

Civil Service, Exempt, Statutory, Academic and Nonacademic Employees and Judges—Continued

1974. Although the intent was to issue such statements annually, none has been issued since that time.

Legislature Expressed Concern About Lack of Employee Benefit Counselling

Resolution Chapter 38, Statutes of 1976, (SCR 30) requested the SPB in cooperation with other specified state agencies to study state employee benefit counselling needs and submit recommendations in this area. One of the board's recommendations was to periodically provide individualized benefit statements to employees.

House Resolution 10, adopted March 7, 1977, requested that the Department of Finance make funds available for providing such statements to employees.

Technically, issuing such benefit statements, like payroll warrants, would represent a state administrative expense, rather than a form of employee compensation as indicated in the budget. However, because a valid need exists, we recommend approval of the funds requested for this purpose.

RESERVE FOR CONTINGENCIES—EMERGENCY FUND

Item 426 from the General Fund

Budget p. 1107

Requested 1978-79	\$1,500,000 ^a
Appropriated by the Budget Act of 1977	1,500,000 ^a

^a In addition there is a \$1,500,000 appropriation for temporary loans.

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Prior Review of Contingencies. Recommend control language to require the reporting of emergencies within 10 days after approval, and the reporting of contingencies 30 days prior to approval. 1095
2. Appropriations for Special Funds. Recommend contingency appropriations be added to the Budget Bill for state special funds and nongovernmental cost funds. 1096

ANALYSIS AND RECOMMENDATIONS

This item appropriates \$1,500,000 for expenditure from the Emergency Fund. The Emergency Fund provides a source from which the Department of Finance can allocate funds to state agencies for expenses resulting from unforeseen contingencies not covered by specific appropriations.

Also, this item appropriates an additional \$1,500,000 to provide for temporary loans to state agencies whose operations would be curtailed because of delayed receipt of reimbursements or revenue. These loans are returned or accrued for return by the end of the fiscal year in which they are made.

The Emergency Fund request of \$1,500,000 is a token amount which has been substantially less than the actual deficiencies realized in every year since 1959-60. To meet the actual requirements, a deficiency appropriation has been necessary toward the end of each fiscal year.

Table 1 details the amounts budgeted and allocated along with the deficiency appropriations since 1970-71.

Table 1
Emergency Fund, Appropriations and Allocations
1970-71 to 1978-79

<i>Fiscal year</i>	<i>Appropriated</i>	<i>Allocated to agencies</i>	<i>Deficiency appropriation</i>
1970-71	1,000,000	4,919,594	4,375,000
1971-72	1,000,000	4,993,871	4,918,009
1972-73	1,000,000	8,076,724	7,500,000
1973-74	1,500,000	5,644,554	10,900,000
1974-75	1,500,000	15,112,367	14,700,000
1975-76	1,500,000	24,918,959	30,520,089
1976-77	1,500,000	11,200,217	11,550,000
1977-78	1,500,000	9,275,369	8,800,000 (est)
1978-79	1,500,000 (budgeted)		

The table shows the department anticipates a deficiency appropriation of \$8.8 million in addition to the \$1.5 million budgeted for the current year. Allocations to agencies through late January totalled \$9,275,369, leaving a balance of \$1,024,631 to meet unforeseen contingencies for the remainder of 1977-78.

Prior Legislative Review of Contingencies

We recommend control language be added that separately defines "emergencies" and "contingencies".

We further recommend that expenditures for emergencies be reported to the Legislature by the Director of Finance in each case within 10 days after authorization, and expenditures for contingencies be reported under a 30 day prior notification procedure.

Item 426 currently defines emergencies as "contingencies for which no appropriation, or insufficient appropriation, has been made by law and which, in the judgment of the Director of Finance constitute cases of actual necessity." Allocations from this fund are often made to provide for emergency situations that pose a threat to life and property. A prime example of such allocations are those that provide for fire suppression activities of the Department of Forestry. In many instances, however, augmentations to agency appropriations of a non-emergency nature have been funded from the Reserve for Contingencies. Where appropriated funds in the reserve were already exhausted, this has been done on the presumption that the Legislature will subsequently augment the \$1.5 million appropriation to cover shortfalls. The Legislature is notified *after*

RESERVE FOR CONTINGENCIES—EMERGENCY FUND—Continued

allocations have been approved by the Director of Finance.

