

ANALYSIS AND RECOMMENDATIONS WITH RESPECT TO GENERAL CONTROL SECTIONS

The so-called "control sections" included in the 1985 Budget Bill set forth general policy guidelines governing the use of state funds. These sections place limitations on the expenditure of certain appropriations, extend or terminate the availability of certain other appropriations, establish procedures for the expenditure and control of funds appropriated by the Budget Act and contain the traditional constitutional severability and urgency clauses.

The control sections proposed for fiscal year 1985-86 may be found in Section 3.00 through Section 36.00 of Senate Bill No. 150 (Alquist) and Assembly Bill No. 222 (Vasconcellos). In many instances, the numbering of these sections is not consecutive, as the section numbers in the 1985-86 Budget Bill have been designed to correspond with the equivalent or similar sections in the Budget Act of 1984.

In addition, the Budget Bill includes Sections 1.00, 1.50, 99.00 and 99.50. These are technical provisions relating to the coding, indexing and referencing of the various items in the bill.

SECTION 3.00

BUDGET ACT DEFINITIONS AND STATUTORY SALARIES

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This section, which is identical to Section 3.00 of the 1984 Budget Act, sets forth various conditions under which appropriations for support, capital outlay, and acquisition of land are to be made. It restricts expenditures to categories or projects set forth in the Budget Act schedule, unless authority to shift funds from one category to another is provided in other sections of the act. Also, various words, terms and phrases found in the categorical schedules of individual Budget Act items are defined by this section.

This section also provides that the statutorily established salaries and wages of state officers are included in the appropriate support items of the Budget Act of 1985 in the amount in effect on June 30, 1985. Without the provisions of this section, the salary increases previously approved by the Legislature could not be continued, and the salaries for these positions would be reduced to the base salary authorized in the statutes.

SECTION 3.50

EMPLOYEE BENEFITS

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This section, which is identical to Section 3.50 of the 1984 Budget Act, provides that state contributions for payment of employee benefits—such as retirement, disability, unemployment, health insurance, and workers' compensation insurance, all of which have continuing statutory appropriations—shall be paid from appropriations made by individual items in the Budget Act.

SECTION 4.00

HEALTH INSURANCE PREMIUMS

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation on the monthly state contribution rates for employee health insurance specified in this section, pending determination of (1) the actual increase in health insurance premiums and (2) rate changes negotiated under collective bargaining and proposed for nonrepresented employees.

This control section, which is identical to Section 4.00 of the Budget Act of 1984, specifies the monthly amounts which the state contributes toward employee health insurance.

The state pays the major portion of premiums for health insurance provided to active and retired civil service employees and to employees of the California State University (CSU). Government Code Section 22825.1 (1) specifies that the state's contribution toward employee health insurance *shall* be adjusted in the annual Budget Act and (2) expresses legislative intent that the state pay 100 percent of the *average* premium cost for coverage of employees and annuitants, and 90 percent of the *average* premium cost for coverage of dependents.

Current state monthly contributions toward employee health insurance are (1) \$86 for the employee (or annuitant) only, (2) \$167 for an employee and one dependent, and (3) \$209 for an employee and two or more dependents. These contribution levels were authorized by the 1984 Budget Act, and became effective July 1, 1984.

Changes in the coverage of and premiums for state employee health insurance result from negotiations between Public Employees' Retirement System (PERS) staff and the insurance carriers. These negotiations typically are completed late in May. Any changes agreed to must be approved by the PERS Board. Funding for the state's portion of the increased costs resulting from these negotiations, if approved by the Legislature, is provided under Item 9800 of the annual Budget Bill.

The state contribution rate for employee health insurance is a negotiable issue under collective bargaining. Therefore, different rates for employees in the various bargaining units could result from the collective bargaining process. Any additional funds needed to implement negotiated changes, however, are subject to legislative approval in the annual Budget Act.

Before acting to adjust the state contribution rate for annuitants or employees *not* subject to collective bargaining, the Legislature may want to consider negotiated changes, if any, made in the state contribution rate with respect to employees covered by collective bargaining.

At the time this analysis was prepared, there was no firm basis for determining whether the contribution rates proposed in this section are appropriate. Accordingly, we withhold recommendation on this section, pending determination of (1) the actual increase in health insurance premiums and (2) rate changes, if any, negotiated under collective bargaining or proposed for non-represented employees.

