

Analysis of the 1991-92 Budget Bill

Summary of Findings and Recommendations



LAO

Elizabeth G. Hill
Legislative Analyst

February 1991

Analysis of the 1991-92 Budget Bill

Summary of Findings and Recommendations

**Legislative Analyst's Office
February 1991**

TABLE OF CONTENTS

Introduction	1
Budget Overview	3
Criminal Justice	5
Transportation	9
Resources	13
Health	17
Social Services	23
K-12 Education	27
Higher Education	31
General Government	35
Capital Outlay	41

INTRODUCTION

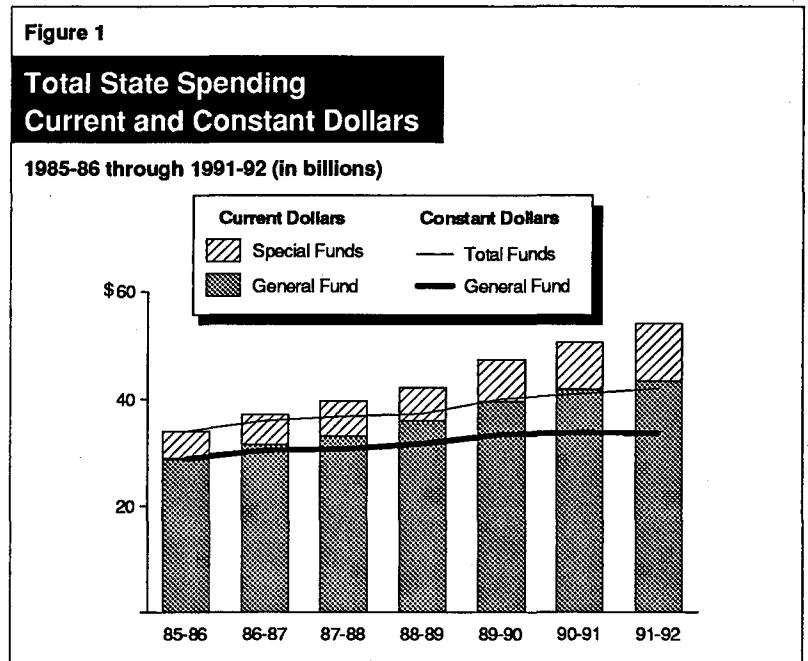
In the *Analysis of the 1991-92 Budget Bill*, we report the results of our detailed examination of the Governor's departmental spending proposals for the coming fiscal year. By contrast, *The 1991-92 Budget: Perspectives and Issues* provides an overall perspective on the state's revenues and expenditures for the budget year. It also looks to the future in an effort to focus on some of the challenges facing California in the years ahead. This document summarizes, by program area, the principal findings and recommendations set forth in the *Analysis* and the *Perspectives and Issues*.



INTRODUCTION

BUDGET OVERVIEW

Figure 1 shows state expenditures from 1985-86 through 1991-92 from the General Fund and special funds in both "current dollars" (amounts as they appear in the budget) and "constant dollars" (current dollars adjusted for the effects of inflation). Total state spending (in current dollars) increased from \$34 billion in 1985-86 to a proposed level of \$54.1 billion in 1991-92. This 1991-92 amount is \$3.5 billion, or 6.9 percent, more than estimated total state spending for the 1990-91 fiscal year. The growth since 1985-86 amounts to an average annual increase over the period of 8.0 percent. Figure 1 also shows that, in constant dollars, total state expenditures have grown less rapidly, increasing at an average annual rate of 3.6 percent.



Our review of the proposed budget for 1991-92 resulted in the following significant findings:

Budget Overview

- ▶ **Budget Gap** -- Our review indicates that the state faces a two-year budget funding gap of \$9.9 billion. The Governor's Budget falls \$1.5 billion short of closing this gap.
- ▶ **Growth in General Fund Revenues and Expenditures** -- Of the \$5.3 billion in projected General Fund growth, the first \$1.2 billion must be used to pay off the 1990-91 deficit and \$1.3 billion must be used to fund current-year expenditure levels. Furthermore, the budget proposes to set aside \$1.4 billion to restore the Special Fund for Economic Uncertainties. As a result, approximately \$1.5 billion is left in the

BUDGET OVERVIEW

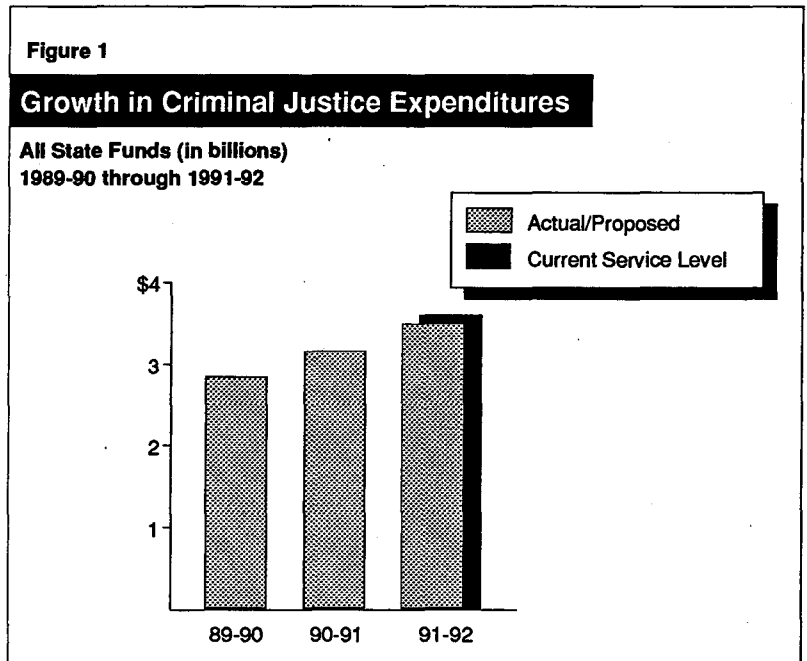
General Fund for program expenditure growth.

- ▶ **Economic Outlook** -- The administration's economic forecast predicts slow growth in 1991 followed by a rebound in 1992. The administration's revenue forecast, however, predicts a stronger rebound than that which the economic forecast would support due to its inclusion of a \$1.2 billion economic recovery adjustment. Furthermore, the economic forecast itself is slightly more optimistic than the consensus of other forecasters for California. Consequently, the administration's forecast has a significant amount of downward potential. For these reasons, we recommend that the Legislature disregard the economic recovery adjustment for its budgetary planning purposes. Additional information about revenues will be provided with the filing of tax returns in April and, based on that information, the revenue forecast could be changed significantly in the May revision.

CRIMINAL JUSTICE

Funding for criminal justice programs is proposed to total \$3.5 billion, which is approximately 6.5 percent of all state expenditures proposed in the Governor's Budget for 1991-92. This level of funding represents an increase of \$312 million, or 9.9 percent, over the level of expenditures estimated for 1990-91.

Figure 1 shows spending levels for major criminal justice programs for 1989-90 and 1990-91, and compares the budget proposal for 1991-92 with our estimate of the spending required to maintain the 1990-91 current service level in the budget year. As the figure indicates, the proposed budget would result in minor reductions in the overall level of funding for criminal justice programs relative to the current services funding level.



Our review of the proposed budget for 1991-92 resulted in the following significant findings:

Judicial

- ▶ **Trial Court Funding** -- Proposed funding for the Trial Court Funding Program is underbudgeted by \$1.1 million. (*Analysis*, page 30.)

Adult Corrections

- ▶ **Prison Inmate Population** -- The prison inmate population continues to increase at an unprecedented rate, resulting in a proposed General Fund increase of 14 percent for the Department of Corrections in 1991-92 -- the largest increase of any major state department. Without action to control the

CRIMINAL JUSTICE

inmate population growth, it will not be possible to significantly reduce expenditures for the Department of Corrections. However, options that would have the most impact in controlling inmate population growth would have little impact until after 1991-92. (*Analysis*, page 840.)

- ▶ **Community Corrections Programs** -- One way to address the growing inmate population is through "community corrections" programs, which are alternatives to state prisons. Because of uncertainties about the overall effectiveness of community corrections, however, the Legislature should take a cautious, evolutionary approach to these programs. Specifically, the state should promote small-scale piloting and experimentation with targeted populations, as well as evaluations of program effectiveness. (*Perspectives and Issues*, page 213.)
- ▶ **Substance Abuse Treatment for Inmates** -- The Department of Corrections' efforts to provide substance abuse treatment to inmates have been weak. The department should work with the Department of Alcohol and Drug Programs to improve treatment capabilities. (*Analysis*, page 850.)
- ▶ **Substance Abuse Revocation Diversion (SARD) Program** -- This program has been unsuccessful at reducing recidivism among parolees. Funds proposed to continue the program should be redirected to the Department of Alcohol and Drug Programs to provide additional treatment services to parolees. (*Analysis*, page 858.)
- ▶ **Parole Revocation Guidelines** -- The Department of Corrections should develop guidelines for parole agents to use when they consider revoking parole and returning a parolee to prison. (*Analysis*, page 857.)
- ▶ **County Jails** -- Although thousands of new county jail beds have been constructed in recent years, county jails will be 50 percent overcrowded by 1995. In addition, because of fiscal constraints, many counties have struggled to open and fully operate recently constructed county correctional facilities. (*Analysis*, page 873.)

