

SUMMARY OF PRELIMINARY REPORT OF THE JOINT LEGISLATIVE BUDGET COMMITTEE TO THE FIFTY-SEVENTH SESSION OF THE CALIFORNIA LEGISLATURE

Appointed under the provision of Joint Rule 37 of the 56th Session of the Legislature under Senate Concurrent Resolution No. 3, Chapter 20, Statutes of 1945.

Members of the Committee

Senators

W. P. RICH, Chairman
Tenth District
ARTHUR H. BREED, JR.
Sixteenth District
T. H. DELAP
Seventeenth District
RALPH E. SWING
Thirty-Sixth District
HAROLD J. POWERS
First District

Assemblymen

T. FENTON KNIGHT, Vice Chairman
Forty-Eighth District
LLOYD W. LOWREY
Third District
ALBERT C. WOLLENBERG
Twenty-First District
C. DON FIELD
Forty-Third District
SAM L. COLLINS
Seventy-Fifth District

In accordance with the provision of Joint Rule 37, we submit herewith a partial report of the Joint Legislative Budget Committee.

The primary purpose of this partial report is to place in your hands as early as possible the report of the Legislative Auditor to the Joint Legislative Budget Committee analyzing the Budget of the State of California for the Fiscal Year July 1, 1947 to June 30, 1948.

We are asking that this partial report of the committee be printed in the Journal and that this report, together with the Report of the Legislative Auditor on the Budget, be printed as a supplement for the reason that we find at the moment there is a scarcity of paper and type metal in the State Printing Plant and several legislative committee reports and legislative printing competing for it. By following this procedure we will use less paper and release the type metal sooner.

By Joint Rule 37 your Joint Legislative Budget Committee is a continuing committee dealing constantly with matters "concerning the State Budget, the revenues and expenditures of the State and of the organization and functions of the State, its departments, subdivisions and agencies with a view of reducing the cost of the State Government, and securing greater efficiency and economy." The committee has had its Legislative Auditor and his staff studying state revenues, organization and procedure and the operation of the various agencies of the government in order to forward the purposes of the committee.

In particular, we have had the Legislative Auditor devote himself and his staff to the State Budget which is now before the Legislature. He has conducted many studies concerning the operations of the State preliminary to the analysis of the budget itself. This information has yielded much valuable material for use with the budget and for other recommendations within the purview of the committee, and subsequent reports will be presented to you covering these matters. This report deals solely with the State Budget now before you.

Cooperation With Budget Makers

At the request of the Director of Finance, Honorable James S. Dean, the Budget Committee instructed the Legislative Auditor to participate in the budget hearings and to consult with the Director of Finance and render every assistance in the formation of the budget. This service the Legislative Auditor and his staff have performed now for the three budgets of this administration through participating in these budget hearings. We believe that assistance was rendered in formulating a better budget and keeping it within more reasonable limits than might have resulted if this service and experience had not been available.

Our Legislative Auditor, by sitting in at the budget hearings representing the Legislature as an official observer, has been able to view at first hand just how the budget was formulated, including what the original requests were and the changes which were made by the Governor and the Department of Finance. This information and intimate acquaintance with the making of the budget itself makes it possible for him as our employee to report to us more adequately on this matter.

During this time the Legislative Auditor secured information from the various departments concerning their budget requests and the justification therefor and made further examination insofar as was possible into the needs of the departments and the efficiency of their method of operation.

Budget Analysis and Report

As soon as the budget hearings were over the Legislative Auditor formulated his own budget estimates preparatory to reviewing the final budget requests in the official document.

When the Department of Finance and the Governor had concluded the budget for any agency or division of the State, the final schedules showing allowances were provided the Legislative Auditor. His office thereupon began an exhaustive analysis of these budget requests. This work was already underway a short time before the formal budget document was presented to the Legislature on January 29, 1947. From that time until yesterday the Legislative Auditor and his staff have been concentrating on analyzing the budget and all of its parts and preparing a report which covers in comprehensive detail the budget document. This report includes the revenue estimates and the Governor's Message and the over-all procedure followed in forming the budget, together with an item by item analysis of the appropriation bills, Senate Bill No. 666 and Assembly Bill No. 1250, which are identical bills. This analysis, consisting of 660 pages, is now available for the use of the Legislature.

We believe that this report will assist materially in considering the budget, will expedite action thereon, and above all, will result in a more equitable budget. Moreover, it will promote economy and efficiency.

It has been the insistent desire of the Legislative Budget Committee to get this report into your hands as early as possible in the session. We have pressed the Legislative Auditor to do this. We believe that when you examine this report in connection with the budget document and

the appropriation bills, you will appreciate that it was no small task to perform this service in the limited time available. The Legislative Auditor has pointed out to us that only by the industry of his staff, who have worked long hours and almost every night for several weeks, has it been possible to get out this report in this time. The committee wishes to express appreciation to its staff for this industry and service.

The nature and extent of the budget report is such that the members of the Joint Legislative Budget Committee have not had opportunity to read or act upon the recommendations contained therein.

I have examined much of this report in the page proof and I have consulted with the members of the staff of the Legislative Auditor responsible for the research work on many sections. I know that the report itself, supplemented by such additional information as this staff possesses, will give you fuller information than has ever before been available to you concerning the items of appropriation in the Budget Bill and will make more understandable the exhaustive material in the budget document.

Budget Committee Task Increases With Budget

This is the third budget your Joint Legislative Budget Committee has considered. The first two of them, 1943-45 and 1945-47, were each for a biennium, and the present one for the one Fiscal Year 1947-48. We believe that our reports have improved with each budget. The size of our task continues to grow. The first biennial budget we considered for 1943-45 totaled \$463,947,005 when presented by the Governor. The 1945-47 Budget as presented by the Governor totaled \$683,710,643. This budget, the first one on an annual basis, totals \$641,599,026. It is only \$42,111,617 less than the previous biennial budget. The fiscal problems of the State of California have almost doubled within the space of three years. While the population has grown, it has not experienced nearly such a rapid increase. The job of your Legislative Budget Committee increases at the same rate as the budget. With an annual budget of almost the same size as the preceding biennial budget and 40 percent larger than the first biennial budget we considered, our task not only increases but it now becomes an annual one. We believe that by bringing you a comprehensive analysis of the budget and thereby giving you information which we know to be reliable and in which we have confidence that we can serve you and the people of the State in the most valuable way. It is information that we need before us in order to act intelligently on the fiscal matters we must consider in the budget and in the many appropriation bills in the Legislature.

Policies of the Budget Committee

The report of the Legislative Auditor outlines the policies the Budget Committee has set. We believe them to be consistent with the joint rule establishing the Budget Committee. The recommendations made by the Legislative Auditor are his recommendations and have not been acted on specifically by the Budget Committee. The report and recommendations are presented in this fashion so that each one of you may have these recommendations and facts as they are presented. You will

have before you the basis and policies on which they are founded, and with these you can make your own determinations. Where additional information is desired, the Legislative Auditor and his staff are available to provide it.

At later dates additional studies prepared by the Legislative Auditor on particular matters of government operations and expenditures will be presented by the Joint Legislative Budget Committee and a full report of the committee will be presented to the Legislature.

Respectfully submitted.

W. P. RICH, Chairman