *Analysis*, we have recommended that any savings resulting from approval of our recommendations on proposals funded from the SAFCO be transferred to the General Fund. This would increase the Legislature's flexibility in meeting high-priority needs statewide. Thus, eliminating the 1984-85 transfer for tax credits and at the same time transferring any saving from the SAFCO to the General Fund would allow the Legislature to fund its capital outlay program from the SAFCO and increase its fiscal flexibility by building up the General Fund. On this basis, we recommend approval of Control Section 11.20.

#### SECTION 11.50

### TRANSFER UNAPPROPRIATED BALANCE IN THE ENERGY AND RESOURCES FUND TO THE SPECIAL ACCOUNT FOR CAPITAL OUTLAY

#### ANALYSIS AND RECOMMENDATIONS

*We recommend that this section be modified to transfer the unappropriated balance in the Energy and Resources Fund (ERF) to the General Fund rather than to the Special Account for Capital Outlay (SAFCO).*

This section would transfer the unappropriated balance in the ERF to the SAFCO. It reflects the fact that under existing law, no funds are to be deposited in the ERF after June 30, 1984.

The Budget Bill does not propose any appropriations from the ERF. Instead, the bill proposes that the unappropriated balance in the fund be transferred to the SAFCO. According to the Governor's Budget document, the unappropriated balance in the ERF is \$3,806,000. The document also indicates that the unappropriated balance in the SAFCO, including the transfer from the ERF, would be \$10.6 million if all appropriations proposed for 1984-85 are approved.

Our analysis indicates that an unappropriated balance of \$10.6 million in the SAFCO is unnecessary. The only need for an unappropriated balance in this Fund is to permit augmentation of appropriations for construction to compensate for cost increases resulting from inflation. Based on the 5 percent to 6 percent rate of inflation anticipated for 1984-85, and the amount of construction funds requested in the budget bill, a balance of \$7.8 million should be more than adequate to meet this need. Thus, we recommend that the balance in the ERF be transferred to the General Fund, rather than to the SAFCO.

#### SECTION 12.00

### APPROPRIATIONS LIMIT FOR 1983-84

#### ANALYSIS AND RECOMMENDATIONS

*We withhold recommendation, pending the receipt of final data on the annual adjustment factors and transfers of financial responsibility.*

This section establishes the state's 1984-85 appropriations limit for purposes of Article XIII B of the State Constitution. It also sets a time limit on judicial challenges to the limit established by this section.

The budget proposes a 1984-85 limit of \$21,967 million. This is only a preliminary estimate, however, as the final annual adjustment factors for inflation and population needed to establish the 1984-85 limit pursuant to the constitution will not be known until May. In addition, the Department

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of Finance has not yet estimated the changes in past-year limits that need to be made in order to reflect transfers of financial responsibility between the state and local governments.

When this data becomes available, we will report our recommendations on the state's appropriations limit to the Legislature.

**SECTION 12.30**

**RESERVE FOR ECONOMIC UNCERTAINTIES**

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

This section, which is similar to Section 12.30 of the 1983 Budget Act, provides for the Reserve for Economic Uncertainties in the General Fund. The section has two main provisions.

First, it appropriates from the General Fund on July 1, 1984, an amount necessary to bring the fund balance of the Reserve for Economic Uncertainties up to \$950.7 million.

Second, this section provides for a June 30, 1985 transfer into or out of the reserve, depending on the status of the General Fund balance on that date. If the General Fund has a deficit, this section would provide for a transfer from the reserve to the General Fund in order to eliminate or reduce the deficit. If, on the other hand, there is year-end surplus in the General Fund, this section would appropriate such surplus monies to the reserve account, as long as (1) the reserve fund balance did not exceed 5 percent of General Fund appropriations and (2) there was "room" within the state's Article XIII B appropriations limit.

This section provides a mechanism for establishing the reserve needed to protect the budget against a revenue shortfall due to such factors as declines in the economy, adverse court decisions and unforeseen spending needs.