CRIMINAL JUSTICE

Youth Corrections

- ▶ **Ward and Parole Population** -- The Youth Authority projects that the ward and parole populations will remain static between the current and budget years. A number of factors, however, may result in upward adjustments to these projections in Spring 1991. (*Analysis*, page 886.)
- ▶ **Free Venture Program** -- This program, which employs wards in private industries within the institutions, needs additional legislative review as it attempts to expand. (*Analysis*, page 886.)



CRIMINAL JUSTICE

TRANSPORTATION

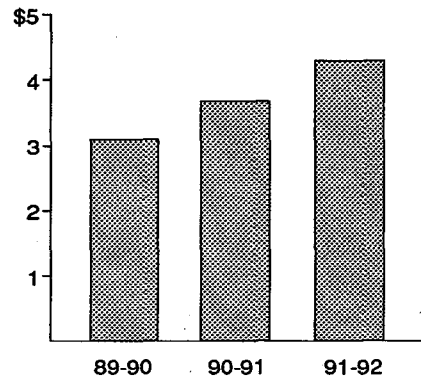
Funding for transportation programs is proposed to total \$4.3 billion, which is approximately 7.9 percent of expenditures from all state funds proposed in the Governor's Budget for 1991-92. This level of funding represents an increase of \$615 million, or 17 percent, over the level of expenditures estimated for 1990-91.

Figure 1 shows spending levels for major transportation programs from 1989-90 through 1991-92. As the figure shows, state-funded expenditures for transportation programs have increased steadily since 1989-90. Specifically, expenditures increased by 28 percent from 1989-90 to 1990-91, and are proposed to increase by 16 percent from the current to the budget year.

Figure 1

Growth in Transportation Expenditures

All State Funds (in billions)
1989-90 through 1991-92



Our review of the proposed budget for 1991-92 resulted in the following significant findings:

Department of Transportation

► **Capital Outlay** -- We find that the state's transportation capital outlay program:

- Could be underfunded by at least \$275 million *below* the amounts required for 1990-91 and 1991-92.
- Includes about \$910 million to pay higher costs of projects remaining from the 1988 State Transportation Improvement Program (STIP). These higher costs reduce the amount of funds available for other transportation needs.

TRANSPORTATION

- Includes \$795 million in new projects--67 percent of the total--which do not have defined scope and cost.
- Does not yet account for \$1.5 billion in earthquake restoration and seismic retrofit costs. (*Analysis*, page 265.)

- ▶ **Seismic Retrofit** -- In order to undertake additional earthquake restoration and seismic retrofit work in 1991-92, the Legislature will need to identify capital projects to defer or new funding sources to utilize. (*Analysis*, page 270.)
- ▶ **Research Center** -- The department has expended funds on the development of a research center, despite the Legislature's disapproval of funds for these activities in the current year. (*Analysis*, page 282.)
- ▶ **Rail Projects in 1990 STIP** -- About \$2.5 billion in commuter and urban rail projects have been included in the 1990 STIP, without prior review by the California Transportation Commission (CTC) or the Department of Transportation as required by statute. (*Analysis*, page 295.)
- ▶ **Propositions 108 and 116 Rail Funds** -- With the passage of Propositions 108 and 116, the rail capital outlay program has expanded significantly. The budget proposes an appropriation of \$330 million for Proposition 108 grants. (Proposition 116 funds are continuously appropriated for allocation by the CTC, and therefore are not reflected in the budget.) (*Analysis*, page 292.)
- ▶ **State's Role in Rail System** -- We recommend that the Legislature enact legislation to further define the state's role in the development of the state's rail system, including a requirement to develop a long-term rail plan. (*Perspectives and Issues*, page 291.)
- ▶ **Rail Bond Measures** -- Given recent voter rejection of most bond measures in November 1990, the Legislature needs to address the amount and timing of the two additional rail bond measures scheduled to be placed before the voters in November 1992 and 1994. (*Perspectives and Issues*, page 291.)

TRANSPORTATION

California Highway Patrol

- ▶ **Truck Terminal Inspection Backlog** -- The CHP has a large backlog of truck terminals that have paid a required inspection fee but have yet to be inspected, under the Biennial Inspection of Terminals (BIT) Program. (*Analysis*, page 309.)
- ▶ **Truck Terminal Inspection Fees** -- Inspection fees for the BIT Program should be raised because, contrary to legislative intent, the program is not self-supporting. (*Analysis*, page 309.)

Department of Motor Vehicles

- ▶ **Motor Vehicle Account** -- The Governor's Budget proposes to increase vehicle registration fees by \$5 and driver license fees by \$2, effective January 1992. Together, these measures would increase Motor Vehicle Account revenue by \$73.4 million in 1991-92, and by about \$150 million annually thereafter. (*Analysis*, page 315.)

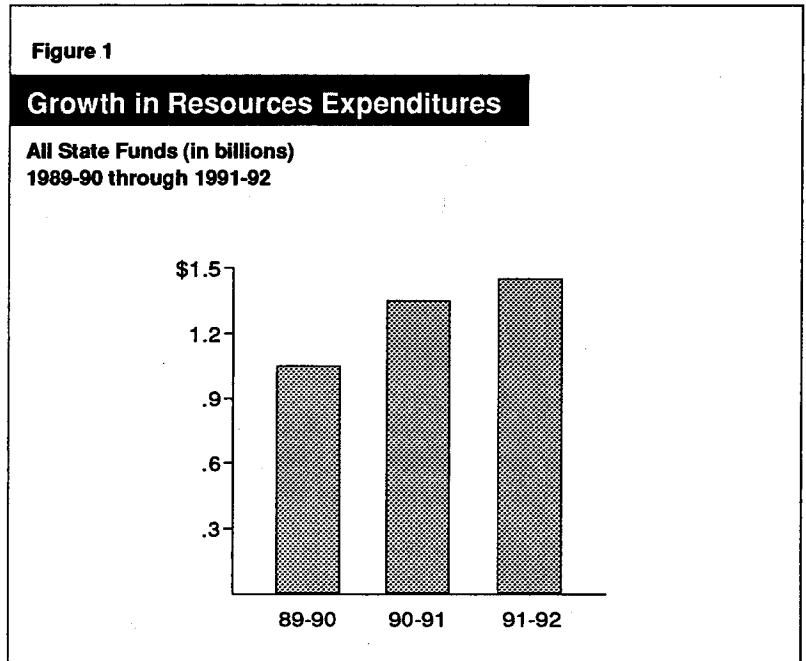


TRANSPORTATION

RESOURCES

Funding for resources programs is proposed to total \$1.5 billion from all state funds in 1991-92. This is equal to 2.2 percent of expenditures from all state funds proposed in the Governor's Budget for 1991-92.

Figure 1 shows spending levels for resources programs for 1989-90 and 1990-91 and proposed spending for 1991-92. As the figure indicates, total spending from all state funds is proposed to increase by 7.5 percent in the budget year. This consists of special fund growth of nearly 20 percent and a General Fund decline of nearly 10 percent.



Our review of the proposed budget for 1991-92 resulted in the following significant findings:

Secretary for Resources

- ▶ **ELPF and Public Resources Account** -- There is little room left in the Environmental License Plate Fund (ELPF) and Public Resources Account for legislative priorities if the Legislature approves the Governor's spending proposals. In addition, the park-related bond funds are depleted, leaving little money available from this source to start new park projects. (*Analysis*, page 41.)

RESOURCES

- ▶ **Water Agencies** -- Little money is available to help water agencies comply with new federal drinking water regulations. (*Analysis*, page 46.)

Air Resources Board

- ▶ **Clean Air Act** -- Recent amendments to the federal Clean Air Act may alter the Air Resources Board's role in regulating (1) toxic air contaminants, (2) off-road engines, and (3) vehicle emissions. (*Analysis*, page 361.)
- ▶ **Toxic Air Contaminants** -- The state could save as much as \$200,000 annually by amending current law to allow the board to regulate federally listed toxic air contaminants without first listing these contaminants with the Office of Administrative Law. (*Analysis*, page 361.)

