

CALIFORNIA LEGISLATURE
1964 REGULAR SESSION

ANALYSIS OF THE BUDGET BILL

of the

STATE OF CALIFORNIA

for the

Fiscal Year July 1, 1964, to June 30, 1965

Report of the Legislative Analyst

to the

Joint Legislative Budget Committee

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LETTER OF TRANSMITTAL

STATE CAPITOL
SACRAMENTO, CALIFORNIA
February 3, 1964

THE HONORABLE GEORGE MILLER, JR., *Chairman*
and Members of the Joint Legislative Budget Committee
State Capitol, Sacramento, California

GENTLEMEN: In accordance with the provisions of Government Code, Sections 9140-9143, and Joint Rule No. 37 of the Senate and Assembly creating the Joint Legislative Budget Committee, defining its duties and providing authority to employ a Legislative Analyst, I submit an analysis of the Budget Bill of the State of California for the fiscal year July 1, 1964, to June 30, 1965.

The duty of the committee in this respect is set forth in Joint Rule No. 37 as follows:

“It shall be the duty of the committee to ascertain facts and make recommendations to the Legislature and to the houses thereof concerning the State Budget, the revenue, 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.”

I should like to express my gratitude to the staff of the State Department of Finance and the other agencies of state government for their generous assistance in furnishing information necessary for this report.

Respectfully submitted,

A. ALAN POST
Legislative Analyst

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I. PRELIMINARY STATEMENT

The Legislature's review of the Budget of the State of California consists primarily of an examination of the Budget Bill, constituting that part of the total budget which must be acted upon by the Legislature each session to carry out the total expenditure program proposed by the Governor.

Approximately one-third of the total authorized state expenditure program will be contained in the Budget Bill. The remaining two-thirds of the State's expenditure program is appropriated for by existing statutes or by the Constitution.

The 1964 session of the Legislature will be a budget session in which the Legislature may consider only the Budget Bill, revenue acts necessary therefor, the approval or rejection of charter and charter amendments to cities and counties, and acts necessary to provide for expenses of the session. This report, therefore, is primarily concerned with an overall as well as an item-by-item analysis of the Budget Bill. It is anticipated, however, that a special session will be called concurrent with the budget session to consider educational apportionments, the distribution of tidelands revenues and possibly other major fiscal matters. For this reason additional information will be made available in this report, preceding the analysis of Item 88 (Education) upon features of the State's program of assistance to local school districts with particular reference to proposals which are expected to be considered at the special session. In addition, under the section on revenues estimates at page VIII of the *Analysis* we have discussed the relationship of prospective increased tidelands oil revenues and the State's share of those revenues.

OVERALL EXPENDITURE TOTALS

If the expenditures from bond funds are added to the general budget totals, the proposed overall expenditure for 1964-65 stands at \$3,662,436,261, up by \$208,911,608, or 6 percent, from the estimated expenditure of \$3,453,524,653 for 1963-64. Proposed bond expenditures for 1964-65 totaling \$398,837,622 are comprised as follows:

State Construction Program Fund	\$173,130,390
California Water Resources Development Bond Fund	225,139,133
Central Valley Water Project construction	568,099
Total	\$398,837,622

It is not standard accounting practice to include bond funds in state expenditure totals and therefore inclusion here is for comparative purposes only. Subsequent sections on budget expenditures follow regular procedures by excluding bond funds.

GENERAL BUDGET SUMMARY

A total expenditure of \$3,263,598,639 (not including bond funds) is proposed in the budget for 1964-65. This is 4.1 percent above the total of \$3,134,596,670 for 1963-64 and compares with \$2,702,817,692 for 1962-63. The three major categories of expenditure of which the budget is comprised are shown below for 1964-65 with the change in amount from the reestimated 1963-64 totals:

	1964-65	Change from 1963-64
State Operations-----	\$1,055,611,144	up \$97,291,167
Capital Outlay-----	312,770,886	down 175,620,732
Local Assistance-----	1,895,216,609	up 207,331,534