During the current year, allocations have been provided for such "general emergencies" as workload associated with reviewing and determining the valuation of the Howard Hughes estate, finger printing Notary Public applicants, and paying per diem to non-attorney members of the State Bar Governing Board. While such expenditures may warrant legislative approval there is no assurance that this will be the case. For example, we question the need for a state department to hire private legal counsel to defend the state in a court action, given the extensive resources of the Attorney General (see Item 295). Because the Director of Finance has approved the use of Emergency Fund authority for this purpose, the Legislature is effectively denied the opportunity to consider the merits of this expenditure in advance.

We have also questioned the authorization by the Director of Finance for the Department of Health to begin spending unbudgeted General Fund monies at a rate which could create a deficiency.

Use of the Reserve for Contingencies in this way can result in a defacto appropriation of money by the Executive Branch. We believe this delegation of legislative power should not be continued without improved review and control procedures. Specifically, we believe that all nonemergency expenditures should be subject to legislative review *prior* to authorization.

Under the recommended procedures we believe actual expenditures from the reserve appropriation will be less than in the past. It should also be noted that the Legislature, beginning with the current year, has provided a \$5 million appropriation for fire suppression costs. These emergency costs traditionally distorted the amounts expended under the Emergency Fund item. This \$5 million appropriation would be continued for 1978-79 under Item 191.

Deficiencies for Special Funds

We recommend that the Budget Bill include in separate item numbers an emergency and contingency appropriation for (1) state special funds and (2) nongovernmental cost funds.

Section 11006 of the Government code authorizes the Director of Finance to create deficiencies in any appropriation for cases of actual necessity. For deficiencies of \$25,000 or more the written consent of the Governor is required. Because this section contains no appropriation to fund these, a reserve for contingencies has been appropriated in each Budget Act to fund and control General Fund deficiencies. When proposed deficiencies exceed this General Fund appropriation, further appropriations are specifically required by the Legislature.

For state special funds and nongovernmental cost funds, no contingency appropriation has been included in the Budget Bill because the statutes authorizing the establishment of these special funds normally provide for a continuing appropriation which can be used to fund these deficiencies. As a result, if the Legislature appropriates in the Budget Act, a specific amount from a special fund for a specific purpose, the administration may

authorize a greater amount without further legislative action.

We believe it is inappropriate not to provide an opportunity for the same level of legislative oversight for these state funds as is required for the General Fund. For this reason, we are recommending specific Budget Act appropriations to fund and control deficiencies created under Section 11006. We recommend that expenditure from these appropriations be subject to the same reporting requirements for emergencies and contingencies as we are recommending for the General Fund item.

AUGMENTATIONS FOR PRICE INCREASES

Items 427-429 from the various funds

Budget p. 1111

Requested 1978-79	\$12,200,000
Estimated 1977-78.....	8,678,121
Actual 1976-77	12,153,564
Requested increase \$3,521,879 (40.6 percent)	
Total recommended reduction	1,500,000

1978-79 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
427	Price Increase Augmentations	General	\$7,378,000
428	Price Increase Augmentations	Special	2,129,000
429	Price Increase Augmentations	Nongovernmental Cost ^a	2,693,000
			<u>\$12,200,000</u>

^a Appropriated in Budget Bill but not included in budget totals.

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Additional Data and Legislation. Withhold recommendation pending additional data and legislative action on unemployment insurance. 1097
2. General Price Increases. Reduce Item 427 by \$1.5 million. 1099
Recommend reduction of request to fund price increases not anticipated in departmental budgets.

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation on the \$12,200,000 for price increases pending receipt and analysis of further data and pending legislative action on unemployment insurance.

This item provides \$12,200,000 for price increases not included in the budget requests of individual agencies. These funds are intended to be allocated by the Department of Finance based on demonstrated needs. The composition of Items 427, 428 and 429 is shown in Table 1 on the following page.

Increase in Social Security Contributions Required

The Department of Finance, in issuing its budget instructions for fiscal year 1978-79, estimated that base compensation for OASDI (social security) purposes—that is, compensation subject to taxes—would be \$17,400