Department of Forestry and Fire Protection

- ▶ **Support Costs** -- The Legislature can shift some support costs from the General Fund to federal funds and free up \$2.3 million for other purposes. (*Analysis*, page 377.)
- ▶ **Potential Funding Shortfall** -- The department may incur a shortfall of \$3.6 million in 1991-92 if Butte County cannot pay for fire suppression services. (*Analysis*, page 378.)
- ▶ **Fees** -- The Legislature can impose fees for review of timber harvest plans and free up \$5.9 million from the General Fund for other purposes. (*Analysis*, page 383.)

Department of Fish and Game

- ▶ **Hunting and Fishing Licenses** -- Sales of these licenses are still falling, but recent legislation may postpone a revenue shortfall if these new fees materialize as assumed in the Governor's Budget. (*Analysis*, pages 398 and 401.)

RESOURCES

▶ **Program Funding Realignment** -- The department proposes significant realignments of its programs and fund sources because of new environmental review fee authority enacted last year. (*Analysis*, page 401.)

▶ **Streambed Alterations** -- The department could free up over \$600,000 in new environmental review fees to be used for environmental program enhancements if it charged the full costs for review of streambed alteration agreements. (*Analysis*, page 405.)

Department of Boating and Waterways

▶ **Augmentation Not Justified** -- The department has not justified a proposed augmentation of \$14.3 million from the Harbors and Watercraft Revolving Fund for boating facility grants and loans. We recommend enactment of legislation transferring these funds to the General Fund for expenditure on other priorities. (*Analysis*, page 417.)

Department of Parks and Recreation

▶ **Park User Fees** -- The Department of Parks and Recreation may not collect the full \$16 million in current-year park user fee increases that was required in the 1990 Budget Act. It also may not realize all of its projected budget-year fee revenues. (*Analysis*, page 434.)

▶ **OHV Fund Reserve** -- We recommend enactment of legislation transferring \$9.8 million from the reserve in the Off-Highway Vehicle (OHV) Fund to the General Fund for expenditure on other priorities. (*Analysis*, page 436.)

▶ **Prior-Year Diversion of Funds** -- The department has diverted significant amounts of funding in prior years for purposes not explicitly approved by the Legislature, including \$8.3 million appropriated in the past five years specifically for deferred maintenance in state parks. (*Analysis*, page 439.)

RESOURCES

Department of Water Resources

- ▶ **Dam Safety Inspection Fees** -- These fees should be raised to a level consistent with comparable safety programs. This would result in additional General Fund revenues of at least \$1 million beginning in 1991-92. (*Analysis*, page 455.)
- ▶ **California Water Fund** -- The Legislature can free up \$1 million from the General Fund by funding a portion of department support from the California Water Fund. (*Analysis*, page 457.)

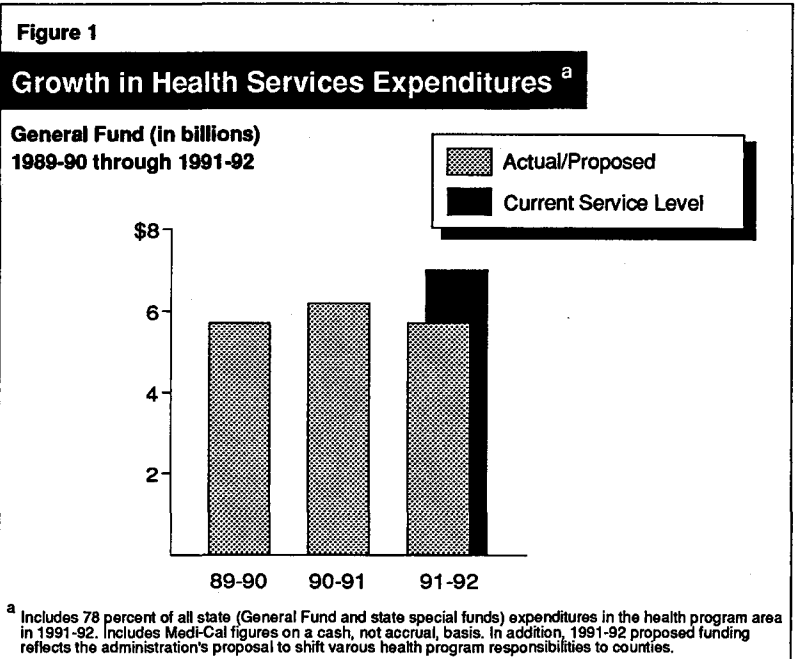
State Water Resources Control Board

- ▶ **Fee Increase** -- The Legislature can free up \$4.3 million for the General Fund in 1991-92 by accelerating the board's proposed fee increase for core regulatory programs. (*Analysis*, pages 466 and 469.)
- ▶ **Underground Tank Cleanup Funding** -- California will lose \$4.9 million in federal underground tank cleanup funding over two years, because the federal EPA uses a funding allocation formula that ignores the unique nature of the state's local oversight program. (*Analysis*, page 470.)

HEALTH

Funding for health programs is proposed to total \$7.0 billion (all state funds) and \$6.4 billion (General Fund) in 1991-92. The General Fund amount is equal to approximately 17 percent of General Fund expenditures proposed in the Governor's Budget for 1991-92. The level of funding from the General Fund represents a decrease of \$376 million, or 5.5 percent, from the level of General Fund expenditures estimated for 1990-91.

Figure 1 shows General Fund local assistance spending levels for major health services programs for 1989-90 and 1990-91, and compares the budget proposal for 1991-92 with our estimate of the General Fund spending required to maintain the 1990-91 current service level in the budget year. These figures exclude approximately \$900 million in funding associated with a proposed accrual accounting adjustment, because this proposal has no effect on program service levels. As the figure indicates, the proposed budget would result in significant General Fund reductions in the overall level of local assistance funding for health services programs relative to the current services funding level. This is due in large part to the proposed shift in responsibility to counties for providing mental health and public health services.



Our review of the proposed budget for 1991-92 resulted in the following significant findings:

General Issues

- ▶ **State Legalization Impact Assistance Grant (SLIAG) Funds** -- These funds will run out in either 1991-92 or 1992-93. The Legislature faces major transition issues regarding how to address continuing service demands for newly legalized persons without SLIAG funds. (*Analysis*, page 1429.)

HEALTH

- ▶ **SLIAG Funds** -- The President's recent budget proposal would eliminate in 1991-92 \$365.7 million that California expects to receive in federal SLIAG funds. Such a reduction (1) could increase General Fund costs and (2) would significantly reduce services provided to newly legalized persons. (*Analysis*, page 1429.)
- ▶ **DHS Unallocated Reduction** -- The Department of Health Services' proposal to allocate a \$4.5 million reduction among its programs will result in a loss of federal Medi-Cal funds and unknown General Fund costs. In addition, the department has not yet developed a plan for allocating among its programs a \$25.3 million unallocated reduction in 1991-92. (*Analysis*, page 528.)

Public Health

- ▶ **Public Health "Realignment" Proposal** -- The administration's proposal to "realign" the AB 8 county health services program poses major policy questions for the Legislature. We find that (1) the amount of funding at stake is up to \$1 billion annually, which is significantly more than the AB 8 funding alone, and (2) the programmatic impact depends on whether counties continue funding these services voluntarily. (*Analysis*, page 550, and *Perspectives and Issues*, page 179.)
- ▶ **Rural Health "Realignment" Proposal** -- The administration's proposal to "realign" the local health services program may significantly affect 12 small rural counties' ability to provide public and environmental health services. (*Analysis*, page 555, and *Perspectives and Issues*, page 179.)
- ▶ **Adolescent Family Life Program (AFLP)** -- The department has chosen not to implement Ch 720/90 (AB 2764, Roos), requiring it to request federal approval for establishing targeted case management as a Medi-Cal benefit within specified AFLP sites. We recommend a funding switch that will enable the Legislature to implement the statute at no net General Fund cost. (*Analysis*, page 568.)
- ▶ **California Children's Services and Genetically Handicapped Persons Programs** -- While the department's proposal to establish enrollment fees in these programs has merit,

HEALTH

it (1) may leave a shortfall of up to \$3.1 million in the program budgets and (2) is inconsistent with existing law. (*Analysis*, page 571.)

▶ **Genetic Disease Testing Programs** -- The department's proposal to finance three genetic disease programs--Prenatal Diagnosis, Sickle Cell Counseling, and Tay Sachs Prevention--with reserves in the Genetic Disease Testing Fund raises policy issues regarding the appropriateness of supporting these programs with fees in future years. (*Analysis*, page 578.)

▶ **Tobacco Tax-Funded Health Education Programs** -- The budget proposes to reduce funding for the Tobacco Use Prevention Program by \$69.5 million, and redirect the majority of these funds to a new perinatal insurance program. As a result, the total level of support for tobacco tax-funded health education programs will fall below the minimum amounts required by Proposition 99. (*Analysis*, page 585.)