**SECTION 12.50**

**SPECIAL FUND RESERVES**

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

This section, which is identical to Control Section 12.50 of the 1983 Budget Act, relates to special fund reserves. It would appropriate the balances existing in *each* special fund as of June 30, 1985, into a reserve account within each fund. If these funds are not so appropriated, they would be subject to Section 2 of Article XIII B of the State Constitution, which requires the state to return to taxpayers year-end unappropriated surpluses in each fund.

The Legislature established these special fund reserve accounts in the 1981 Budget Act in order to prevent the return of monies which are not truly "surplus" in nature. Many special fund balances are earmarked for expenditure but are not yet appropriated. Thus, in order to prevent the return of monies not excess to the state's needs, we recommend approval of this section.



**SECTION 13.00**  
**LEGISLATIVE COUNSEL BUREAU**

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

This section permits the appropriation for support of the Legislative Counsel Bureau to be expended as authorized by the Joint Committee on Rules, rather than as submitted in the Governor's Budget, thereby retaining flexibility in the legislative branch to adjust the bureau's operating costs and staffing (within established classifications) to meet workload conditions. The section also exempts the bureau from certain Government Code and Public Contract Code Sections, and from Section 5.50 of the Budget Act, which place restrictions on administrative and related matters.

In addition, the section reappropriates the unexpended balances of the appropriations in the 1983 Budget Act for the bureau and the Commission on Uniform State Laws, to be used for the same programs and purposes that will be financed from the 1984-85 Budget Bill appropriation to the bureau and commission.

**SECTION 13.50**  
**ATTORNEY GENERAL ANTITRUST ACCOUNT**

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

This section requires that the first \$600,000 in revenue available in the Attorney General Antitrust Account in the budget year be transferred to the General Fund.

The Antitrust Account was established by Ch 1140/72 to maintain accountability for monies recovered in antitrust cases prosecuted by the Attorney General, and to provide ongoing support for the Attorney General's antitrust program. The budget for the Department of Justice (Item 0820) proposes \$2,670,000 for support of this program in 1984-85. This amount consists of \$2,269,000 from the General Fund, \$381,000 from the Antitrust Account, and \$20,000 from reimbursements.

In previous years, the amount appropriated from the Antitrust Account for support of this program exceeded \$900,000 annually. Revenues actually deposited in the account, however, generally fell far short of this amount. For instance, the amount appropriated from the account to support the program in 1982-83 was \$949,000, but only \$296,000 was deposited in the fund, leaving \$653,000 of the appropriation unavailable for expenditure. The department advises that in that year, expenditures for the program were reduced accordingly by holding positions vacant, restricting expenditures from operating expenses and deferring other expenditures.

The budget for 1984-85 proposes an increase of \$600,000 from the General Fund for support of the antitrust program and a commensurate decrease in support from the Antitrust Account. The effect of this proposal is to ensure the availability of funding for the program, regardless of the amount of revenue generated by the antitrust cases prosecuted by the Attorney General. The effect of the proposed control section would be to ensure that the additional General Fund costs for the program are offset by the amount of revenues received in the Antitrust Account provided these revenues total at least \$600,000. Because this proposal would stabilize funding for the program, we recommend that it be approved.

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**SECTION 16.00**

**TRANSPORTATION PLANNING AND DEVELOPMENT ACCOUNT**

**ANALYSIS AND RECOMMENDATIONS**

*We recommend an amendment to this section clarifying that unallotments take place no sooner than 30 days after the Chairman of the Joint Legislative Budget Committee and the chairmen of the fiscal subcommittees have been notified of the unallotments.*

This section, which is similar to Section 16.00 of the 1983 Budget Act, requires the Director of Finance to unallot funds appropriated from the Transportation Planning and Development (TP and D) Account in the State Transportation Fund if TP and D Account resources are insufficient to fund appropriations from the account. A sufficient amount would be unallotted to balance account expenditures and resources.