A discussion of issues related to health care coverage for state active and retired employees is provided in our analysis of Item 9800 (please see page 1656).

SECTION 4.20
CONTRIBUTIONS TO THE PUBLIC EMPLOYEES' CONTINGENCY
RESERVE FUND (PECRF)

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation on this section, pending receipt of information needed by the Legislature to set PECRF rates.

This control section was enacted in the 1984 Budget Act to provide a mechanism for (1) granting legislative approval of the surcharge rates that state agencies will be required to pay for the costs of health benefits administration (by the Public Employees Retirement System—PERS) and a contingency reserve in the PECRF, and (2) recapturing excess payments to the PECRF. [For background information concerning the need for this control section, please see the 1984-85 *Analysis*, pages 277-279. We also discuss current-year implementation of Section 4.20 in our analysis of Item 1900 (pages 224-227).]

Section 4.20, as proposed in the 1985 Budget Bill, is virtually identical to the version included in the 1984 Budget Act. The Legislature, however, will not be able to act on the PECRF special reserve rate until the PERS board completes its negotiations with health providers and recommends a reserve rate, which will occur sometime in May or June 1985.

For this reason, we withhold recommendation on this section, pending receipt of additional information.

SECTION 5.00
ATTORNEY FEES

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This section prohibits the use of funds appropriated in the Budget Act or any other statute to pay attorney fees in specified cases, prior to legislative review and approval. Only court-awarded attorney fees specifically authorized and set forth in an item or section of the act, or expressly authorized by a statutory provision other than Section 1021.5 of the Code of Civil Procedure, may be paid.

This section is similar to Control Section 5 in the 1984 Budget Act, which prohibited the payment of certain attorney fees from funds appropriated in the Budget Act only. The proposed language in this section would extend the prohibition to funds appropriated by any other statute as well.

This section increases legislative oversight of the payment of court-awarded attorney fees. It was included for the first time in the Budget Act of 1980.

The Budget Bill includes an item which appropriates \$400,000 from various funds for the payment of attorney fee claims, settlements, and judgments against the state pursuant to the Code of Civil Procedure Section 1021.5, the "private attorney general" doctrine, or the "substantial benefit" doctrine. (Please see our analysis of Item 9810.)

SECTION 5.50
OVERSIGHT OF CONSULTANT CONTRACTS

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This section, which is identical to Control Section 5.50 of the 1984 Budget Act, requires the Director of General Services to notify the Joint Legislative Budget Committee within 30 days after approval of any contracts or interagency agreements for consultant or professional services.

SECTION 6.00
STATE BUILDING ALTERATIONS

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This section, which is similar to Section 6.00 of the 1984 Budget Act, establishes certain limits on the use of support budget funds for alterations of state buildings. Departments may not undertake building alterations using support budget funds which cost more than \$10,000 unless the Director of Finance determines that the proposed alteration is critical. Critical projects, moreover, may not exceed \$200,000 and the Department of Finance's determination must be reported to the Chairperson of the Joint Legislative Budget Committee not less than 30 days prior to requesting bids for the project. Alteration projects which cost less than \$10,000 are not subject to any approval or reporting requirement.

The \$200,000 limit represents a \$50,000 increase over the 1984 Budget Act level. This limit initially was established based on the maximum cost of a minor capital outlay project. The maximum cost for minor capital outlay recently was raised to \$200,000. Thus, the proposed change in Section 6.00 is compatible with the Legislature's intent in adopting this section. We therefore recommend that this section be approved.

SECTION 6.50
TRANSFER OF AMOUNTS WITHIN SCHEDULES

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This section, which is identical to Section 6.50 of the 1984 Budget Act, authorizes the Director of Finance to transfer amounts between categories, programs or projects within the same schedule in the agency's items of appropriation. The Director of Finance is required to issue quarterly reports to the fiscal committees of each house and to the Joint Legislative Budget Committee (JLBC) regarding all transfers approved pursuant to this authority.

This section, however, places the following *ceilings* on the scheduled amounts which can be transferred:

- For appropriations of \$2 million or less: 20 percent;
- For appropriations of between \$2 million and \$4 million: \$400,000; and
- For appropriations of over \$4 million and the Department of Transportation's Highway program: 10 percent.

In addition to these restrictions, this section also provides that any transfer of scheduled amounts *exceeding \$100,000* may be approved by the Department of Finance only after 30 days' advance notice has been given to both the fiscal committees and the JLBC.