It is somewhat misleading to infer from the above data that the change in the actual expenditure program will be 4.1 percent above 1963-64 or that capital outlay will be down over \$175 million. As we have pointed out in the past, these expenditure figures are greatly influenced by adjustments in the current year. This becomes apparent if, for instance, the subsequent changes in capital outlay estimates for 1963-64 are compared with the proposed total in the 1963-64 Governor's Budget document. This is shown below:

Capital Outlay Expenditures for 1963-64

As proposed in 1963-64 Governor's Budget document-----	\$329,870,530
As estimated in Final Change Booklet at end of 1963 session (Issued by Department of Finance, August 10, 1963)-----	351,727,871
As estimated in 1964-65 Governor's Budget document-----	488,391,618

The capital outlay expenditure estimate for 1963-64 thus appears to have increased by over \$136 million since the end of the 1963 session (moving from \$351,727,871 to \$488,391,618.) (This is also subject to further adjustment when actual expenditure figures become available.)

These revisions, however, are largely attributable to the current practice of carrying over large amounts in special funds from year to year. This is especially true for the highway program and since the funds are continuously appropriated, the actual expenditure level is not affected.

The 1964-65 budget estimates are thus also subject to similar adjustment, especially with regard to capital outlay and the stated increase of 4.1 percent from 1963-64 therefore does not indicate the magnitude of actual expenditure change that can be expected.

GENERAL FUND FINANCIAL PICTURE

As noted in the previous section, special fund functions are financed from revenues earmarked for those specific purposes. The budget problem, then, is centered in the General Fund and has been characterized by expenditures rising faster than revenues. This problem was temporarily alleviated in connection with the 1963-64 budget by enactment of special tax measures providing what was, to a large extent, a one-year revenue gain. It was possible by this means to fund the 1963-64 Budget Act and to carry over a surplus of \$115.8 million into the 1964-65 fiscal year, thus making it possible to balance the proposed 1964-65 budget despite the fact that current revenues are over \$100 million short of expenditures. However, with a much smaller carryover surplus anticipated at the end of 1964-65, it is almost assured that new revenue

measures will be required for 1965-66, unless expenditures are drastically curtailed or economic expansion is unusually great.

Income to the General Fund is estimated at \$2,197.5 million for 1964-65 and outgo is anticipated to reach \$2,324.3 million. This gap of \$126.8 million (\$107 million after adjusting for effect of committed reserves) is expected to be closed by use of the carryover balance leaving a June 30, 1965, surplus of \$8.8 million. The means of accomplishing this is presented in tabular form in the following financial summary: (all amounts are in millions)

Beginning surplus (July 1, 1964)-----	\$115.8	
Current revenue and transfers-----	2,197.5	
Total resources -----		\$2,313.3
Proposed outgo -----	2,324.3	
Less expenditures of committed reserves (financed from prior appropriations) -----	19.8	
Net outgo -----		2,304.5
Ending surplus (June 30, 1965)-----		\$8.8

THE BUDGET BILL

The Budget Bill, containing approximately one-third of the state expenditure program, consists of 412 individual appropriation items covering the support and capital outlay appropriations for almost all the state operating agencies and includes as well a small number of local assistance items which are closely related to functions performed by state agencies. In addition there are a number of miscellaneous items which require annual appropriation and are therefore included in the Budget Bill.

Stating with page 1 in this report we provide a detailed analysis of each of the Budget Bill items, with recommendations.

RECOMMENDED REDUCTIONS

Financing of the 1964-65 Budget as proposed depends on the carryover of a large surplus from 1963-64 and the assumption that a high level of revenue will be generated from an increasingly prosperous economy during the year. The acceleration in revenues that resulted from the 1963 tax legislation is declining rapidly and will be largely gone after 1964-65, yet the expenditure program is geared to this higher level.

Our review of the Budget Bill, therefore, has been made with due regard for the fact that any reductions which can properly be made in existing programs or proposed increases in expenditure will have a direct bearing on prospective tax increases in the 1965 session.

We have, in reviewing the 1964-65 Budget, recommended approval of numerous increases which appear to be justified on the basis of program needs, improvements, and other factors. We have also recommended against other program proposals which appear less urgent, or of questionable effectiveness.