Toxic Substances Control

▶ **Site Mitigation** -- Funding for the toxics program may be insufficient to fund proposed site mitigation and hazardous waste management activities in 1991-92. (*Analysis*, page 589.)

▶ **Stringfellow Hazardous Waste Site Costs** -- The state is required by a recent judicial ruling to share with other responsible parties the costs of cleaning up the Stringfellow hazardous waste site. The costs of cleaning up this site will exceed \$280 million (in current-year dollars). (*Analysis*, page 592.)

Medi-Cal

▶ **Accrual Accounting** -- A proposal to spend \$876 million from the General Fund to budget Medi-Cal expenditures on an accrual, rather than a cash, accounting basis will eliminate fiscal strategies--such as delaying Medi-Cal checkwrites--that distort the budget's reflection of actual costs and, therefore, has merit. (*Analysis*, page 611.)

HEALTH

- ▶ **Drug Discount Program** -- The department's drug discount program may result in net costs of about \$2.5 million from the General Fund in both 1990-91 and 1991-92, rather than resulting in expected net General Fund savings of \$21.1 million. (*Analysis*, page 617.)
- ▶ **Copayments** -- A proposal to save \$21.2 million from the General Fund by requiring beneficiaries to make copayments could increase Medi-Cal costs for other services and limit beneficiaries' access to services. (*Analysis*, page 625.)
- ▶ **Nursing Facilities** -- The budget proposes \$15.1 million (\$7.5 million General Fund) to implement federal nursing home provisions of the Omnibus Budget Reconciliation Act of 1987. The ongoing implementation costs could be significantly higher. (*Analysis*, page 621.)

Developmental Services

- ▶ **Sherry S. Court Case** -- To date, the department has spent only \$290,000 of the \$2.6 million provided for implementing *Sherry S.* and other court rulings. It has spent approximately \$900,000 of the funds appropriated to offset its (1) unallocated reductions and (2) unreimbursed cost increases. (*Analysis*, page 653.)
- ▶ **Early Intervention Services Program** -- The Legislature must determine this spring whether to establish the federal Early Intervention Services Program as an ongoing entitlement program for infants who manifest "developmental delays"--at an annual General Fund cost in the range of tens of millions of dollars. (*Analysis*, page 656.)
- ▶ **Regional Center Entitlement** -- The administration is proposing legislation to waive the entitlement to regional center services so that the regional centers can implement the proposed unallocated General Fund reduction of \$24.2 million. (*Analysis*, page 661.)

HEALTH

Mental Health

- ▶ **Local Mental Health "Realignment" Proposal** -- The budget proposes to transfer virtually all local mental health programs to counties, resulting in a General Fund reduction of \$432 million. The proposal would exacerbate problems we have identified in the current system, and would effectively encourage placements in the most costly and restrictive treatment settings. Whether or not the Legislature includes mental health programs in a state-county realignment, we recommend that the Legislature enact comprehensive reform of the state's mental health service delivery system. (*Analysis*, page 698 and *Perspectives and Issues*, page 179.)
- ▶ **State Hospital Management** -- Serious questions have been raised regarding management practices at Napa State Hospital, and the department's procedures for budgeting and oversight of the entire state hospital system. (*Analysis*, pages 685 and 694.)
- ▶ **State Hospital Treatment Services** -- Delivery of treatment to patients at the five state hospitals varies widely relative to the department's treatment standards. The five state hospitals delivered an average of just 62 percent of the department's treatment standard. (*Analysis*, page 690.)
- ▶ **Napa Consent Decree** -- The department has entered into a costly consent decree with the U.S. Department of Justice for Napa State Hospital that severely constrains legislative flexibility. (*Analysis*, page 687.)
- ▶ **Institutions for Mental Diseases** -- Changes in the department's management practices for institutions for mental diseases (IMDs) and the Conditional Release Program would potentially result in major General Fund savings. (*Analysis*, pages 681 and 717.)
- ▶ **County Match for IMD Beds** -- The allocation of IMD beds to counties and a required county match would conform the program to other state-funded mental health services, and would result in a General Fund savings of \$11.9 million in the budget year. (*Analysis*, page 720.)



HEALTH

SOCIAL SERVICES

Funding for social services programs is proposed to total \$6.6 billion, which is approximately 15 percent of General Fund expenditures proposed in the Governor's Budget for 1991-92. This level of expenditures represents an increase of \$7 million, or 0.1 percent, over the level of expenditures estimated for 1990-91.

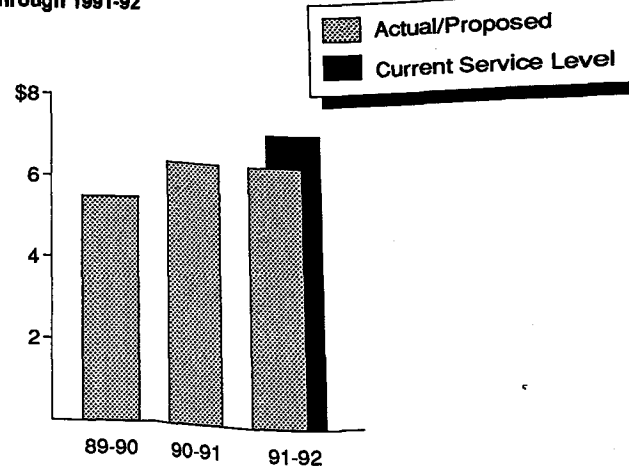
Figure 1 shows the spending levels for major social services programs for 1989-90 and 1990-91, and compares the budget proposal for 1991-92 with our estimate of the spending required to maintain the 1990-91 current service level in the budget year. As the figure indicates, the budget proposes funding that is \$831 million, or about 12 percent, less than we estimate would be needed to cover the General Fund share of the costs of providing the current level of services for these programs.

This shortfall reflects two major factors: (1) the budget underestimates AFDC caseloads by about 7 percent and (2) the budget proposes a variety of statutory changes.

Figure 1

Growth in Social Services Expenditures ^a

General Fund (in billions)
1989-90 through 1991-92



^a Covers 98 percent of total General Fund expenditures for social services.

Our review of the proposed budget for 1991-92 resulted in the following significant findings:

Department of Social Services

- ▶ **AFDC Costs Increasing** -- Our review of the AFDC Program indicates that welfare dependency and state costs have increased rapidly in recent years. To address this concern, we evaluate four options for legislative consideration: (1) reduce grant levels for nonworking recipients, as proposed

SOCIAL SERVICES

by the Governor, (2) increase grant levels for working recipients, (3) provide medical coverage for the working poor, and (4) increase the number of recipients who receive services through the Greater Avenues for Independence (GAIN) Program. (*Perspectives and Issues*, page 189.)

- ▶ **AFDC Caseloads** -- The department's AFDC-FG and U caseload estimates are seriously understated; as a result, caseload costs could be \$175 million (General Fund) higher than estimated. (*Analysis*, page 762.)
- ▶ **AFDC COLA Suspension** -- The budget proposes legislation to suspend the statutory COLA for AFDC-FG and U recipients in 1991-92, for a General Fund savings of \$154 million. (*Analysis*, page 763.)
- ▶ **AFDC Grant Reduction** -- The budget proposes legislation to reduce maximum aid payments to AFDC recipients; we estimate that this would result in a General Fund savings of \$205 million. The proposal would affect recipients differently, depending on their level of outside income. (*Analysis*, page 765.)
- ▶ **AFDC Homeless Assistance Program** -- The budget proposes legislation to eliminate this program, for a General Fund savings of \$35 million. (*Analysis*, page 768.)
- ▶ **AFDC-U State-Only Program** -- The budget proposes legislation to eliminate this program, for a General Fund savings of \$7 million. The effect of this proposal is to transfer responsibility for these families from the state to the counties. (*Analysis*, page 770.)
- ▶ **Foster Care Rates** -- The budget proposes legislation to freeze foster care group home rates, for an estimated General Fund savings of \$33 million. One potential drawback of the proposal is that it may restrict the supply of foster care group home beds in 1991-92. (*Analysis*, page 772.)