SECTION 7.20

COMMERCIAL INSURANCE POLICIES

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This section, which is identical to Section 7.20 of the 1984 Budget Act, prohibits the use of funds appropriated in the Budget Act to purchase a commercial insurance policy unless the coverage is required by law or necessary in order to ensure that a particular state governmental function can be performed. The section requires a 30-day advance notification to the Joint Legislative Budget Committee before any insurance policy is purchased. In addition, this section directs the Department of Finance to reduce state agency budgets in cases where funds appropriated for insurance purchases are not needed.

SECTION 7.50

ACCOUNTING PROCEDURES FOR STATEWIDE APPROPRIATIONS

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This section, which is identical to Section 7.50 of the 1984 Budget Act, provides that, for accounting purposes, certain authorized expenditures may be considered to be an augmentation of the appropriation made by this act. These expenditures include those authorized from the Reserve for Contingencies or Emergencies, total equivalent compensation funds, the price increase funds, the salary increase funds, and special funds pursuant to Section 11006 of the Government Code.

SECTION 8.50

APPROPRIATION AND CONTROL OF FEDERAL FUNDS

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This section, which is identical to Section 8.50 of the 1984 Budget Act, appropriates any additional amounts of federal funds received in excess of the amounts appropriated in the Budget Act, expresses legislative intent that state agencies should apply for the maximum amount of federal funds available to the state, and imposes reporting requirements on the Department of Finance with regard to reductions in federal funds. Specifically, the Director of Finance must report to the fiscal committees and the Joint Legislative Budget Committee when (1) federal funding for any of the federal block grant programs administered by the state is reduced by an amount in excess of 5 percent of the amount appropriated in the Budget Act or (2) federal funding for any Budget Act item receiving federal funds is reduced by an amount in excess of 5 percent of the amount appropriated in the Budget Act.

SECTION 8.51

FEDERAL TRUST FUND ACCOUNT NUMBERS

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This section, which is identical to Control Section 8.51 of the 1984 Budget Act, requires each state agency to use the Federal Trust Fund account numbers when certifying charges against federal funds appro-

riated by Budget Act items. We recommend approval of this section because it ensures consistent accounting between the State Controller's office and each state agency.

SECTION 9.00

SUPPLEMENTAL LANGUAGE REPORT

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This section states that the Supplemental Report of the Committee of Conference on the Budget Bill, which is prepared by the Legislative Analyst, reflects legislative intent in enacting the Budget Act. It is identical to Control Section 9.00 of the 1984 Budget Act. This section also directs the Legislative Analyst to send the report to all affected agencies.

SECTION 9.20

ADMINISTRATIVE COSTS FOR PROPERTY ACQUISITION

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This control section, which is similar to Section 9.20 in the 1984 Budget Act, specifies that the amount of funds expended for administrative costs in connection with acquisition of state property shall be limited to the amount specified in the *Supplemental Report to the 1985 Budget Act*. Except in the case of condemnation, this section limits augmentations of administrative cost to 5 percent of the amount appropriated for administrative cost. Administrative costs associated with condemnation proceedings may be augmented by the State Public Works Board, in accordance with current law, which allows the board to augment an acquisition appropriation by up to 20 percent.

This section was first adopted in the 1984 Budget Act. It provides a measure of control over augmentations for administrative costs associated with property acquisition projects included in the budget. We recommend that the section be approved.

SECTION 9.50

FUNDING SOURCE FOR REAPPROPRIATIONS

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This section, which is identical to Section 9.50 of the 1984 Budget Act, provides that unless otherwise noted in the Budget Bill, any reappropriation from the General Fund for capital outlay that is contained in the Budget Bill shall be payable from the Special Account for Capital Outlay.

The Budget Bill, as introduced, does not include any reappropriations for capital outlay from the General Fund. Consequently, if the Budget Bill is enacted in its present form, Section 9.50 would not have any effect. In the event the budget is amended to include reappropriations of capital outlay funds from the General Fund, this section would shift the fund source to the SAFCO unless language citing another fund source is included under the specific reappropriation.

SECTION 11.50**DISTRIBUTION OF TIDELANDS OIL REVENUES****ANALYSIS AND RECOMMENDATIONS**

We withhold recommendation on the proposed distribution of tidelands oil revenues, pending legislative action on the capital outlay program proposed in the Budget Bill.

This section would modify existing law governing the allocation of tidelands oil revenues for the budget year. Table 1 compares the allocation of these revenues under existing law with the allocations proposed in the Governor's Budget and in this section.

