

The 1989-90 Budget: Perspectives and Issues

Report of the Legislative Analyst to the Joint Legislative Budget Committee

California Legislature

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	<i>Page</i>
Chart 13—Annual Growth in General Fund Revenues, 1977–78 through 1989–90	67
Chart 14—Projected Revenue Growth Rates With and Without Distortions, 1988–89 and 1989–90.....	68
Chart 15—Changes in Capital Gains Estimates, 1980 through 1989.....	70
Chart 16—Personal Income Tax Liability.....	72
Chart 17—1989 Taxable Sales, by Category.....	73
Chart 18—Annual Growth in California Taxable Sales, 1978 through 1990	74
Chart 19—Ratios of California Taxable Sales and Corporate Profits to Personal Income, 1968 through 1990	75
Chart 20—Annual Growth in Taxable Corporate Profits, 1978 through 1990.....	76
Chart 21—Annual Growth in California Taxable Insurance Premiums, 1975 through 1989	77
Chart 22—Taxable Insurance Premiums, by Type.....	78
Chart 23—California Per Capita Consumption of Cigarettes and Distilled Spirits, 1970–71 through 1989–90.....	80
Chart 24—General Fund Revenues from Interest Income, 1978–79 through 1988–89	81
Chart 25—Discrepancies between Actual and Estimated General Fund Revenues ..	83
Chart 26—Alternative General Fund Revenue Forecasts, 1988–89 and 1989–90.....	84
Table 5—Selected Possible Adjustments to the Department of Finance’s General Fund Revenue Estimates, 1988–89 and 1989–90	85
Chart 27—1989–90 Special Fund Revenues by Source	87
Chart 28—California Gasoline Consumption and Prices, 1978 through 1990.....	89
Chart 29—Cigarette and Tobacco Tax Revenues, 1979–80 through 1989–90	89
Chart 30—State Oil and Gas Royalties, 1981–82 through 1989–90	90
Chart 31—Estimated Distribution of 1989–90 State Lottery Receipts.....	92

Part Four

Accommodating California’s Growth

Chart 1—Major Provisions of Growth Control Measures Adopted by Local Voters ...	100
Chart 2—Why is California Having Difficulty Accommodating Growth?.....	101
Chart 3—How Are Land Development Decisions Made?.....	103

Implementing the California Clean Air Act

Chart 1—Attainment of Sulfur Dioxide Standards, Selected Areas of California, 1970 through 1987	114
Chart 2—Attainment of Federal Lead Standard, Selected Areas of California, 1975 through 1987	114
Chart 3—California Counties Exceeding Federal Air Pollution Standards, January 1989	115
Chart 4—Summary of Major Air Pollution Legislation Enacted During the 1987–88 Legislative Session.....	118
Chart 5—The California Clean Air Act, Requirements for Non-Attainment Districts.....	119
Chart 6—Air Pollution Control Regulatory Authority, by Level of Government, Before and After the 1987–88 Session	121

Solid Waste Management in California

Table 1—Residential Trash Collection Fees in Selected California Cities, December 1988.....	130
Chart 1—Distribution of Solid Waste Management Costs, Average Costs for Selected California Cities, December 1988.....	131
Table 2—Remaining and Planned Disposal Capacity for Counties That Currently Have Less Than Eight Years Capacity, December 1988.....	134

State Appropriations Limit

Table 1—State Appropriations Limit and Appropriations Subject to Limitation, 1988–89 through 1991–92.....	142
---	-----

Chart 1—Real Per Capita Spending Authority, 1978–79 through 1989–90.....	144
--	-----

The Level of State Indebtedness

Chart 1—State Bonded Indebtedness as of December 31, 1988.....	153
--	-----

Chart 2—General Fund Debt Service and Related Borrowing Costs as a Percent of State Expenditures, 1980–81 through 1989–90.....	154
--	-----

Chart 3—Future Trends in the General Fund Debt-Service Ratio Under Alternative Assumptions.....	155
---	-----

State Transportation Funding

Table 1—Fund Estimate for the 1989 STIP, 1989–90 through 1993–94.....	165
---	-----

Year-Round Schools

Chart 1—Attendance Patterns, Traditional, Single-Track and Multitrack Calendar Programs.....	173
--	-----

Table 1—Ten Largest Multitrack Year-Round Programs (by district), 1988–89.....	175
--	-----

Table 2—Comparative Summary, Traditional and Year-Round School Calendars.....	176
---	-----

Chart 2—Multitrack Year-Round Schools, Advantages and Disadvantages.....	181
--	-----