SOCIAL SERVICES

- ▶ **Wards of the Court** -- The budget proposes \$49 million in increased federal funds for grant costs and case management services for wards of the court who are placed in foster care. This will result in General Fund savings of \$25 million and increased federal funds of \$24 million to the counties. (*Analysis*, page 773.)
- ▶ **SSI/SSP COLA Suspension** -- The budget proposes legislation to suspend the statutory requirement for a state COLA (5.49 percent) for SSI/SSP grants in 1991-92, for a General Fund savings of \$168 million. (*Analysis*, page 793.)
- ▶ **Child Welfare Services** -- Funding for the Child Welfare Services Program in 1991-92 will fall short of the amount necessary to fund the program's mandates by \$54 million (\$38 million General Fund). (*Analysis*, page 808.)
- ▶ **IHSS COLA Suspension** -- The Governor's Budget proposes legislation to suspend the 5.49 percent statutory increase in maximum IHSS grants, for a General Fund savings of \$4.7 million. (*Analysis*, page 819.)
- ▶ **GAIN Program** -- The budget proposes \$160 million less for the GAIN Program than the amount needed to serve total anticipated caseloads in all counties. (*Analysis*, page 824.)
- ▶ **Unallocated Reduction** -- The budget proposes an unallocated General Fund reduction of \$21 million that could be distributed across all social services programs except IHSS. (*Analysis*, page 805.)
- ▶ **Community Care Licensing Fees** -- The budget proposes legislation to institute a new revised licensing fee schedule for the Community Care Licensing Program. The budget anticipates that this revision would increase General Fund revenues from \$1.3 million to \$6.9 million in 1991-92. (*Analysis*, pages 750 and 830.)

SOCIAL SERVICES

Department of Rehabilitation

- ▶ **Adoption Fees** -- The budget proposes legislation to increase the fee from \$500 to \$1,896 that the state's district adoption offices may charge prospective adoptive parents under the Independent Adoptions Program. We believe that a larger fee increase is justified to take into account the average cost per case. (*Analysis*, pages 751 and 826.)

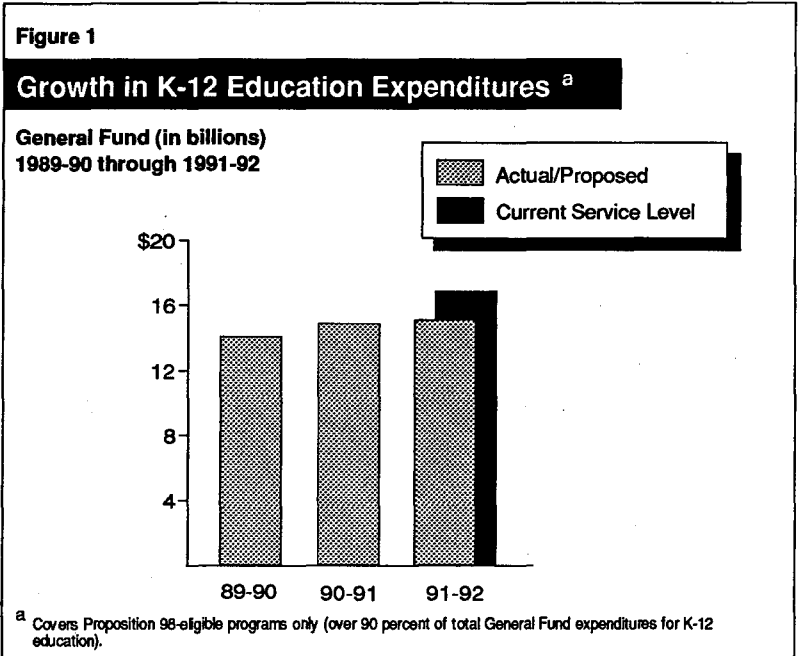
Alcohol and Drug Programs

- ▶ **Unallocated Reduction** -- The \$3.3 million General Fund unallocated reduction could result in the loss of \$2.7 million in federal funds and the loss of services to approximately 1,200 clients. (*Analysis*, page 737.)
- ▶ **Waiting Lists for Drug Treatment** -- There is a lack of funds to continue existing waiting list reduction programs; however, there are other funding options open to the Legislature. (*Analysis*, page 499.)
- ▶ **Treatment Services for Women** -- The Governor proposes \$25 million to expand substance abuse treatment services for pregnant and parenting women. The administration needs to address a number of concerns about the proposal. (*Analysis*, page 502.)

K-12 EDUCATION

Funding for K-12 education from the General Fund for Proposition 98-eligible programs is proposed to total \$15.1 billion, which is equal to approximately 35 percent of General Fund expenditures proposed in the Governor's Budget for 1991-92. (Over 90 percent of total General Fund support for K-12 education counts towards meeting Proposition 98's minimum funding requirements.)

Figure 1 shows General Fund spending levels for Proposition 98-eligible K-12 education programs for 1989-90 and 1990-91, and compares the budget proposal for 1991-92 with our estimate of the spending required to maintain the 1990-91 current service level in the budget year. As the figure indicates, the proposed budget would result in a \$1.8 billion (10 percent) reduction in the overall level of funding for K-12 education programs relative to the current services funding level.



Our review of the proposed budget for 1991-92 resulted in the following significant findings:

K-12 Education

- **Proposition 98 Suspension** -- The budget proposes to suspend Proposition 98 and reduce funding for K-12 education and community colleges by \$2 billion below levels that would be required in the absence of suspension. (*Perspectives and Issues*, page 143 and *Analysis*, page 903.)

K-12 EDUCATION

- If the Legislature *does not* suspend Proposition 98, it will have to cut funding for non-K-14 education programs by \$2 billion, in addition to the significant reductions already proposed in the budget, raise an equivalent amount in new tax revenues, or use a combination of these two approaches. (*Perspectives and Issues*, page 143.)
 - If the Legislature *does* suspend Proposition 98, on the other hand, it need not accept the administration's proposal to reduce funding for K-14 education by \$2 billion. Rather, the Legislature could determine the level of funding for K-14 education it deems appropriate. The Legislature would also have greater flexibility in deciding how to distribute any new General Fund tax revenues. (*Perspectives and Issues*, page 143.)
-
- ▶ **COLA Suspension** -- The budget proposes to suspend statutory COLAs (4.77 percent), thereby reducing funding for K-12 education programs by \$991 million. (*Analysis*, page 912.)
 - ▶ **School Apportionments** -- The budget reduces funding for school apportionments by \$250 million, by assuming that strict adherence to current-law attendance accounting requirements will reduce reported ADA. (*Analysis*, page 923.)
 - ▶ **Mentor Teacher and Class Size Reduction** -- The budget eliminates \$97 million in funding for the mentor teacher program (\$66 million) and class size reduction (\$31 million). (*Analysis*, pages 937 and 932.)
 - ▶ **New Education Initiatives** -- The budget proposes \$95 million in new initiatives, including (1) expanding preschool services for low-income families, (2) coordinating various social and mental health services through school sites, and (3) restoring a revised student assessment program. (*Analysis*, pages 952, 978, and 991.)
 - ▶ **Proposition 98 Reserve** -- If the Legislature chooses to suspend Proposition 98, the proposed \$100 million reserve is not needed. (*Analysis*, page 926.)

K-12 EDUCATION

- ▶ **Year-Round Schools** -- The Legislature should reduce funding for year-round schools by \$51 million, in order to ensure that (1) year-round incentives share with districts no more than 90 percent of the statewide average cost avoidance and (2) desegregation reimbursements do not double-fund costs related to year-round operations. (*Analysis*, pages 949 and 968.)

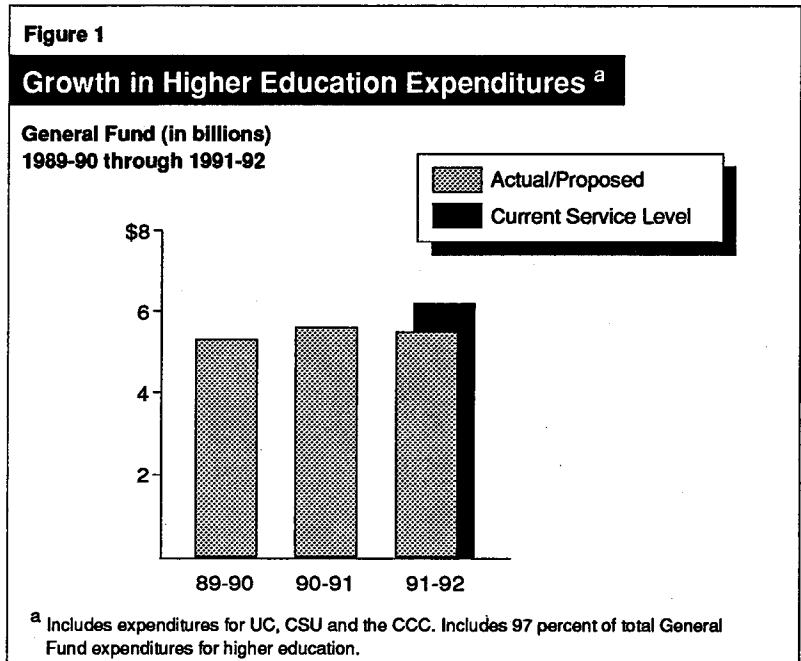


K-12 EDUCATION

HIGHER EDUCATION

Funding for higher education programs is proposed to total \$6.1 billion from all state funds, which is equal to approximately 11 percent of total expenditures proposed in the Governor's Budget for 1991-92. This level represents a decrease of \$27 million, or 0.4 percent, from the level of expenditures estimated for 1990-91.