Table 1

Distribution of Tidelands Oil Revenues in 1985-86
Comparison of Current Law with the Governor's Budget
and Budget Bill Section 11.50
 (dollars in thousands)

<i>Fund</i>	<i>Current Law</i>	<i>Governor's Budget</i>	<i>Section 11.50</i>
State Lands Commission.....	\$12,699	\$12,699	\$12,699
California Water Fund	25,000	25,000	25,000
Central Valley Water Project Construction Fund.....	5,000	5,000	5,000
Sea Grant Program	500	500	500
Capital Outlay Fund for Public Higher Education (COFPHE)	108,815	119,971	119,971
State School Building Lease/Purchase Fund	150,000	150,000	221,830
Energy and Resources Fund	65,000	—	—
Special Account for Capital Outlay (SAFCO)	67,986	121,830	50,000
Total.....	\$435,000	\$435,000	\$435,000

As shown in Table 1, the distribution of tidelands oil revenue that would be made by this section varies significantly from the proposal contained in the Governor's Budget. The Department of Finance is aware of this, and has proposed technical amendments to Section 11.50 in order to bring it in line with the Governor's Budget.

If the distribution proposed in the Governor's Budget is approved, the COFPHE and the SAFCO would have an unappropriated balance of \$12.4 million and \$15.7 million, respectively, on June 30, 1986.

We withhold recommendation on the allocation of tidelands oil revenues in the budget year, because the appropriate allocation will be determined by the Legislature's action on the expenditure programs set forth in the budget. Once the Legislature has approved an expenditure program, we recommend that it provide for a balance of no more than 6 percent of approved construction funding in the various funds that receive tidelands oil revenues. A 6 percent balance should be sufficient to provide any necessary augmentations during the budget year, given current projections of the inflation rate in the months ahead.

SECTION 12.00**APPROPRIATIONS LIMIT FOR 1985-86****ANALYSIS AND RECOMMENDATIONS**

We withhold recommendation, pending the receipt of final data on the annual adjustment factors and transfers of financial responsibility.

This section establishes the state's 1985-86 appropriations limit for purposes of Article XIII B of the State Constitution. It also sets a time limit

on judicial challenges to the limit established by this section.

The budget proposes a 1985-86 limit of \$23,095 million. This is only a preliminary estimate, however, as the final annual adjustment factors for inflation and population needed to establish the 1985-86 limit pursuant to the constitution will not be known until May.

When this data becomes available, we will report our recommendations on the state's appropriations limit to the Legislature.

SECTION 12.30

RESERVE FOR ECONOMIC UNCERTAINTIES

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This section, which is similar to Section 12.30 of the 1984 Budget Act, provides for the Reserve for Economic Uncertainties in the General Fund. The section has two main provisions.

First, it appropriates from the General Fund on July 1, 1985, an amount necessary to bring the fund balance of the Reserve for Economic Uncertainties up to \$1,040.1 million.

Second, this section provides for a June 30, 1986 transfer into or out of the reserve, depending on the status of the General Fund balance on that date. If the General Fund has a deficit, this section would provide for a transfer from the reserve to the General Fund in order to eliminate or reduce the deficit. If, on the other hand, there is year-end surplus in the General Fund, this section would appropriate such surplus monies to the reserve account, as long as there was "room" within the state's Article XIII B appropriations limit.

This section provides a mechanism for establishing the reserve needed to protect the budget against a revenue shortfall due to such factors as declines in the economy, adverse court decisions and unforeseen spending needs.

SECTION 12.50

SPECIAL FUND RESERVES

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This section, which is identical to Control Section 12.50 of the 1984 Budget Act, relates to special fund reserves. It would appropriate the balances existing in each special fund as of June 30, 1986, into a reserve account within each fund. If these funds are not so appropriated, they would be subject to Section 2 of Article XIII B of the State Constitution, which requires the state to return to taxpayers year-end unappropriated surpluses in each fund.

The Legislature established these special fund reserve accounts in the 1981 Budget Act in order to prevent the return of monies which are not truly "surplus" in nature. Many special fund balances are earmarked for expenditure but are not yet appropriated. Thus, in order to prevent the return of monies not excess to the state's needs, we recommend approval of this section.