State Asbestos Abatement Programs

Table 1—State-Owned and State-Supported Facilities.....	187
---	-----

Chart 1—Funds Appropriated for Asbestos Abatement, 1984–85 through 1988–89.....	188
---	-----

Table 2—Future Cost of Asbestos Abatement in State-Owned and State-Supported Buildings: Projects That Meet LAO Recommended Funding Criteria.....	200
--	-----

California's Prisons

Chart 1—State Prison Population and Capacity, 1980 through 1994.....	205
--	-----

Chart 2—Alternative Projections of Inmate Populations, 1983 through 1994.....	206
---	-----

Chart 3—Comparison of Previous Population Projection with Actual Population, 1982 through 1988.....	207
---	-----

Table 1—CDC Overcrowding Guidelines and Outcome of Current Master Plan.....	208
---	-----

Table 2—Additional Beds Needed to Meet Overcrowding Guidelines Under Alternative Population Projections.....	209
--	-----

Table 3—Annual CDC Support Costs, Based on Alternative Population Projections.....	211
--	-----

Federal Immigration Reform: An Update

Table 1—Federal SLIAG Funds, Availability and Proposed Expenditures, 1987–88 through 1991–92.....	223
---	-----

Table 2—Federal SLIAG Funds, Changes in Expenditure Plans, 1988–89 and 1989–90.....	225
---	-----

State Child Care Services

Table 1—Portion of Family Income Needed to Pay Average Child Care Costs, 1986–87.....	230
---	-----

Chart 1—State and Federal Agencies that Provide Child Care and Related Services.....	231
--	-----

Chart 2—Child Care Funds Administered by State Agencies, by Type of Program, 1988–89.....	232
---	-----

Table 2—Programs in California that Provide Child Care and Related Services, 1988–89.....	234
---	-----

Chart 3—1987 State Child Care Credit Distribution, by Adjusted Gross Income Range.....	246
--	-----

	<i>Page</i>
Chart 4—Average 1987 Child Care Credit Per Taxpayer, by Adjusted Gross Income (AGI) Range	247
<i>Substance-Exposed Infants</i>	
Table 1—Pregnant Substance Abusers Avoid Seeking Prenatal Care, Percentage of Women Delivering with Insufficient or No Prenatal Care in 1987.....	254
<i>State Programs for Older Californians</i>	
Chart 1—Percentage Growth in California's Population, By Age Group, 1980–2000 and 2000–2020	268
Table 1—Percent of Population Below Poverty Line	269
Chart 2—Percent of Elderly People Below the Poverty Level, by Selected Characteristics, 1986	270
Chart 3—State Agencies That Provide Services and Benefits to Older Californians	272
Table 2—Summary of Services Available to Older Californians by Program Type, 1988–89 and 1989–90	273
Chart 4—Programs Available to Older Californians By Eligibility Type, 1988–89 and 1989–90	274
Table 3—Selected Programs Serving the Disabled, Participation by Sex and Age, 1987–88.....	279
<i>Insurance Reform</i>	
Table 1—Provisions of Proposition 103.....	291
Table 2—30 Largest Private Automobile Insurers in California, Market Share in 1977, 1982, and 1987	295
Chart 1—Where the Insurance Dollar Goes	296
Chart 2—Bodily Injury and Property Damage, Average Cost per Claim for Cars in California	297
Chart 3—Comprehensive and Collision Damage, Average Cost per Claim for Cars in California	297
Chart 4—Automobile-Related Lawsuit Rates, Statewide and Selected Counties	298
<i>Local Mental Health Programs</i>	
Table 1—Short-Doyle Mental Health Services, Expenditures by Funding Sources, 1986–87	308
Chart 1—Total Expenditures for Short-Doyle Mental Health Services, 1980–81 through 1986–87	312
Chart 2—General Fund Expenditures for Short-Doyle Mental Health Services, 1980–81 through 1986–87	312
Chart 3—General Fund Appropriations for County Mental Health Programs, 1980–81 through 1988–89	313
Chart 4—General Fund Appropriations for County Clients in State Hospitals, 1980–81 through 1988–89	313
Chart 5—State Hospital Bed-Days Allocated to County Clients, 1980–81 through 1988–89	314
<i>Placement Options for Youthful Offenders</i>	
Chart 1—Dispositions of Juvenile Offenders, November 1987	321
Table 1—Characteristics of Juvenile Court Wards by Type of Out-of-Home Placement, 1987	323
Chart 2—Average Daily Population of Juvenile Facilities, 1984 through 1988.....	324
Table 2—Placement Costs in the Juvenile Justice System, 1988–89	325