Budget reductions made this year will soften the impact of the 1965-66 budget problem and our recommended reductions should be

considered in relation to this situation. The economies reflected in the recommendations contained in this report total \$12.2 million in General Fund expenditures, \$2 million in special funds, and \$2.4 million in bond expenditures for the state construction program. The proposed reduction for these three categories total about \$16.6 million. In addition, about \$114 million is recommended for special legislative review from which additional reductions should be possible. The need for such special review is caused by failure of agencies to complete preparation of necessary budget support data, imminent receipt of reports from legislative study committees affecting legislative policy, and other special factors of that nature.

REVENUE ESTIMATES

For 1964-65 total state income is estimated at \$3,129,916,586 compared to the total of \$3,038,683,656 for 1963-64. This represents an increase of \$91,232,930 or 3 percent. The General Fund portion of total income is anticipated to reach \$2,197,529,216 which is up \$5,247,389 or 0.2 percent from the total of \$2,192,281,827 estimated for 1963-64. This is much smaller than the usual year to year increase in General Fund income and results from larger 1963-64 transfers into the General Fund and because 1963-64 revenues were abnormally high reflecting changes made to the tax structure which to a large extent represented one-time pickups.

In 1964-65 General Fund income is expected to comprise 70.2 percent of total budget income, down from 72.1 percent in 1963-64.

Basic assumptions made by the Department of Finance upon which the realization of these estimates is contingent are:

(1) That the current economic expansion will continue at a steady upward pace during 1964 and, as a supportive factor to this, (2) federal tax levels will be reduced during 1964 as proposed by the President. In effect, the federal tax reduction is therefore viewed as the key to continued economic expansion.

The estimated total of \$2,197,529,216 in General Fund income also depends on the anticipated effect of several proposals. The first of these includes 1964-65 tax change proposals which would decrease revenues by \$0.25 million. Part of this would be accomplished by a change in the insurance premiums tax and would limit the amount of real property taxes claimed as principal office deduction to that space occupied by the insurer. The estimated effect of this change would be to add \$2.5 million in revenues. This would be more than offset, however, by a proposed reduction in the personal income tax estimated at \$2.75 million by allowing taxpayers a standard deduction of \$500 if single or \$1,000 if married or the head of a household, regardless of the amount of income. The net revenue change would therefore be a reduction of \$0.25 million.

Also included in the above income total are proposed transfers into the General Fund totaling \$20 million. This \$20 million in transfers plus \$2,177.5 million in revenue comprise the \$2,197.5 million income total.

A breakdown of total General Fund income for 1964-65 showing these various sources is listed below :

Components of General Fund Income

	<i>Millions</i>
1964-65 proposed tax legislation (net effect) -----	—\$0.25
Transfers into the General Fund -----	20.0
Revenue attributable to 1963 tax legislation -----	75.5
Revenue from unadjusted tax base -----	2,102.25
Total anticipated income -----	\$2,197.5

Revenue as estimated for 1963-64 and for 1964-65 (including effect of 1963 and proposed 1964 tax changes) is shown by the individual tax sources in the following table :

General Fund Revenues
(In millions)

	1963-64	1964-65	Increase	
			Amount	Percent
Sales and use tax -----	\$866.5	\$947.0	\$80.5	9.3%
Bank and corporation tax --	405.8	399.1	—6.7	—1.7
Personal income tax -----	389.5	382.5	—7.0	—1.8
Inheritance and gift tax ----	91.7	95.8	4.1	4.5
Insurance tax -----	104.5	93.0	—11.5	—8.9
Cigarette tax -----	72.2	73.2	1.0	1.4
Alcoholic beverage tax -----	64.1	67.3	3.2	5.0
Horse racing tax -----	34.0	36.1	2.1	6.2
Other sources -----	81.3	83.6	2.3	2.8
Total -----	\$2,109.5	\$2,177.5	\$68.0	3.2%

It should be realized that the above data showing decreased collections for three of the tax categories and an overall gain of \$68 million or only 3.2 percent between 1963-64 and 1964-65 are significantly affected by the 1963 legislative changes in the tax structure. The major effect of the changes relate to the bank and corporation, personal income and insurance taxes which all show decreased collections for 1964-65 in the above table. The effect upon these and the other General Fund taxes which is attributable to 1963 legislation is shown as follows :