**SECTION 13.00
LEGISLATIVE COUNSEL BUREAU**

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This section, which is similar to Section 13.00 of the 1984 Budget Act, permits the appropriation for support of the Legislative Counsel Bureau to be expended as authorized by the Joint Committee on Rules, rather than as submitted in the Governor's Budget, thereby retaining flexibility in the legislative branch to adjust the bureau's operating costs and staffing (within established classifications) to meet workload conditions. The section also exempts the bureau from certain Government Code and Public Contract Code Sections, and from Section 5.50 of the Budget Act, which place restrictions on administrative and related matters.

In addition, the section reappropriates the unexpended balances of the appropriations in the 1984 Budget Act for the bureau and the Commission on Uniform State Laws, to be used for the same programs and purposes that will be financed from the 1985-86 Budget Bill appropriation to the bureau and commission.

SECTION 16.00

TRANSPORTATION PLANNING AND DEVELOPMENT ACCOUNT

ANALYSIS AND RECOMMENDATIONS

We recommend that the Legislature amend this section to establish criteria for the Director of Finance to observe in reducing expenditures from the Transportation Planning and Development (TP and D) Account that may become necessary as a result of revenue shortfalls.

This section is similar to Section 16.00 of the 1984 Budget Act. This section requires the Director of Finance to unallot funds appropriated from the TP and D Account in the State Transportation Fund if TP and D Account resources are insufficient to fund appropriations from the account. A sufficient amount would be unalloted to balance account expenditures and resources.

TP and D Account revenues are very sensitive to changes in gasoline sales and sale of other goods. Consequently, revenues to the account could decline significantly from the level anticipated when the Budget Act is enacted. This section provides a mechanism to handle any resulting revenue shortfalls.

We believe, however, that the Legislature should not delegate the task of reducing expenditures to the Director of Finance. Accordingly, we recommend that it establish criteria for the director to observe in reducing expenditures should that become necessary.

SECTION 17.00

BUSINESS, TRANSPORTATION AND HOUSING

ANALYSIS AND RECOMMENDATIONS

We recommend Section 17.00 be amended to appropriate funds to the Department of Transportation instead of the Secretary of the Business, Transportation and Housing Agency.

In the past, appropriations for Special Transportation Programs were made to the Secretary of the Business, Transportation and Housing Agency. The Secretary, however, delegated responsibility for administering the program to the Department of Transportation. Chapter 579, Statutes of 1984, changed these provisions to require that funds for Special

Transportation Programs be appropriated directly to the Department of Transportation.

Therefore, we recommend that the phrase *the Secretary of the Business, Transportation and Housing Agency* be amended to read *the Department of Transportation* in Section 17.00.

SECTION 18.10

DEPARTMENT OF PARKS AND RECREATION

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Many state park units are operated and maintained by local agencies through operating agreements with the Department of Parks and Recreation (DPR). This section, which is identical to Section 18.10 of the 1984 Budget Act, prohibits the Department of Parks and Recreation from approving or modifying any operating agreement unless either (1) the Legislature has reviewed the agreement during the budget process and adopted supplemental report language expressing its approval of the agreement or (2) the Public Works Board (a) approves the agreement, (b) determines that the agreement could not have been reasonably presented to the Legislature during the budget process, and (c) the Director of Finance has notified the Chairpersons of the Joint Legislative Budget Committee and the fiscal committees 20 days in advance of board consideration of the agreement.

SECTION 18.30

BAGLEY CONSERVATION FUND

ANALYSIS AND RECOMMENDATION

We recommend approval. We further recommend the enactment of legislation to (1) transfer all unencumbered balances and funds to the State Parks and Recreation Fund and (2) abolish the Bagley Conservation Fund, in order to complete the consolidation of park funding sources into the State Parks and Recreation Fund.

This section proposes to transfer the unencumbered balance of the Bagley Conservation Fund to the State Parks and Recreation Fund on the effective date of the 1985 Budget Act. The proposed Section is identical to Section 18.30 of the 1984 Budget Act, under which an unencumbered balance of \$279,000 will be transferred during the current year. According to the Department of Parks and Recreation, the proposed Control Section would cause up to \$16,000 of additional funds to be transferred during 1985-86.

The Bagley Conservation Fund was created by Ch 1, Statutes of 1971, First Extraordinary Session, for beach, park, and land acquisition programs, and planning and development of coastal recreational facilities. Since 1971, the principal source of funds for the Bagley Conservation Fund has been occasional transfers from the General Fund authorized by the Legislature.

