

RENTERS' TAX RELIEF—Continued

under Item 403). These two programs are unrelated and involve separate application and claims processing.

FEDERAL REVENUE SHARING

Item 409 from the Federal
Revenue Sharing Fund

Budget p. 1089

Requested 1978-79	\$275,000,000
Estimated 1977-78	215,000,000
Actual 1976-77	215,000,000
Requested increase \$60,000,000 (27.9 percent)	
Total recommended reduction	None.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The State and Local Fiscal Assistance Act of 1972 (general revenue sharing) was enacted on October 20, 1972, with a federal appropriation of approximately \$30.2 billion for distribution to state and local governments over the five-year period January 1, 1972 to December 31, 1976.

The act was designed to give financial aid to state and local governments which were finding it increasingly difficult to pay for services they provided. The allocation of general revenue sharing funds among the recipient governments for each entitlement period is made according to statutory formulas using data such as population, general tax effort, and income tax collections.

The State and Local Fiscal Amendments of 1976 was enacted on October 13, 1976, with a federal appropriation of approximately \$25.5 billion for distribution over the four-year period January 1, 1977 to September 30, 1980. No substantive changes were made to the allocation formula. The new law does require recipient governments to hold public hearings on proposed uses of the funds.

Table 1 gives a breakdown of (1) the total federal revenue sharing funds generated and (2) state expenditures made since inception of the program. In fiscal year 1973-74, federal revenue sharing funds were appropriated for educational and for welfare costs of the State Supplementary Payment (SSP) program. From fiscal years 1974-75 to 1977-78, funds have been appropriated to the State School Fund for public school apportionments.

The Governor's Budget proposes that \$275 million in federal revenue sharing funds be expended for the SSP program in fiscal year 1978-79 in order to reduce auditing and noncompliance problems. This is an increase of \$60 million more than was expended from the fund last year and results from the state drawing down a larger amount from the fund's available surplus. The \$275 million in the Federal Revenue Sharing Fund is transferred to the General Fund and then transferred to Item 271 to fund the SSP program.

Table 1
Federal Revenue Sharing

	<i>Actual 1972-73</i>	<i>Actual 1973-74</i>	<i>Actual 1974-75</i>	<i>Actual 1975-76</i>	<i>Actual 1976-77</i>	<i>Estimated 1977-78</i>	<i>Estimated 1978-79</i>
A. State Receipts and Interest Earned							
Receipts from federal government	\$234,833,484	\$219,008,366	\$217,012,192	\$218,771,374	\$232,443,652	\$244,164,066	\$252,924,648
Interest received on surplus money	251,393	12,371,343	13,406,539	9,714,382	9,708,254	10,932,188	12,740,000
Total	\$235,084,877	\$231,379,709	\$230,418,731	\$228,485,756	\$242,151,906	\$255,096,254	\$265,664,648
B. State Expenditures							
Budget Act appropriations	—	\$215,000,000	\$215,000,000	\$215,000,000	\$215,000,000	\$215,000,000	\$275,000,000
Chapter 1200, Statutes of 1973	—	6,000,000 ^a	—	—	—	—	—
Chapter 1216, Statutes of 1973	—	65,000,000	—	—	—	—	—
Unexpended balance	—	-6,000,000	—	—	—	—	—
Total	—	\$280,000,000	\$215,000,000	\$215,000,000	\$215,000,000	\$215,000,000	\$275,000,000
C. Surplus Funds							
Surplus available for appropriation	\$235,084,877	\$186,464,586	\$201,833,318	\$215,369,074	\$242,520,980	\$282,617,234	\$273,281,882

^a This money was appropriated but was not spent.

HEALTH BENEFITS FOR ANNUITANTS

Item 410 from the General
Fund

Budget p. 1100

Requested 1978-79	\$22,127,451
Estimated 1977-78.....	18,689,093
Actual 1976-77	15,062,687
Requested increase \$3,438,358 (18.4 percent)	
Total recommended reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Funding for Premium Increase. Augment by a yet unspecified amount. Recommend funding for part of anticipated premium increase. 1077

GENERAL PROGRAM STATEMENT

This appropriation provides the state's contribution toward payment of monthly health insurance premiums for annuitants of retirement systems to which the state contributes as an employer. These systems include the Judges', Legislators', Public Employees' and Teachers' Retirement Systems. For the latter two systems, this health insurance contribution is limited to retired state employees.

This program offers a degree of post-retirement security for employees and their dependents by paying one of the following amounts toward the monthly premium of a state-approved insurance plan: (1) \$32 for the annuitant only, (2) \$53 for an annuitant with one dependent, and (3) \$66 for an annuitant with two or more dependents. These contribution levels, effective July 1, 1977, were authorized by Chapter 192, Statutes of 1977 (AB 249). The prior state contribution rates were \$29, \$49 and \$60, respectively.

ANALYSIS AND RECOMMENDATIONS

An anticipated increase in the number of annuitants and state payments for Medicare medical insurance account for the \$3.4 million (18.4 percent) growth in the proposed budget-year appropriation, as shown in Table 1.

Table 1
Health Benefit Costs for Annuitants

Retirement System	Number of Annuitants			State Cost (thousands)		
	1977-78	1978-79	Percent Change	1977-78	1978-79	Percent Change
Judges.....	379	417	10.0%	\$185.4	\$223.3	20.4%
Legislators.....	92	104	13.0	45.0	55.7	23.8
Employees.....	37,424	40,450	8.1	18,310.9	21,661.0	18.3
Teachers.....	302	350	15.9	147.8	187.4	26.8
Totals.....	38,197	41,321	8.2%	\$18,689.1	\$22,127.4	18.4%