Revenue Effect of 1963 Tax Legislation
(In millions)

	1963-64	1964-65
Bank and corporation tax -----	\$88.4	\$56.8
Personal income tax -----	38.2	2.2
Insurance tax -----	22.0	2.5
Sales tax -----	7.1	13.8
Other -----	0.5	0.2
Total -----	\$156.2	\$75.5

The 1963 tax legislation is thus estimated to increase General Fund taxes by \$156.2 million in 1963-64 and \$75.5 million in 1964-65. Excluding the effect of these (1963 and the 1964 proposed net reduction of \$.25 million) changes, therefore, collections would be estimated to total \$1,953.3 million for 1963-64 and \$2,102.25 million for 1964-65, an increase of \$149 million or 7.6 percent between the two years, as compared to the anticipated gain of \$68 million when these changes are included.

As already indicated, the realization of estimated revenue to the General Fund for 1964-65 is based on assumed favorable economic prospects in the State and the nation during 1964. A steadily continuing uptrend in business and industry is projected with California personal income anticipated to reach \$55.6 billion in 1964, up by \$3.2 billion or 6.1 percent from \$52.4 billion in the current year. The major generative factor behind this anticipated economic expansion is expected to be the federal tax reduction now being considered by Congress.

It will thus be possible, if all these contingent estimates are correct, to finance the 1964-65 General Fund budget and leave a surplus of \$8.8 million on June 30, 1965. It might be noted that this is a small cushion for estimating error, amounting to only 0.4 percent of anticipated General Fund income.

A significant source of additional revenue may be obtained to the State from the tidelands oil reserves beyond that indicated for receipt in the 1964-65 budget. The principal prospect for such increased revenue arises out of the recent proposals to develop the Long Beach-East Wilmington Oil Field. Reference to this development was made in our 1963 analysis of the budget and more recent data indicate that prospective revenues may even be greater than suggested at that time. The most recent official report on prospective revenues is that of the State Lands Division of the Department of Finance. Those estimates show a possibility of obtaining at least \$25 to \$30 million annually during the next 10-12 years, and by revision of the existing 50-50 sharing formula between Long Beach and the State of California further increases could be expected. This comprehensive issue is one which it is anticipated will be examined into by the Legislature in special session.

GENERAL OBLIGATION BONDS

State bonded indebtedness as represented by total general obligation bonds outstanding totaled \$2,756,284,000 as of November 30, 1963. This does not include state toll bridge bonds, state college or university housing and other bonds which are issued by state agencies and are backed by the revenues from each project. This latter class of bonds has no guaranty for payment from the General Fund.

General obligation bonds are of two types, (1) those for which interest and redemption payments primarily depend on the General Fund, and are therefore called General Fund bonds, and (2), those which are also obligations of the General Fund but which have been issued for programs intended to generate enough revenue to liquidate the bonds. These are called self-liquidating bonds. In the latter case the General Fund obligation acts as a guarantee for payment in the event that the intended source of revenue is deficient.

The State's general obligation bond situation is shown in the table which follows. This includes bonds authorized by the people but re-

maining unsold as of November 30, 1963, in addition to the bonds sold and outstanding at that date. Also it shows the possible effect on the bonding picture should \$760 million in new bonds be requested as has been suggested by the Director of Finance. This figure would appear to consist of the following:

	<i>Millions</i>
State building construction program-----	\$350
State school building aid-----	260
Beaches and parks-----	150
Total -----	\$760

These requests would require approval by the people in 1964. The amounts and programs represent approximations in the absence of formal proposals at this time, except for Beaches and Parks for which \$150 million was established by the 1963 Legislature subject to approval by the electorate in 1964.

Bonds currently authorized (including bonds outstanding and bonds unsold) totaled \$5,284,481,000 as of the end of November 1963.