TP and D Account revenues are very sensitive to changes in gasoline sales and sale of other goods. Consequently, revenues to the account could decline significantly from the level anticipated when the Budget Act is enacted. This section provides a mechanism to handle any resulting revenue shortfalls.

Due to a drafting error in the 1983 Budget Act and the Budget Bill, however, the language specifies that the unallotments be made sooner than 30 days after the chairmen of the Joint Legislative Budget Committee and the fiscal subcommittees have been advised of the impact that the unallotments would have. The unallotments should take place *no* sooner than 30 days after notification is given. We recommend an amendment to the section to correct this error.

**SECTION 18.00**

**AIR RESOURCES BOARD**

**ANALYSIS AND RECOMMENDATIONS**

*We recommend deletion of Section 18.00 because there are sufficient funds within the Vehicle Inspection Fund to repay loans made from the Motor Vehicle Account, State Transportation Fund, in previous years.*

This section proposes to postpone until June 30, 1986, the repayment date for four loans made from the Motor Vehicle Account, State Transportation Fund, to the Air Resources Board. These loans supported the early costs of planning, designing and operating the vehicle emission inspection program in the South Coast Air Basin.

Previous requests for postponement of these loan repayments were approved by the Legislature in the 1978 through 1983 Budget Acts. These postponements were approved partly on the basis that the early costs of the South Coast vehicle inspection system, funded by these loans, provided information that would be of benefit statewide when a statewide annual inspection program was instituted. It was not considered equitable to insist that these loans be repaid from fees generated solely in the South Coast Air Basin.

Chapter 892, Statutes of 1982 (SB 33), authorized the statewide implementation of a biennial vehicle inspection program. This program cur-

rently is generating fee revenue to the Vehicle Inspection Fund from (1) licenses issued to inspection and repair facilities, and (2) training courses that certified mechanics are required to take. Starting on March 20, 1984, revenues from vehicle inspection certification fees also will be deposited in the Vehicle Inspection Fund.

According to the Governor's Budget, the Vehicle Inspection Fund will have a projected surplus of \$19,926,000 by June 30, 1985. At that time, the amount due on the four loans, including interest, will be approximately \$5,510,000. Thus, it appears that sufficient reserves will exist in the fund in the budget year to repay these loans to the Motor Vehicle Account.

Accordingly, we recommend deletion of Section 18.00.

## SECTION 18.10

### DEPARTMENT OF PARKS AND RECREATION

#### ANALYSIS AND RECOMMENDATIONS

*We recommend modification of Section 18.10 to add language requiring that each operating agreement submitted to the Legislature or to the Public Works Board be accompanied by documentation of the estimated fiscal effects of the agreement.*

Many state park units are operated and maintained by local agencies through operating agreements with the Department of Parks and Recreation (DPR). This section, which is identical to Section 8.10 of the Budget Act of 1983, prohibits the Department of Parks and Recreation from approving or modifying any operating agreement unless either (1) the Legislature has reviewed the agreement during the budget process and adopted supplemental report language expressing its approval of the agreement or (2) the Public Works Board (a) approves the agreement, (b) determines that the agreement could not have been reasonably presented to the Legislature during the budget process, and (c) the Director of Finance has notified the Chairpersons of the Joint Legislative Budget Committee and the fiscal committees 20 days in advance of board consideration of the agreement.

#### Language Modification Recommended

The primary purpose of this Section is to enable the legislature to exercise fiscal oversight of departmental operating costs and revenues. We believe that purpose would be served better if the department were required to submit estimates of the fiscal effects of proposed operating agreements.

We therefore recommend that the Legislature add the following language to Section 18.10:

"The Department of Parks and Recreation shall include with the proposed lease or agreement sufficient documentation to enable the Legislature, or the board, as the case may be, to evaluate fully the estimated operating costs and revenues and all terms upon which the lease or agreement is proposed to be entered into. Specifically, the documentation should identify (1) any anticipated costs to the state for operation or development under the agreement and the anticipated state share of total operation and development costs and (2) the anticipated annual revenues, net of operation costs, for the unit and the state's share of these revenues."

