

LEGISLATURE

Items 0110-0150 and 0160 from
the General Fund

Budget p. LJE 1

Requested 1985-86	\$136,664,000
Estimated 1984-85.....	121,886,000
Actual 1983-84	119,802,000
Requested increase \$14,778,000 (+12.1 percent)	
Total recommended reduction	None

1985-86 FUNDING BY ITEM AND SOURCE

Item--Description	Fund	Amount
0110-001-001--Senate	General	\$59,326,000
0120-011-001--Assembly	General	76,456,000
0130-021-001--Joint expenses	—	—
0160-001-001--Legislative Counsel Bureau	—	—
Subtotal, Budget Bill Appropriations		\$135,782,000
Continuous Appropriation--Legislators' Retirement System	General	882,000
Reimbursements		(131,000)
Total		\$136,664,000

GENERAL PROGRAM STATEMENT

The California Constitution grants to the Legislature the legislative powers of the state, except for the powers of initiative and referendum which are reserved for the people. Under this authority, the Legislature enacts laws, makes appropriations, and levies taxes.

The Legislature consists of a Senate with 40 members who are elected for four-year terms, and an Assembly with 80 members who are elected for two-year terms. Currently, each Senator represents approximately 600,000 people, while each Assembly member has about 300,000 constituents.

The Legislature meets in two-year sessions starting on the first Monday in December of each even-numbered year. It remains in session, except for recesses, until November 30 of the following even-numbered year. The Governor, by proclamation, may call the Legislature into special session to enact legislation to deal with extraordinary circumstances specified by the Governor.

The major portion of legislative business is conducted through a system of committees. Each committee is responsible for acting on measures in a specific subject area. Currently, the Assembly has 29 standing committees and the Senate has 22. In addition, various select and special committees hold hearings and conduct research on topics of particular concern to the Legislature.

The Senate, Assembly, and the Joint Committees had 1,943 employees at the end of 1984. In addition, the Legislative Counsel Bureau has 303.8 authorized personnel-years in the current year.

LEGISLATURE—Continued**ANALYSIS AND RECOMMENDATIONS**

The Legislature's budget includes appropriations totaling \$136,664,000 for 1985-86. This amount includes \$135,782,000 for operational support and \$882,000 for contributions to the Legislators' Retirement System. The total amount of the proposed appropriations is \$14,778,000, or 12.1 percent, greater than estimated current-year expenditures. In addition, the Legislature anticipates the receipt of \$131,000 in reimbursements in the budget year.

During the current year, the Legislature fully complied with the fiscal provisions of Proposition 24, which was approved by the voters in June 1984. It did so by requesting that the Governor reduce by about \$37 million the amount appropriated for the Legislature in the 1984 Budget Bill.

Table 1 outlines the sources and uses of funds for legislative expenses, excluding contributions to the Legislators' Retirement System, in the prior, current, and budget years. As shown in the table, the \$135,782,000 provided for support of the Legislature in 1985-86 is \$14,692,000, or 12.1 percent, above estimated support expenditures in the current year.

Table 1 also reflects changes in the mechanism used to fund joint expenses—the cost of various services provided jointly to the two houses. In the current and budget years, the Legislative Counsel Bureau and other joint operations are funded primarily with allocations from the Assembly and Senate. In prior years, these operations were financed from appropriations in separate budget items.

The amounts in the table include funding for the Auditor General's office in 1983-84 but not in subsequent years. Chapter 1594, Statutes of 1984, provides funding for the office from a different funding source beginning in 1984-85. (Please see our analysis of Item 0155.)