It can be seen that a large supply of bonds (totaling \$2,528,197,000) has been authorized by the people which are still available for sale. The California water program, however, represents the largest part of the unsold category and the first sale of these bonds will take place before June 1964. Total sales for 1964 are currently estimated at \$250 million of water bonds, \$100 million of state construction bonds, \$120 million of state school building aid bonds (of which \$20 million has been sold for Beaches and Parks purposes) and \$60 million (already sold) for the veterans farm and home program. Total sales for 1964 are thus anticipated to reach \$530 million.

A perspective of the present bonding situation can be obtained by examining the trend in bonds outstanding during the past few years. The data in the following table show the changes since 1956. Also shown is bonded indebtedness in relation to state population and in relation to state personal income. These latter measures give some indication of the relative debt load both with regard to total general obligation bonds and to General Fund bonds.

State General Obligation Bonded Debt
Also in Relation to Population and Personal Income
1956 to 1963

<i>As of June 30</i>	<i>Total bonds outstanding (thousands)</i>	<i>General Fund bonds</i>		<i>Per Capita</i>		<i>Per \$100 of personal income</i>	
		<i>outstanding (thousands)</i>	<i>outstanding (thousands)</i>	<i>Total bonds</i>	<i>Fund bonds</i>	<i>Total bonds</i>	<i>Fund bonds</i>
		<i>General</i>	<i>General</i>	<i>General</i>	<i>General</i>	<i>General</i>	<i>General</i>
1956 -----	\$823,251	\$403,035	\$60.62	\$29.68	\$2.47	\$1.21	
1957 -----	1,039,762	455,350	73.34	32.12	2.92	1.28	
1958 -----	1,334,837	524,265	90.55	35.57	3.58	1.41	
1959 -----	1,533,571	656,680	103.58	42.95	3.87	1.60	
1960 -----	1,928,705	835,095	121.59	52.64	4.47	1.94	
1961 -----	2,281,217	975,310	138.65	59.28	5.00	2.14	
1962 -----	2,600,707	1,243,725	152.14	72.76	5.29	2.53	
1963 -----	2,706,546	1,304,840	153.02	73.77	5.18	2.50	

The above table shows a steady increase in the level of state bonded debt since 1956. The debt, both as per capita of population and relative to personal income, more than doubled during the period. This is illus-

General Obligation Bonds, State of California—Also Showing Effect of Proposed New Bond Issues

As of November 30, 1963

<i>Purpose</i>	<i>Total—proposed plus currently authorized</i>	<i>Proposed new bonds</i>	<i>Total currently authorized</i>	<i>Unsold</i>	<i>Outstanding</i>
General Fund bonds					
State and university buildings-----	\$3,620,000	--	\$3,620,000	--	\$3,620,000
California Tenth Olympiad-----	200,000	--	200,000	--	200,000
State building construction program----	992,800,000	\$350,000,000	642,800,000	\$220,000,000	422,800,000
State highway-----	2,000,000	--	2,000,000	--	2,000,000
State school building aid-----	1,434,700,000	260,000,000	1,174,700,000	220,000,000 ¹	954,700,000
Beaches and parks-----	150,000,000	150,000,000	--	--	--
Total-----	\$2,583,320,000	\$760,000,000	\$1,823,320,000	\$440,000,000	\$1,383,320,000
Self-liquidating bonds					
California water ² -----	\$1,750,000,000	--	\$1,750,000,000	\$1,750,000,000 ²	--
Harbor development-----	73,261,000	--	73,261,000	28,197,000	\$45,064,000
Veterans farm and home-----	1,637,900,000	--	1,637,900,000	310,000,000	1,327,900,000
Total-----	\$3,461,161,000	--	\$3,461,161,000	\$2,088,197,000	\$1,372,964,000
Grand total-----	\$6,044,481,000	\$760,000,000	\$5,284,481,000	\$2,528,197,000	\$2,756,284,000

¹ Includes \$20 million of school building aid bonds sold in January 1964 to finance state beach and park acquisition program.

² \$50 million in 6½ month bond anticipation notes were sold on November 21, 1963. Sale of bonds to retire these notes will be necessary before end of the 6½ month period.

³ Does not include proposed sale of \$327 million in revenue bonds for water development.

trated by the growth in per capita debt for General Fund bonds from \$29.68 in 1956 to \$73.77 in 1963 and on the basis of personal income for the same bonds from \$1.21 per \$100 of personal income in 1956 to \$2.50 in 1963.