Figure 1 shows combined General Fund spending for the University of California (UC), the California State University (CSU), and the California Community Colleges (CCC) for 1989-90 and 1990-91, and compares the budget proposal for 1991-92 with our estimate of the spending required to maintain the 1990-91 current service level in the budget year. As the figure indicates, the proposed budget would result in significant reductions in the overall level of higher education programs relative to the current services funding level.



Our review of the proposed budget for 1991-92 resulted in the following significant findings:

University of California

- ▶ **Current Service Levels** -- The budget proposal is \$206 million below the amount needed to maintain current service levels in the budget year. (*Perspectives and Issues*, page 70.)
- ▶ **Student Fees** -- These fees are proposed to increase by 20 percent, or twice as much as current law allows. (*Analysis*, page 1024.)

HIGHER EDUCATION

California State University

- ▶ **Deferred Payment** -- The budget proposes that \$55 million in 1991-92 program expenses be paid in 1992-93. However, language in the 1991 Budget Bill prevents the UC from committing these funds in 1991-92. (*Analysis*, page 1023.)

- ▶ **Current Service Levels** -- The budget proposal is \$180 million below the amount needed to maintain current service levels in the budget year. (*Perspectives and Issues*, page 70.)

- ▶ **Student Fees** -- These fees are proposed to increase by 20 percent, or twice as much as current law allows. (*Analysis*, page 1039.)

California Community Colleges

- ▶ **Proposition 98 Suspension** -- The administration proposes to suspend Proposition 98 in 1991-92. (*Analysis*, page 1051.)

- ▶ **Current Service Level** -- The budget proposal is \$211 million below the amount needed to maintain current service levels in the budget year. (*Perspectives and Issues*, page 70.)

- ▶ **Student Fees** -- The administration proposes a 20 percent increase in student fees at the community colleges. (*Analysis*, page 1055.)

- ▶ **Program-Based Funding** -- The budget proposal assumes that program-based funding (PBF) will not be implemented in 1991-92. However, the Budget Bill does not specifically prohibit implementation, and the Chancellor's Office indicates that it intends to implement PBF in 1991-92. (*Analysis*, page 1054.)

HIGHER EDUCATION

Student Aid Commission

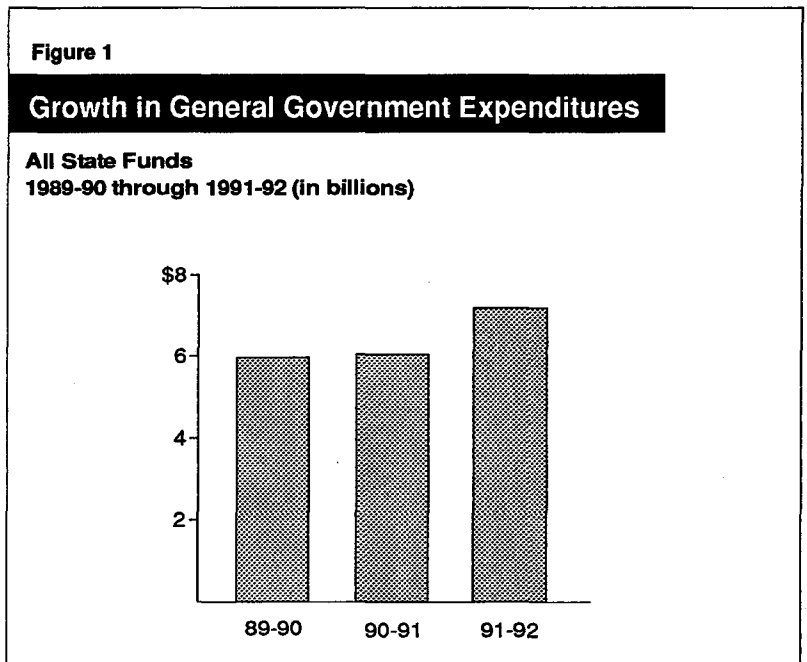
- ▶ **Cal Grant Awards** – The budget proposes no increase in the Cal Grant maximum award amount or in the number of awards. (*Analysis*, page 1066.)
- ▶ **Grant Program Impacted by Unallocated Reduction** – In order to implement a \$6.8 million unallocated reduction, the commission will have to (1) reduce the dollar value of the Cal Grant or (2) reduce the number of grants awarded. (*Analysis*, page 1068).



HIGHER EDUCATION

GENERAL GOVERNMENT

Funding for general government programs is proposed to total \$7.2 billion, which is equal to approximately 13 percent of General Fund and special fund expenditures proposed in the Governor's Budget for 1991-92. This level of expenditures represents an increase of \$1.1 billion, or 19 percent, over the level of expenditures estimated for 1990-91. The large increase for 1991-92 is attributable to legislation proposed in the budget which would increase aid to local governments by increasing the level of vehicle license fees distributed to cities and counties. Figure 1 shows the level of spending for general government programs from 1989-90 through 1991-92.



Our review of the proposed budget for 1991-92 resulted in the following significant findings:

Administration

- ▶ **Board of Equalization: Unallocated Reduction** -- The unallocated reduction to the Board of Equalization "costs" more than it "saves." Restoration of the unallocated reduction will yield increased state revenues of approximately \$9.8 million. (*Analysis*, page 86.)
- ▶ **Franchise Tax Board: Unallocated Reduction** -- The Franchise Tax Board can raise an additional \$11.1 million in revenues if its budget is augmented by \$2.7 million to offset the unallocated reduction proposed in the Governor's Budget. (*Analysis*, page 135.)

GENERAL GOVERNMENT

- ▶ **Taxpayer Information System** -- The Franchise Tax Board should report at budget hearings on the progress of the temporarily suspended Taxpayer Information System project and its fiscal implications. If discontinued, the Legislature should decide how the affected \$3.8 million and 108 personnel years should be reallocated. (*Analysis*, page 137.)
- ▶ **Bond Fund Expenditures** -- The Legislature needs to amend the General Obligation Bond law to specify when to use bond funds for purposes other than actual construction of capital facilities. In addition, better information about bond fund expenditures is needed to ensure effective legislative oversight of these programs. (*Perspectives and Issues*, page 249.)
- ▶ **Judges' Retirement** -- The Judges' Retirement System is becoming less solvent. Enactment of legislation authorizing an increase in specified fee revenues and contribution rates would reduce General Fund costs. (*Analysis*, page 20.)
- ▶ **Amortization of Gains in PERS** -- The Governor's proposal to amortize specified gains in the Public Employees' Retirement System (PERS) will result in General Fund costs, not savings, in 1991-92. Consequently, the budget underestimates General Fund expenditure requirements by \$71 million. (*Analysis*, page 172.)
- ▶ **PERS: Rate of Return** -- The budget proposal to increase the interest assumption used to calculate PERS funding needs will reduce General Fund costs in 1991-92, but could reduce the state's ability to pay purchasing power benefits in future years. The proposal will also reduce K-14 school employers' costs by \$65 million and reduce local public agencies' costs by unknown tens of millions of dollars in 1991-92. (*Analysis*, pages 173 and 174.)

GENERAL GOVERNMENT

Regulation

- ▶ **Pesticide Regulation** -- By raising the mill tax on the sale of pesticides, the Legislature could eliminate \$16.1 million in General Fund support for the pesticide regulatory program. (*Analysis*, page 1130.)
- ▶ **Local Assistance Funding** -- Funding for the Department of Food and Agriculture local assistance programs should be reduced by \$2.5 million because the need for the funds has not been justified. (*Analysis*, page 1133.)
- ▶ **Proposition 103 Implementation** -- Because recent Proposition 103-related regulatory actions taken by the Insurance Commissioner will affect the workload of the Department of Insurance, the Legislature needs updated workload information to evaluate the adequacy of the department's proposed budget. (*Analysis*, page 234.)
- ▶ **Residential Earthquake Insurance** -- Timely implementation of the residential earthquake insurance program by the Department of Insurance is threatened by uncertainty in funding. Therefore, we recommend a \$1.1 million loan from the Insurance Fund, to be repaid with interest once sufficient revenues are available from earthquake insurance premiums. (*Analysis*, page 236.)
- ▶ **Investment Program** -- An anticipated deficit in the Department of Corporations' Investment Program will require a General Fund subsidy. Program assessments and fees should be increased to make the program self-supporting. (*Analysis*, page 200.)
- ▶ **Oversight of Medicare Benefits** -- The Department of Corporations' oversight of the delivery of Medicare benefits duplicates--and at times conflicts with--federal regulatory responsibilities. The Legislature should enact legislation to minimize such duplication by limiting the department's regulatory responsibilities over the delivery of Medicare benefits. (*Analysis*, page 201.)