Table 1
California Legislature
Sources and Uses of Funds^a
1983-84 through 1984-85
(in thousands)

<i>Sources of Funds</i>	<i>Actual 1983-84</i>	<i>Estimated 1984-85</i>	<i>Proposed 1985-86</i>	<i>Change from Current Year</i>
General Fund				
Appropriations	\$120,803	\$102,985	\$135,782	\$32,797
Carry-over	553 ^b	993 ^c	—	-993
Totals, General Fund	\$121,361	\$103,978	\$135,782	\$31,804
Contingent Funds				
Carry-over	-\$2,203	\$17,112	—	-\$17,112
Totals, all funds	\$119,158	\$121,090	\$135,782	\$14,692
Uses of Funds				
Senate	\$34,108	\$49,275	\$59,326	\$10,051
Assembly	46,028	65,819	76,456	10,637
Joint expenses ^d	39,022	5,996	—	-5,996
Totals	\$119,158	\$121,090	\$135,782	\$14,692

^a Amounts do not include reimbursements or contributions to the Legislators' Retirement System.

^b From prior appropriation for printing.

^c From prior appropriation for support of the Legislative Counsel Bureau.

^d Amounts include funding for the Auditor General's office in 1983-84 but not in subsequent years.

CONTRIBUTIONS TO LEGISLATORS' RETIREMENT FUND

The Legislators' Retirement Fund (LRF) provides benefits to legislators, constitutional officers and legislative statutory officers, as well as to their survivors. The fund is administered by the Public Employees' Retirement Systems (PERS).

The state's contribution to the Legislators' Retirement System (LRS) is set at 18.8 percent of members' salaries, and funds to pay the annual employers' contribution are continuously appropriated by statute from the General Fund.

The budget estimates the 1985-86 state costs of this item at \$882,000, which is an increase of \$86,000, or 10.8 percent, over estimated current-year expenditures. This projected growth is attributable primarily to a salary increase approved for legislators effective December 1984. Membership in the LRS is optional.

Normal Costs Should be Funded

In the 1984-85 *Analysis* (pages 2-4), we recommended that the "normal costs" (that is, the cost of funding retirement benefits being earned in a given year) of the LRS—as well as the normal costs of other state-administered retirement systems—be fully funded. We offered several alternative methods for eliminating any current shortfall in normal costs: (1) increase the state's (employer's) contribution rate, (2) raise the members' contribution rate, or (3) revise (on a prospective basis) the current level of benefits.

We also indicated that the shortfall in normal costs for the LRS was minor (estimated in 1984-85 at 2.5 percent of members' salaries, or about \$100,000), and suggested that the Legislature might want to wait until the release in early 1985 of the latest LRS actuarial valuation before taking any remedial action.

That actuarial valuation was scheduled for release in February 1985, too late for us to comment on in this analysis. By the time of budget hearings, however, the Legislature should have the information it needs in order to make a decision regarding any normal cost shortfall. At that time, the Legislature may also wish to address the LRS' unfunded liability (the cost of retirement benefits earned in *prior years* which are not funded by current assets).

AUDITOR GENERALItem 0155 from the Auditor
General Fund

Budget p. LJE 7

Requested 1985-86	\$8,154,000
Estimated 1984-85.....	6,909,000 ^a
Actual 1983-84	— ^a
Requested increase (excluding amount for salary increases) \$1,245,000 (+18.0 percent)	
Total recommended reduction	None

^a These expenditures are included in totals for the Legislature, Items 0110-0130 and 0160.

GENERAL PROGRAM STATEMENT

The Auditor General conducts independent audits of the programs and fiscal operations of state government. The financial, performance, and investigative audits and other special studies conducted by the Auditor General provide the executive and legislative branches with objective information for establishing fiscal and administrative policy for the state. The Auditor General is in the legislative branch in order to comply with federal requirements relating to the independence of audits and to meet professional auditing standards.

The Auditor General had 173 employees at the end of 1984.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$8,154,000 from the Auditor General Fund for support of the Auditor General's office in 1985-86. This is an increase of \$1,245,000, or 18.0 percent, over estimated current-year expenditures. The increase results primarily because current-year staffing costs were unusually low due to turnover and vacancies. This increase will grow by the cost of any salary or staff benefit increases approved for the budget year.

Prior to 1984-85, the Auditor General's office was financed from the Contingent Funds of the Assembly and Senate. Chapter 1594, Statutes of 1984 created the Auditor General Fund for the purpose of paying the costs of audits performed by the Auditor General.