Probably a more direct approach to appraising the implications of bond financing is gained by looking at debt service costs. These comprise interest and redemption charges which are paid each year according to the schedules for each bond issue. In this connection, it is also relevant to consider only these charges for the General Fund bonds as this represents the direct state costs unless revenue deficiencies occur for other bonds.

Starting with 1955-56 the following table lists General Fund debt service charges for all General Fund bonds up to 1964-65. In addition to state construction bonds, the category (1) includes several old issues for highways, state buildings and other purposes which are becoming relatively insignificant and most of which will be fully retired by 1965-66. The other category (2) shows only the General Fund portion of debt service on state school building aid bonds. The remaining debt service on these bonds is paid by the local jurisdictions involved in relation to a formula based on property tax rates and other factors. Accordingly, the state-local share has varied from year to year with the State gradually assuming a larger portion up to the present time.

General Fund Debt Service Costs—1956 to 1965

Fiscal year ending	(1)	(2)	Total General Fund debt service costs
	General Fund (state construction, etc. bonds)	General Fund portion (school building aid bonds)	
1956 -----	\$2,436,625	\$8,657,741	\$11,094,366
1957 -----	2,596,042	7,403,746	9,999,788
1958 -----	2,817,025	9,851,533	12,668,558
1959 -----	3,813,060	13,276,126	17,089,186
1960 -----	9,353,413	16,183,248	25,536,661
1961 -----	16,097,231	20,386,641	36,483,872
1962 -----	16,476,370	26,401,156	42,877,526
1963 -----	22,427,966	36,769,592	59,197,558
1964 (est) -----	26,855,305	38,125,945	64,981,250
1965 (est) -----	31,283,650	42,615,075	73,898,725

The above table shows a rapid increase in debt service costs for General Fund bonds moving from \$11 million in 1955-56 to \$74 million estimated for 1964-65. In 1955-56 these charges were 1.2 percent of total General Fund budget expenditures and are estimated at 3.2 percent for 1964-65. As explained earlier, this growth has resulted largely from the state construction program bonds and state school building aid bonds. Should present policies of financing be continued, debt service costs for these programs will continue to mount rapidly in the future as new bonds are sold.

It is very difficult to project bond requirements for these programs in coming years because of the many factors involved, but it appears that the needs may be somewhat conservatively estimated at \$125 million in bond sales per year on the average for each program. This would appear to be a minimal estimate under existing policies, and sales of state construction bonds could alternatively average \$150,000,000 per

year, or more, depending on the construction level desired and the portion to be financed from bond funds.

Assuming that average sales of \$125,000,000 for each program per year will approximate future trends the debt service charges are projected for each of these programs in the following two tables.

**State Operations—Estimated State Construction Program Bond
Interest and Redemption Charges—1964-65 to 1973-74**

<i>Fiscal year</i>	<i>Total debt service</i>	<i>Debt service on bonds sold as of 11/63</i>	<i>Debt service on new issues*</i>
1964-65	\$29,760,100	\$28,272,675	\$1,487,425
1965-66	33,095,350	29,801,350	3,294,000
1966-67	40,550,350	29,077,350	11,473,000
1967-68	48,087,350	28,575,350	19,512,000
1968-69	55,716,600	28,305,600	27,411,000
1969-70	63,221,600	28,051,600	35,170,000
1970-71	71,157,850	28,175,850	42,982,000
1971-72	78,413,850	27,477,350	50,936,500
1972-73	85,704,100	26,970,600	58,733,500
1973-74	93,042,000	26,669,000	66,373,000

* Assumes \$50 million in bonds will be sold between November 1963 and June 30, 1964. Also assumes that \$125 million (on the average) will be sold annually in each of the years 1964-65 to 1973-74. Interest rate on new issues is assumed at 3.5 percent.