GENERAL GOVERNMENT

- ▶ **Savings and Loan Regulation** -- The Legislature should enact legislation to terminate the issuance of state charters for savings and loan associations, and require that all existing state-chartered savings and loan associations convert to federally chartered savings and loan associations, or state- or federally chartered banks. In addition, legislation should be enacted to consolidate into a new Department of Financial Services, the current Department of Savings and Loan and other financial regulatory departments. (*Analysis*, page 247.)
- ▶ **DIR Budget Request** -- The Legislature is unable to evaluate the Department of Industrial Relations' (DIR) budget request because the funds have been budgeted arbitrarily. (*Analysis*, page 1099.)
- ▶ **Worker's Compensation Claims** -- There is a \$12.3 million General Fund savings due to overbudgeting for the payment of workers' compensation claims by the Uninsured Employers' Fund. (*Analysis*, page 1107.)
- ▶ **Alternative Fuels Program** -- The \$2.1 million proposed by the California Energy Commission to expand its alternative fuels demonstration program is unnecessary, due to the adoption of clean fuels regulations by the Air Resources Board. (*Analysis*, page 342.)
- ▶ **School Bus Demonstration Program** -- Our review of the Katz School Bus Demonstration Program operated by the Energy Commission found that (1) substantially fewer buses will be replaced than originally estimated and (2) the delays that have plagued the program may continue. (*Analysis*, page 346.)
- ▶ **Federal Funds** -- The Department of Commerce may be required to return up to \$2.1 million in federal funds as a result of its failure to adequately document expenditures. (*Analysis*, page 209.)

*Economic
Development*

GENERAL GOVERNMENT

- ▶ **Export Loan Guarantee Program** -- Additional funding for export loan guarantees is premature. We recommend deletion of \$1 million requested to fund loan guarantees to exporters because the need for additional funds has not been demonstrated. (*Analysis*, page 53.)
- ▶ **Export Loan Guarantee Program** -- The objectives of this program need to be better focused to enhance program effectiveness. We recommend the enactment of legislation to better define program objectives. (*Analysis*, page 54.)
- ▶ **Migrant Farmworker Housing Program** -- This program faces an uncertain fiscal future because its ongoing costs are increasing at a faster rate than its resources. (*Analysis*, page 223.)

Local Government Assistance

- ▶ **Realignment of Health Program Funding** -- Our assessment of the Governor's proposal to realign the funding responsibilities for AB 8 county health services, local health services, and community mental health programs is that it would not improve the overall effectiveness of these programs or necessarily improve the fiscal capacity of county governments. (*Perspectives and Issues*, page 179.)
- ▶ **Mandates** -- Two of the 10 newly approved mandates for reimbursement in 1990, Ch 1226/84--Investment Reports (AB 1073, Cortese) and Ch 332/81--Victim's Statements, Minors (AB 1190, Katz), should be made optional for 1991-92. (*Analysis*, page 1167.)

Tax Relief

- ▶ **Open Space Subventions Program** -- This program is an ineffective means of preserving open space. We recommend enactment of legislation to terminate the program. (*Analysis*, page 1182.)

GENERAL GOVERNMENT

Disaster Relief

- ▶ **Loma Prieta Earthquake Costs** -- The administration's latest estimates of state costs of the Loma Prieta earthquake and revenues generated by the quarter-cent sales tax indicate that a shortfall of \$176 million exists. (*Analysis*, page 62.)
- ▶ **Department of Commerce: Earthquake Guarantees** -- Unused funds in this program are available for legislative priorities. We recommend Budget Bill language to revert \$4.6 million in unencumbered Disaster Relief funds to the General Fund because the program has expired and the funds are uncommitted. (*Analysis*, page 208.)
- ▶ **Legislative Oversight** -- The Legislature should enact legislation to reestablish its oversight function of the state's disaster assistance program. (*Analysis*, page 65.)

Justice

- ▶ **Assault Weapons Registration** -- The number of assault weapons registered by the Department of Justice pursuant to the Roberti-Roos Assault Weapons Control Act of 1989 (Ch 18/89) is far below the estimated amount. (*Analysis*, page 77.)

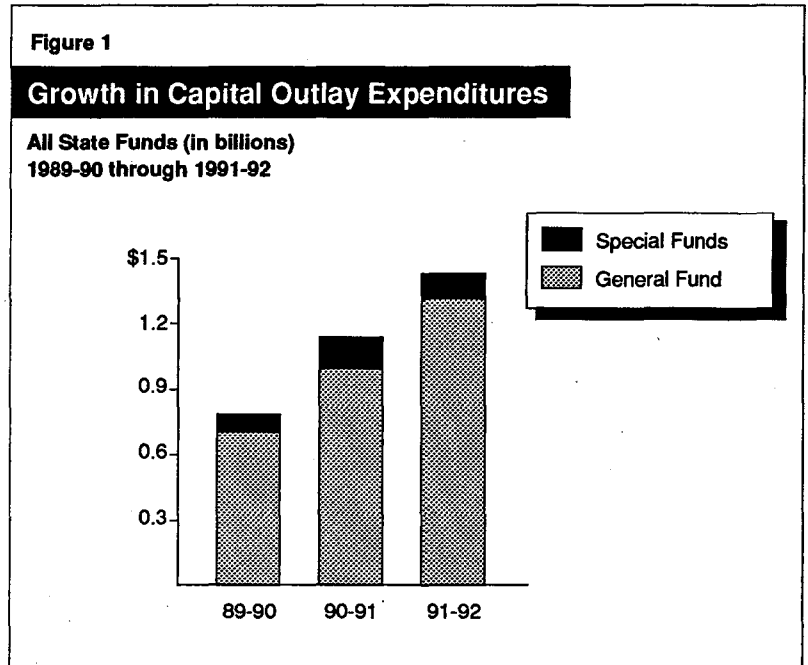
Other

- ▶ **Museum of Science and Industry** -- The Museum of Science and Industry has closed two buildings because they are seismically unsafe. These buildings contain over 60 percent of the museum's total available exhibition and education space. (*Analysis*, page 108.)
- ▶ **Alternative Energy Source Financing Authority** -- The Legislature should eliminate funding for this Authority because it has not financed any new projects or issued any bonds in the past four years. (*Analysis*, page 99.)
- ▶ **Power Plant Siting** -- Enactment of legislation requiring application fees for the Energy Commission's power plant siting program could result in General Fund savings of \$7.5 million in 1991-92. (*Analysis*, page 349.)

CAPITAL OUTLAY

Funding for capital outlay expenditures represents 2.6 percent of expenditures from all state funds (both General Fund and special funds) proposed for 1991-92. These expenditures reflect the state's current costs for capital outlay programs, either through debt service payments or direct appropriation of state funds to purchase assets (that is, "pay-as-you-go" financing).

As shown in Figure 1, expenditures for capital outlay programs over the past three years have increased significantly--from \$786 million in 1989-90 to over \$1.4 billion in 1991-92. This increase is directly attributable to the increase in General Fund debt service payments on bond programs. These expenditures have increased from \$691 million in 1989-90 to \$1.3 billion in 1991-92.



Our review of the proposed budget for 1991-92 resulted in the following significant findings:

State Infrastructure Needs

- ▶ **State's Capital Outlay Planning Process** -- The state faces capital outlay/infrastructure needs of \$39 billion over the next five years. Addressing these needs will require substantial improvements in the state's capital outlay planning process, including development of a financing plan that would assist in the proposal for, and the passage of, necessary bond measures. (*Perspectives and Issues*, page 227.)

CAPITAL OUTLAY

Office of the State Fire Marshal

- ▶ **Plan Review Process** -- The overall plan review process needs to be improved. Excessive delays in processing current workload is causing postponement of projects, reversion of construction funds, and increased project costs. (*Analysis*, page 130.)

Department of General Services

- ▶ **K-14 Plan Review** -- The Office of the State Architect does not have sufficient spending authority in 1991-92 to expedite its projected plan-check workload for K-14 school construction projects. (*Analysis*, page 152.)
- ▶ **Special Repair Budget** -- The reduction in the special repair budget (about \$2.7 million below a five-year average) for state office buildings could lead to creation of deferred maintenance and higher costs to maintain/repair the state's infrastructure. (*Analysis*, page 157.)
- ▶ **Rental Charges** -- Rental charges to departments occupying state-owned office buildings will increase significantly (about 30 percent) due to the administration's decision to use the Building Rental Account to fund bond payments for the new state office building in Los Angeles. (*Analysis*, page 160.)
- ▶ **Five-Year Capital Outlay Plan** -- Although the department's five-year capital outlay plan emphasizes construction of state office buildings in Sacramento and the state pays over \$65 million annually to lease office space in Sacramento, the department's budget does not include any proposal for new state office space. (*Analysis*, page 1214.)
- ▶ **State Parking Facilities** -- The proposed new Sacramento parking garage, and all future state parking facilities, should be financed with parking fees. (*Analysis*, page 1217.)