Further discussion and an additional recommendation regarding state

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park operating agreements appear in our analysis of the support budget of the Department of Parks and Recreation (Item 3790).

### **SECTION 18.20**

#### **DEPARTMENT OF PARKS AND RECREATION**

### **ANALYSIS AND RECOMMENDATIONS**

*We recommend that the Legislature add a new control Section—18.20—requiring that the Legislature be notified regarding the department's expenditure plans when it encumbers funds from existing appropriations for the East Bay Shoreline Project.*

We recommend that the Legislature add Control Section 18.20 to the Budget Bill to ensure that it will have the opportunity to review the Department of Parks and Recreation's expenditure plans before the existing appropriations for the East Bay Shoreline Project are encumbered.

The proposed control section language and a discussion of the East Bay Shoreline Project appear in our analysis of the Department of Parks and Recreation's proposed capital outlay budget under Item 3790-301-036(7).

### **SECTION 18.30**

#### **BAGLEY CONSERVATION FUND**

### **ANALYSIS AND RECOMMENDATIONS**

*We recommend approval. We further recommend the enactment of legislation to (1) transfer all encumbered balances and funds to the State Parks and Recreation Fund and (2) abolish the Bagley Conservation Fund, in order to complete the consolidation of park funding sources into the State Parks and Recreation Fund.*

This section proposes to transfer the unencumbered balance of the Bagley Conservation Fund to the State Parks and Recreation Fund on the effective date of the 1984 Budget Act. According to the Governor's Budget, the unencumbered balance of the fund to be transferred will be \$279,000 on June 30, 1984.

The Bagley Conservation Fund was created by Ch 1, Statutes of 1971, First Extraordinary Session, for beach, park, and land acquisition programs, and planning and development of coastal recreational facilities. Since 1971, the principal source of funds for the Bagley Conservation Fund has been occasional transfers from the General Fund authorized by the Legislature.

Chapter 1065, Statutes of 1979, abolished several park-related funds and accounts and consolidated the balances in the State Parks and Recreation Fund. In addition, Ch 1065/79 transferred all funds that had been previously appropriated to the Department of Parks and Recreation from the Bagley Conservation Fund to the State Parks and Recreation Fund. Chapter 1065, however, did not transfer the full unencumbered balance of the Bagley Conservation Fund.

Further consolidation of park-related funds into the State Parks and Recreation Fund, is appropriate. We therefore recommend approval of Control Section 18.30.

In order to fully consolidate funds, however, *all* balances in the Bagley Fund should be transferred and the Bagley Fund should be abolished.

Accordingly, we further recommend the enactment of legislation to (1) transfer any remaining *encumbered* balances as well as the corresponding expenditure authority from the Bagley Conservation Fund to the State Parks and Recreation Fund and (2) abolish the Bagley Conservation Fund.

## **SECTION 24.00 STATE SCHOOL FUND**

### **ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

This section specifies the allocation of State School Fund revenues between K-12 education and community colleges. Our analysis of this section appears in Item 6870-101-001.

## **SECTION 24.10 DRIVER TRAINING**

### **ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

This section transfers to the General Fund the unencumbered surplus in the Driver Training Penalty Assessment Fund on June 30, 1985. Our analysis of this section appears in Item 6100-171-178.

## **SECTION 24.50 FULLERTON-ROWLAND COURT CASE**

### **ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

This section prohibits the payment of any claims for additional school apportionments arising from provisions of the Education Code which, prior to 1977, permitted school districts to double-count vocational education average daily attendance. The language further prohibits the payment of two specific claims, by the Fullerton Joint Union High School District and the Rowland Unified School District, under the terms of out-of-court settlements agreed to by the districts and the State Department of Education. Our analysis of this section appears in Item 6100-101-001.

## **SECTION 26.00 FUNDING OF COSTS DUE TO EXECUTIVE ORDERS**

### **ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

This section, which is identical to Section 26.00 of the Budget Act of 1983, provides that no funds appropriated in the Budget Act shall be used to finance increased state or local costs arising from the issuance of executive orders unless (a) funds are appropriated for such purposes or (b) the chairman of each fiscal committee and the Chairman of the Joint Legislative Budget Committee have been notified at least 30 days prior to any such expenditure or encumbrance of funds.