**Local Assistance—Estimated Interest and Redemption Charges on State
School Building Construction Bonds—1964-65 to 1973-74**

<i>Fiscal year</i>	<i>Total</i>	<i>General fund portion *</i>	<i>New issues †</i>	<i>Debt service on bonds sold as of 11/63</i>
1964-65	\$68,717,575	\$42,615,075	\$3,230,000	\$65,487,575
1965-66	72,523,050	47,139,982	4,611,600	67,911,450
1966-67	79,604,050	51,742,633	12,768,200	66,835,850
1967-68	87,564,275	56,916,779	20,784,800	66,779,475
1968-69	94,850,875	61,653,069	28,661,400	66,189,475
1969-70	102,061,850	66,340,203	36,398,000	65,663,850
1970-71	109,603,650	71,242,373	44,264,800	65,338,850
1971-72	116,572,700	75,772,255	52,194,100	64,378,600
1972-73	124,373,875	80,843,022	59,965,900	64,407,975
1973-74	131,425,300	85,426,445	67,580,200	63,845,100

* For years 1965-66 to 1973-74 General Fund Portion assumed at 65 percent of total.

† Assumes sales at \$70 million between November 1963 and June 30, 1964, and \$125 million per year (on the average) 1964-65 to 1973-74. Interest rate on new issues is assumed at 3.5 percent.

It is noted with reference to the two preceding tables that total debt service charges are estimated to reach about \$93 million by 1973-74 for state construction bonds and \$85 million for the General Fund portion of school building aid bonds, assuming that 65 percent of the total debt service charges (which is slightly above the present level) will be paid from the General Fund. This would indicate total debt service for 1973-74 from the General Fund of about \$178 million for these two programs combined. This does not include the estimated effect on debt service of any new bond programs (such as the \$150 million for beaches and parks) which may be proposed in coming years.

These mounting debt service costs, especially with regard to the state construction program, are based on the assumption that practically the whole state construction program will be financed from bond funds.

The estimated total General Fund debt service costs for state construction and school building aid bonds based on data and assumptions in the two preceding tables are shown in the summary below:

**Estimated Combined Total General Fund Debt Service Costs
for State Construction and School Building Construction
Bonds—1964-65 to 1973-74**

1964-65.....	\$72,371,175	1969-70.....	\$129,561,803
1965-66.....	80,235,332	1970-71.....	142,400,223
1966-67.....	92,292,983	1971-72.....	154,186,105
1967-68.....	105,004,129	1972-73.....	166,547,122
1968-69.....	117,369,669	1973-74.....	178,468,445

REVIEW OF STATUTORY WORKLOAD REQUIREMENTS

ACR 5, 1963 Extraordinary Session, directed the Joint Legislative Budget Committee to review the statutes which govern the workload requirements of the various state agencies to determine if conditions have changed to such an extent as to warrant repeal or amendment of any such statutes and that these matters be brought to the attention of the Legislature in the 1964-65 analysis of the budget. In compliance with this resolution a letter was directed to each of the major agencies of the state government referring to the resolution and asking that the agency initiate a systematic review of the statutes which govern their workload requirements for determination as to whether any should be recommended to the Legislature for repeal or modification. Most of the state agencies have responded to this request, although there have not been a large number of specific suggestions for modification of state laws which would have definite budget implications. To the extent that suggestions were made by state agencies for repeal or modification of statutes affecting their work, and if the modification could have definite budget implications, these have been included in our analysis at the appropriate point in the discussion of the individual agencies or programs affected. Some of the suggestions made by the state agencies, although they may have budget implications, will require further study and investigation before they can be recommended to the Legislature and these will be reported in subsequent analyses or special reports to the Legislature.

In some instances, agencies responded to our request by suggesting law changes which were not confined to workload considerations but which would represent major policy recommendations by the department. Where it was indicated that these matters would be presented to the Legislature as departmental bills at the 1965 General Session of the Legislature, these were not incorporated in this analysis.

Although it was not the intent of the resolution to solicit departmental suggestions for language that was obsolete per se or provisions where codification would be desirable, if there were no budget implications, some of the agencies, nevertheless, incorporated suggestions for the removal of obsolete language or for codification of statutory provisions. Since these did not affect the mandatory workload of the agencies and did not have budget implications, these also have not been included in this analysis, but have been referred to the Office of Legislative Counsel for its review and further referral to the Law Revision Commission or other agency as might be appropriate.