CAPITAL OUTLAY

Seismic Safety Commission

- ▶ **Seismic Safety Policy** -- The commission's recently released policy on acceptable levels of earthquake risk in state-owned buildings has potentially significant policy and fiscal implications that the Legislature should consider prior to adopting the policy. (*Analysis*, page 391.)

Department of Parks and Recreation

- ▶ **Five-Year Program** -- Due to the failure of the California Park, Recreation, and Wildlife (Bond) Act in November 1990, the Department of Parks and Recreation capital outlay program over the next five years is seriously underfunded. (*Analysis*, page 1254.)
- ▶ **Projects Not Completed** -- The Department of Parks and Recreation has a large number of approved capital outlay projects (38 projects funded prior to 1988) that have not been completed. (*Analysis*, page 1255.)

Department of Corrections

- ▶ **Need for Additional Beds** -- The Department of Corrections will need to construct an additional 56,000 beds by 1996, at a cost of over \$4 billion, to meet the CDC's planned overcrowding level. There are currently no bond funds available to fund this program, and the Governor's Budget does not include any proposals to address this problem. (*Analysis*, page 1299.)
- ▶ **Facilities Master Plan** -- The CDC has failed to provide its 1991-96 Facilities Master Plan, as required by the Legislature. Lacking this plan, the Legislature does not have information on how the department proposes to accommodate the increasing prison population. (*Analysis*, page 1300.)

CAPITAL OUTLAY

Department of the Youth Authority

- ▶ **Susanville and Madera Prisons** -- Due to voter disapproval of the November 1990 Prison Construction Bond Act, two authorized prisons, in Susanville and Madera, cannot be completed. (*Analysis*, page 1299.)

Higher Education

- ▶ **Field Act Requirements** -- The Legislature faces a major policy issue on whether state institutions should be upgraded to meet Field Act requirements. The cost of compliance could be in the hundreds of millions of dollars. (*Analysis*, page 1314.)
- ▶ **Reevaluation of Capital Outlay Program** -- The defeat in November 1990 of the \$450 million higher education facilities bond measure forces a need to reevaluate the capital outlay programs proposed for higher education. This reevaluation is necessary to assure that those facilities needed to accommodate growing student enrollments are funded. (*Analysis*, page 1321.)
- ▶ **Facilities for Enrollment Growth** -- We recommend a net reduction of nearly \$20 million in the proposed capital outlay program for higher education. Our recommendations, however, would result in the following increases over the budget proposal: (1) an additional 31,000 square feet of classrooms and teaching laboratories in the University of California (UC), (2) space for an additional 11,000 FTE students at the California State University (CSU), and (3) space for an additional 109,000 weekly student contact hours at the community colleges (CCC). (*Analysis*, page 1326.)
- ▶ **Bond Fund in Deficit** -- The 1986 Higher Education Capital Outlay Bond Fund is in deficit. The Department of Finance needs to provide a full accounting of expenditures and a plan for balancing the fund without using funds from another bond measure. (*Analysis*, page 1323.)

CAPITAL OUTLAY

University of California

- ▶ **Facilities for Enrollment Growth** -- To assure that limited funds for higher education capital outlay are directed to projects accommodating growing student enrollments, we recommend reductions totaling \$26.8 million in the proposed UC capital outlay program and augmentations totaling \$9.4 million. These augmentations would provide needed instructional space at the San Diego and Riverside campuses, equip newly constructed facilities at the Irvine campus, and provide utility services for buildings under design and construction at the Davis campus. (*Analysis*, page 1334.)

California State University

- ▶ **Management of Capital Outlay Program** -- The CSU needs to improve management of its capital outlay program if (1) facilities are to be completed on time for use by students and faculty and (2) bond funds approved by the Legislature and the voters are to be spent effectively. (*Analysis*, page 1357.)
- ▶ **Facilities for Enrollment Growth** -- We recommend reductions to the CSU program totaling \$13.3 million and augmentations totaling \$30 million in order to assure that limited funds are directed to projects accommodating growing student enrollments. Our recommendations would fund projects that, when completed, would accommodate 18,220 full-time equivalent students--about 10,900 more students than accommodated by projects proposed in the budget. (*Analysis*, page 1359.)

California Community Colleges

- ▶ **Long-Range Plan** -- The CCC estimates \$3.2 billion in total capital outlay needs through 2005. Included in this is the plan to expand six centers into full campuses and establish 32 new centers, eight of which will become campuses by 2005. (*Analysis*, page 1383.)

CAPITAL OUTLAY

- ▶ **Potential to Reduce State Costs** -- State capital outlay costs for the CCC could be reduced or eliminated by lowering the two-thirds voting requirement on local bond measures to a simple majority, and by either reestablishing a district cost-sharing requirement or directing the districts to fund the entire capital outlay program. (*Perspectives and Issues*, page 232 and *Analysis*, page 1384.)

- ▶ **Five-Year Plan** -- The Chancellor's Office has not prepared a systemwide five-year capital outlay plan, as required by the Legislature. Without this information, the Legislature is unable to assess the community college capital outlay needs. (*Analysis*, page 1385.)

- ▶ **Capital Outlay Priorities** -- The CCC's priority-setting procedures do not reflect the system's highest priority capital outlay needs. (*Analysis*, page 1386.)

- ▶ **Facilities for Enrollment Growth** -- We recommend deletion of \$26 million for 22 proposed projects that do not meet essential CCC capital outlay needs. We also recommend \$11.4 million in funding for 23 CCC projects that are not included in the Governor's Budget, but are needed to accommodate current and projected community college enrollments. These recommendations result in a systemwide increase in instructional capacity of 109,000 weekly student contact hours, plus the addition of 110,000 square feet of library space. (*Analysis*, page 1389.)

Legislative Analyst's Office

Recent Reports

Report on the 1988-89 Tax Expenditure Budget: Overview and Selected Reviews (December 1988), Report No. 88-20.

State Reimbursement of Mandated Costs: A Review of Statutes Funded in 1988 (January 1989), Report No. 89-1.

Federal Welfare Reform in California: A Review of the Family Support Act of 1988 (January 1989), Report No. 89-2.

An Evaluation of the State's Alternative Energy Finance Program (SAFE-BIDCO) (January 1989), Report No. 89-3.

Summary of Recommended Legislation (January 1989), Report No. 89-4. This report presents recommendations for legislation based on our reviews of state programs.

The Child Development Program: A Sunset Review (February 1989), Report No. 89-5.

State Spending Plan for 1989-90: The 1989 Budget Act and Related Legislation (August 1989), Report No. 89-7.

Major Financial Legislation Enacted in 1989 (December 1989), Report No. 89-8.

Review of Medi-Cal Reimbursement Rates for Emergency Physicians Services (December 1989).

Distribution of State Tax Forms by Public Libraries (January 1990).

Review of the Bank and Corporation Tax Exemption for International Banking Facilities (January 1990).

California Maritime Academy: Options for the Legislature (January 1990), Report No. 90-2.

AIDS Education in Correctional Facilities: A Review (January 1990), Report No. 90-3.

A Perspective on Housing in California (January 1990), Report No. 90-3.

K-12 Education Fiscal Facts (February 1990).

Analysis of the 1990-91 Budget Bill (February 1990). This report presents the results of our detailed examination of the Governor's Budget for 1990-91.

The 1990-91 Budget: Perspectives and Issues (February 1990). This report provides perspectives on the state's fiscal condition and the budget proposed by the Governor for 1990-91, and identifies some of the major issues facing the Legislature.

Year-Round School Incentive Programs: An Evaluation (April 1990), Report No. 90-5.

State Spending Plan for 1990-91: The 1990 Budget Act and Related Legislation (August 1990), Report No. 90-6.

Child Abuse and Neglect in California: A Review of the Child Welfare Services Program (January 1991), Report No. 91-1.

Annual Report, Legislative Analyst's Office: Fiscal Year 1989-90 (January 1991), Report No. 91-2.

Recent Policy Briefs and Issue Papers

County Fiscal Distress: A Look at Butte County (December 1989).

Bonds and the 1990 Ballots (January 1990).

An Overview of the 1990-91 Governor's Budget (January 1990).

A Review of the Governor's Housing Initiative (March 1990).

California's Low-Income Housing Tax Credit (May 1990).

The State's Budget Problem (December 1990).

An Overview of the 1991-92 Governor's Budget (January 23, 1991).

California's AFDC Program: Current Trends, Issues and Options (February 13, 1991).

Copies of these reports can be obtained by contacting the Legislative Analyst's Office, 925 L Street, Suite 650, Sacramento, California 95814. (916) 445-2375.