## **ANALYSIS AND RECOMMENDATIONS WITH RESPECT TO GENERAL CONTROL SECTIONS—Continued**

### **SECTION 28.00**

#### **AUTHORIZATION FOR ADDITIONAL SPENDING AUTHORITY**

##### **ANALYSIS AND RECOMMENDATIONS**

*We withhold recommendation on this section, pending further review.*

This section authorizes the Director of Finance to increase or decrease the amounts available for expenditure by an agency when funds received from any source exceed or fall short of the amounts scheduled in the Budget Act. The section requires, however, that any adjustment *exceeding \$100,000* may be approved only if the fiscal committees of each house and the Joint Legislative Budget Committee have been notified in writing of such changes at least 30 days in advance. Upon request of the Director of Finance, the chairperson of the Joint Legislative Budget Committee is authorized to waive the 30-day waiting period.

This section also includes a provision whereby a Section 28.00 authorization which spans both the current fiscal year and the budget year (because it occurred too late to be included in the Governor's Budget) will not have to be reauthorized by the Director of Finance or be subject again to legislative review for the specified budget year.

In the Budget Act of 1983, the Legislature added requirements to the provisions previously included in this section. Specifically, the 1983 provisions (1) prohibit any single augmentation or reduction that exceeds \$100,000 (federal funds are exempt); (2) restricts the number of augmentations or reductions to an appropriation item to no more than five in a 30-day period; and (3) requires that the Legislature be notified of all augmentations and reductions authorized under this section at least 30 days in advance.

The 1984-85 Budget Bill proposes basic changes to the version of Section 28.00 included in the 1983 Budget Act. As proposed, the Department of Finance would be required to formally notify the Legislature whenever the department augments or reduces any item by an amount *in excess of \$100,000, regardless of the funding source*. Any augmentation or reduction of *less than \$100,000* would be formally reported *only* if the Director of Finance determines that the change would "result in a significant or sensitive program or policy change."

We withhold recommendation on this section, pending further review.

### **SECTION 29.00**

#### **PERSONNEL-YEAR REPORTING**

##### **ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

Control Section 29, first adopted in the 1983 Budget Act, requires the Department of Finance to publish the total number of personnel-years and estimated salary savings for each department and agency at the same time that the following documents are published: (a) the Governor's Budget, (b) the May revision, and (c) the Final Change Book. The listing provided at the time the Governor's Budget is published also must contain estimates of personnel-years for the prior year and current year.

In past years, the information provided to the Legislature by the De-

partment of Finance on personnel-years has not been adequate for legislative review and control purposes. The Department of Finance published an estimate of prior-year, current-year and budget-year personnel-years *once* each fiscal year, in the budget document. The number of personnel-years proposed in the Governor's Budget, however, is changed—generally upwards—at various points during the fiscal year. Generally, the largest changes have come after the budget has been passed, due to the *administrative* establishment of new positions. Consequently, without updated information on personnel-years, the Legislature cannot adequately monitor changes in the number of state employees.

### **SECTION 30.00**

#### **CONTINUOUS APPROPRIATIONS—EXEMPTIONS FROM GOVERNMENT CODE SECTION 13340**

#### **ANALYSIS AND RECOMMENDATIONS**

*We withhold recommendation on this section.*

Section 13340 of the Government Code (as amended by Ch 323/83) provides that, effective July 1, 1984, all continuously appropriated funds must instead be appropriated in the annual Budget Act, unless expressly exempted by the Legislature.

This control section provides exemptions from the requirements of Section 13340 for over 500 funds.

We have not as yet completed our analysis of this proposal. Consequently, we withhold recommendation on this section. We will report our recommendations on the proposed exemptions in a supplemental analysis.