Chapter 1065, Statutes of 1979, abolished several park-related funds and accounts and consolidated the balances in the State Parks and Recreation Fund. In addition, Ch 1065/79 transferred all funds that had been previously appropriated to the Department of Parks and Recreation from the Bagley Conservation Fund to the State Parks and Recreation Fund. Chapter 1065, however, did not transfer the full unencumbered balance of the Bagley Conservation Fund.

Further consolidation of park-related funds into the State Parks and Recreation Fund, is appropriate. We therefore recommend approval of Control Section 18.30.

In order to fully consolidate funds, however, *all* balances in the Bagley Fund should be transferred and the Bagley Fund should be abolished. Accordingly, we recommend the enactment of legislation to (1) transfer any remaining *encumbered* balances as well as the corresponding expenditure authority from the Bagley Conservation Fund to the State Parks and Recreation Fund and (2) abolish the Bagley Conservation Fund.

SECTION 21.00

FEDERAL BLOCK GRANT AUDIT PLANS

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This section, which is new this year, authorizes the State Controller, with approval from the Auditor General and the Department of Finance, to withhold one percent of federal block grant funds from departments that fail to submit plans for federally mandated audits on a timely basis.

Under existing law, state agencies administering federal block grant funds each year must prepare plans for conducting federally mandated audits of block grant funds. In 1984-85, the State Controller threatened to withhold one percent of federal block grant funds from the Departments of Health Services, Social Services, and Alcohol and Drug Programs until acceptable audit plans had been submitted. Because the statutory basis for the Controller's action is uncertain, the Department of Finance is proposing language in this section that would authorize the State Controller to withhold the one percent of the block grant funds if a department fails to submit audit plans.

SECTION 24.00

STATE SCHOOL FUND

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This section specifies the allocation of State School Fund revenues between K-12 education and community colleges. Our analysis of this section appears in Item 6870-001-001.

SECTION 24.10

DRIVER TRAINING

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This section transfers to the General Fund the unencumbered surplus in the Driver Training Penalty Assessment Fund on June 30, 1986. Our analysis of this section appears in Item 6100-171-178.

SECTION 24.20

ALTERNATIVES TO SCHOOL CONSTRUCTION

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This section reappropriates the unencumbered balance of funds which were appropriated in the Budget Act of 1984 for incentive payments for year-round schools or alternatives to new school construction. Our analysis

of this section appears in Item 6100 (Department of Education, School Facilities).

SECTION 24.30

DEFERRED MAINTENANCE

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This section authorizes the State Allocation Board to make additional deferred maintenance apportionments to local school districts, above the limit set by current law. Our analysis of this section appears in Item 6100 (Department of Education, School Facilities).

SECTION 26.00

FUNDING OF COSTS DUE TO EXECUTIVE ORDERS

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This section, which is identical to Section 26.00 of the Budget Act of 1984, provides that no funds appropriated in the Budget Act shall be used to finance increased state or local costs arising from the issuance of executive orders, unless (a) funds are appropriated for such purposes or (b) the chairman of each fiscal committee and the Chairman of the Joint Legislative Budget Committee have been notified at least 30 days prior to any such expenditure or encumbrance of funds.

SECTION 28.00

AUTHORIZATION FOR ADJUSTMENTS IN SPENDING AUTHORITY

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This section, which is identical to Section 28.00 of the 1984 Budget Act, authorizes the Director of Finance to increase or decrease the amounts available for expenditure by an agency when funds received from any source exceed or fall short of the amounts scheduled in the Budget Act. The section requires, however, that any adjustment either (a) exceeding \$100,000, or (b) exceeding 10 percent of the total amount available to the agency for expenditure, may be approved only after the fiscal committees of each house and the Joint Legislative Budget Committee (JLBC) have been notified in writing of such changes at least 30 days in advance. This reporting requirement also applies in those cases where the Director of Finance determines that (a) a proposed augmentation would result in either an increase in the level of service authorized by law, or a new program, or (b) a proposed reduction would result in a decreased level of service. Upon the request of the Director of Finance, the Chairperson of the JLBC is authorized to waive the 30-day waiting period.

This section also provides that whenever a Section 28.00 authorization spans both the current fiscal year and the budget year (because it occurred too late to be included in the Governor's Budget) it need not be reauthorized by the Director of Finance or again be subject to legislative review for the specified budget year.