	<i>Page</i>
Table 3—Treatment Services Not Generally Available to Juvenile Court Wards	327
Table 4—Location of Ward Placements in Foster Care for 10 Selected Counties, March 1988	328
Table 5—Overcrowding in Juvenile Halls, January 1987 through December 1987.....	329
<i>Trial Court Funding and County Finances</i>	
Chart 1—California Court System	339
Chart 2—Effect of Trial Court Funding on County General Fund Revenues, 1989–90	341
Table 1—County General Purpose Revenues and Expenditures for State-Required Programs, 1985–86 through 1987–88.....	345
<i>The Electrical Generation Industry in the 1990s</i>	
Table 1—Utility and Public Agency Generating Capacity	353
Table 2—Nonutility Generating Projects, By Region and Type of Plant.....	354
<i>Implementation of Proposition 98</i>	
Chart 1—Comparison of the K-14 Education Funding Requirements of Proposition 98, 1988–89	366
Chart 2—Disposition of Any Additional General Fund Revenues Under Proposition 98, 1989–90.....	367
<i>State Accounting Practices</i>	
Table 1—Impact of Accounting Changes on Reported General Fund Condition, 1987–88 through 1989–90.....	379
<i>Retiree COLAs</i>	
Chart 1—State Teachers’ Retirement System, Cost-of-Living Adjustments, 1983–84 through 1989–90	384
Chart 2—Public Employees’ Retirement System, Cost-of-Living Adjustments, 1986–87 through 1990–91	386
Chart 3—Cashflows to Provide IDDA Benefits	387
Table 1—PERS Investment Earnings, 1982–83 through 1987–88.....	389
<i>State Retiree Health Benefits</i>	
Chart 1—State Retiree Health Benefits, Historical Cost Trends, 1978–79 through 1988–89	396
Chart 2—Health Benefit Costs’ Growing Share of the Employee Compensation Pie, Assuming Past Trends Continue in the Future	398
<i>Implementation of the PERS-CARE Health Plan</i>	
Chart 1—PERS Health Benefits Program Enrollment, as of July 1988	404
Chart 2—Trends in Premium Rates, Selected Fee-for-Service and HMO Plans, 1983–84 through 1988–89	406
Chart 3—PERS Enrollment by Type of Health Plan, 1983–84 through 1988–89	407
Chart 4—Percent Retired Employees for Selected Fee-for-Service and HMO Plans, 1983–84 through 1988–89.....	409

INTRODUCTION

The purpose of this document is to assist the Legislature in setting its priorities and reflecting these priorities in the 1989 Budget Act. It seeks to accomplish this by (1) providing perspectives on the state's fiscal condition and the budget proposed by the Governor for 1989-90 and (2) identifying some of the major issues now facing the Legislature. Many of these issues are long-range in nature. Even in these cases, however, legislative action during 1989 is warranted since the Legislature generally will have a wider range of options for addressing these issues now than it will have in subsequent years. As such, this document is intended to complement the *Analysis of the 1989-90 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. In contrast, this document presents an analytical overview of the state's fiscal condition. The recommendations included herein generally cut across program or agency lines and do not necessarily fall under the jurisdiction of a single fiscal subcommittee.

The 1989-90 Budget: Perspectives and Issues is divided into four parts.

Part One, "State Fiscal Picture" provides an overall perspective on the fiscal dilemma the Legislature faces in the coming year.

Part Two, "Perspectives on the 1989-90 Budget: Expenditures" presents data on the state's spending plan, focusing on proposed General Fund and special fund expenditures. It describes how the budget differs from the current year, and highlights major program changes and expenditures not recognized in the budget.

Part Three, "Perspectives on the 1989-90 Budget: Revenues" describes the state's major funding sources and evaluates the administration's economic and revenue forecasts.

Part Four, "Major Issues Facing the Legislature," discusses significant issues that we have identified in reviewing the state's current fiscal condition and the Governor's Budget for 1989-90. Wherever possible, our analysis identifies options that the Legislature may wish to consider in addressing these issues. The issues in this part fall into five general categories: (1) issues pertaining to growth (such as, state options for better accommodating growth, waste management, and the state's appropriations limit); (2) matters relating to infrastructure and capital spending (for instance, state bonded debt, prison capacity, and asbestos abatement); (3) crosscutting programs (such as state child care programs and immigration reform); (4) specific program reviews (for example, insurance reform, the state's mental health system, and out-of-home placement of juvenile offenders); and (5) public employee issues (such as retiree cost-of-living adjustments and state annuitant health care).