

Analysis of the 1988-89 Budget Bill

Report of the Legislative Analyst to the Joint Legislative Budget Committee

California Legislature

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February 24, 1988

The Honorable William Campbell, Chairman
and members of the Joint Legislative Budget Committee
State Capitol, Sacramento

Dear Members:

I am pleased to submit for your consideration an analysis of the Budget Bill of the State of California for the fiscal year July 1, 1988 to June 30, 1989, prepared in accordance with the provisions of Government Code, Sections 9140-9143, and Joint Rule No. 37 of the Senate and Assembly.


The purpose of this analysis is to assist the committee in performing its duties which are 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 revenues 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."

My colleagues and I thank the staff of the Department of Finance and the other agencies of state government for their generous assistance in furnishing information necessary to prepare this report. We also gratefully acknowledge the assistance of countless other individuals in local government and the private sector who shared their time and perspectives with us during our annual site visits.

The analytical and support staff of your committee have worked with extraordinary dedication, creativity and professionalism to complete this comprehensive report within the brief time available, and to each of them I am especially grateful.

Respectfully submitted,



Elizabeth G. Hill
Legislative Analyst

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INTRODUCTION

This *Analysis* reports the results of our detailed examination of the Governor's Budget for 1988-89. It contains our recommendations on the funding levels proposed in the budget, as well as our recommendations for changes to existing law. These recommendations are offered to assist the Legislature in its efforts to fashion a budget which reflects legislative priorities.

Throughout this *Analysis*, we have taken legislatively established objectives as a given, and tailored our recommendations in such a way as to enhance the Legislature's ability to achieve these objectives. No attempt has been made, however, to tailor these recommendations so as to achieve a specific overall spending level. Similarly, proposals have been evaluated on their own merits rather than the potential effect they would have on where the state stands relative to its appropriations limit.

Based on our analysis, we have recommended numerous reductions in the funding levels proposed by the Governor. Generally, we conclude that these reductions are warranted for one of the following reasons:

- The objectives established by the Legislature in a particular program area can be achieved at a lower cost to the state.
- The amounts requested by the Governor have not been justified on the basis of workload, need, or the potential benefits to be gained from the proposed expenditure.
- A program or activity is not effective in achieving the purpose for which it was created.
- A funding source other than the General Fund is available for supporting a particular activity.

We have also recommended that the budget be augmented in instances where our analysis indicates that additional funds are needed to protect the state's financial interest or where current law *and* legislative actions consistently have fully funded the program.

In many cases, our analysis indicates that the Legislature does not have sufficient information to determine the appropriate funding or staffing levels which are warranted for a particular program. Where the Legislature has not been given the information it needs, we have withheld recommendation on the budget proposal. As the information becomes available, we will provide the Legislature with "supplemental analyses" of these proposals, along with our recommendations. We will also submit analyses and recommendations for changes to the Governor's Budget proposed by the Department of Finance through "Finance letters."

Perspectives and Issues

This *Analysis* is accompanied by a companion document entitled, *The 1988-89 Budget: Perspectives and Issues*. This document is divided into three parts:

Part One, "State Fiscal Picture," provides a perspective on the state's fiscal situation by discussing the state's current General Fund condition.

Part Two, "Perspectives on the 1988-89 Budget," presents data on both expenditures and the resources used to fund them. With regard to the state's spending plan, this part summarizes how funds would be allocated to various categories and how spending differs from the current year.

With regard to resources, it describes the state's major funding sources and evaluates the administration's economic and revenue forecasts.

Part Three, "Major Fiscal Issues Facing the Legislature," discusses major issues, in addition to those raised in the *Analysis*, that we believe warrant the Legislature's attention in 1988. The issues in this section fall into three categories: (1) reviews of specific programs or policy issues (such as the state's health care "safety net," programs for the homeless, and the home-to-school transportation program); (2) issues requiring important budget year implementation decisions (for example, the Greater Avenues for Independence (GAIN) program and the allocation of federal immigration reform monies, and (3) discussions of issues aimed at assisting the Legislature in its longer-range planning (such as, state transportation policies).