SECTION 29.00**PERSONNEL-YEARS REPORTING****ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

Control Section 29, first adopted in the 1983 Budget Act, requires the Department of Finance to publish the total number of personnel-years and estimated salary savings for each department and agency at the same time that the following documents are published: (a) the Governor's Budget, (b) the May revision, and (c) the Final Change Book. The listing provided at the time the Governor's Budget is published also must contain estimates of personnel-years for the prior year and current year.

In past years, the information provided to the Legislature by the Department of Finance on personnel-years has not been adequate for legislative review and control purposes. The Department of Finance published an estimate of prior-year, current-year and budget-year personnel-years *once* each fiscal year, in the budget document. The number of personnel-years proposed in the Governor's Budget, however, is changed—generally upwards—at various points during the fiscal year. Generally, the largest changes have come after the budget has been passed, due to the *administrative* establishment of new positions. Consequently, without updated information on personnel-years, the Legislature cannot adequately monitor changes in the number of state employees.

SECTION 30.00**CONTINUOUS APPROPRIATIONS—EXEMPTIONS FROM GOVERNMENT
CODE SECTION 13340****ANALYSIS AND RECOMMENDATIONS***We withhold recommendation on this section.*

Section 13340 of the Government Code (as amended by Ch 268/84) provides that, effective July 1, 1985, all continuously appropriated funds must instead be appropriated in the annual Budget Act, unless expressly exempted by the Legislature.

This control section provides exemptions from the requirements of Section 13340 for over 500 funds.

We have not as yet completed our analysis of this proposal. Consequently, we withhold recommendation on this section. We will report our recommendations on the proposed exemptions in a supplemental analysis.

SECTION 31.00**ADMINISTRATIVE AND ACCOUNTING PROCEDURES****ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

This section, which includes the same provisions as Section 31.00 of the Budget Act of 1984, requires departments to comply with Sections 13332 through 13332.16 of the Government Code. These sections codified provisions which, in prior years, were included as control sections in the annual Budget Act.

This section also defines certain administrative and accounting procedures required by the Department of Finance. It requires expenditures to be made in accordance with established allotments, and restricts promotions, reclassifications and the creation of new positions, unless approved by the Department of Finance. This section establishes a salary savings

reserve to be reported by the agencies to the Department of Finance for approval, and limits the use of the reserve. It also requires certification by the agencies that expenditures have been made for the purposes stated in the budget, unless the purposes have been revised by the Department of Finance.

Section 31.00 also requires the Director of Finance to notify the chairman of the fiscal committees and the Joint Legislative Budget Committee within 30 days of the creation or reclassification of any position with a minimum pay scale of \$2,160 per month. This monthly "threshold" amount was \$2,000 in Section 31.00 of the 1984 Budget Act. It has been increased to \$2,160 to reflect the general increase in state salary levels.

SECTION 32.00

EXPENDITURES IN EXCESS OF AMOUNTS APPROPRIATED

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This section, which is identical to Section 32.00 of the 1984 Budget Act, prohibits and declares invalid any action by a public officer which would cause any expenditure to be in excess of amounts appropriated, except with the written consent of the Department of Finance. Any indebtedness created against the state in violation of these provisions would be considered null and void. The Department of Finance is to submit, on a quarterly basis, copies of all written consent documents to the fiscal committees of each house and to the Joint Legislative Budget Committee.

This section also makes a state official liable, on his or her official bond, for any indebtedness against the state in violation of these provisions. This section makes such an officer *personally* liable for the debt as well, consistent with Section 13324 of the Government Code.

SECTION 33.00

GOVERNOR'S VETOS

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This section, which is identical to Section 33.00 of the Budget Act of 1984, declares the intent of the Legislature that an item veto by the Governor shall not affect other items in the Budget Bill.

SECTION 34.00

SEVERABILITY OF BUDGET ACT PROVISIONS

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This section, which is identical to Section 34.00 of the 1984 Budget Act, states legislative intent that a finding of unconstitutionality with respect to any part of the Budget Act shall not affect any other parts.

SECTION 35.00

BUDGET ACT TO TAKE IMMEDIATE EFFECT

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This section, which is identical to Section 35.00 of the 1984 Budget Act, specifies that, under provisions of Section 8, Article IV of the California Constitution, the Budget Act shall take effect immediately.

**SECTION 36.00
URGENCY CLAUSE**

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This section, which is identical to Section 36.00 of the 1984 Budget Act, provides that the Budget Act is an urgency statute and shall take effect immediately.