### **SECTION 31.00**

#### **ADMINISTRATIVE AND ACCOUNTING PROCEDURES**

#### **ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

This section, which includes the same provisions as Section 31.00 of the Budget Act of 1983, requires departments to comply with Sections 13332 through 13332.16, of the Government Code. These sections codified provisions which, in prior years, were included as control sections in the annual Budget Act.

This section also defines certain administrative and accounting procedures required by the Department of Finance. It requires expenditures to be made in accordance with established allotments, and restricts promotions, reclassifications and the creation of new positions, unless approved by the Department of Finance. This section establishes a salary saving reserve to be reported by the agencies to the Department of Finance for approval, and limits the use of the reserve. It also requires certification by the agencies that expenditures have been made for the purposes stated in the budget, unless the purposes have been revised by the Department of Finance.

Section 31.00 also requires the Director of Finance to notify the chairman of the fiscal committees and the Joint Legislative Budget Committee within 30 days of the creation or reclassification of those positions with a minimum pay scale of \$2,000 per month. This monthly "threshold" amount was \$1,900 in Section 31.00 of the 1983 Budget Act. It has been increased to \$2,000 to account for the general increase in state salary levels.

**ANALYSIS AND RECOMMENDATIONS  
WITH RESPECT TO GENERAL CONTROL SECTIONS—Continued****SECTION 32.00****EXPENDITURES IN EXCESS OF AMOUNTS APPROPRIATED****ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

This section, which is identical to Section 32.00 of the Budget Act of 1983, prohibits and declares invalid any action by a public officer which would cause any expenditure to be in excess of amounts appropriated, except with the written consent of the Department of Finance. Any indebtedness created against the state in violation of these provisions would be considered null and void. The Department of Finance is to submit, on a quarterly basis, copies of all written consent documents to the fiscal committees of each house and to the Joint Legislative Budget Committee.

This section also makes a state official liable, on his official bond for any indebtedness against the state in violation of these provisions. This section makes such an officer *personally* liable for the debt as well, consistent with Section 13324 of the Government Code.

**SECTION 33.00****GOVERNOR'S VETOES****ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

This section, which is identical to Section 33.00 of the Budget Act of 1983, contains a severability clause, which declares the intent of the Legislature that an item veto by the Governor shall not affect other items in the Budget Bill.

**SECTION 33.20****FORTY-EIGHTH DISTRICT AGRICULTURAL ASSOCIATION****ANALYSIS AND RECOMMENDATIONS**

*We recommend deletion of this section because the financial needs of the 48th District Agricultural Association should be weighed against other competing needs in the normal budgetary process.*

This section expresses legislative intent that approximately \$3.1 million previously transferred to the General Fund from the 48th District Agricultural Association in Pico Rivera shall be appropriated to the district when the General Fund surplus is sufficient to fund the transfer. The 48th District conducts an annual livestock show at the Los Angeles County Fairgrounds in Pomona. Section 19.22 of the 1982 Budget Act transferred to the General Fund the proceeds from the sale of District 48 property.

The 48th District has not presented any specific plan for using these funds. Therefore, a commitment of funds at this time would be premature. Moreover, the 48th District should first seek funding for any specific proposal from the Department of Food and Agriculture, which allocates money in the Fair and Exposition Fund to local fairs. Accordingly, we recommend deletion of Section 33.20.



**SECTION 34.00****SEVERABILITY OF BUDGET ACT PROVISIONS****ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

This section, which is identical to Section 34.00 of the Budget Act of 1983, states legislative intent that a finding of unconstitutionality with respect to any part of the Budget Bill shall not affect any other parts.

**SECTION 35.00****BUDGET ACT TO TAKE IMMEDIATE EFFECT****ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

This section, which is identical to Section 35.00 of the Budget Act of 1983, specifies that, under provisions of Section 8, Article IV of the California Constitution, the Budget Act shall take effect immediately.

**SECTION 36.00****URGENCY CLAUSE****ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

This section, which is identical to Section 36.00 of the Budget Act of 1983, provides that the Budget Act is an urgency statute and shall take effect immediately.