

information on program activity between 1984-85 and 1986-87.

**Table 1**  
**Substandard Housing Program Activity**  
**1984-85 through 1986-87<sup>a</sup>**

	<i>Actual</i> 1984-85	<i>Actual</i> 1985-86	<i>Actual</i> 1986-87	<i>Percent</i> <i>Change</i>
Number of noncompliance notices received....	747	965	1,505	56.0%
Number of local agencies submitting notices ...	16	10	12	20.0
Revenue collected .....	\$160,531	\$146,339	\$268,165	83.2

<sup>a</sup> Source: Franchise Tax Board and Department of Finance.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend that the Department of Finance comment at the time of budget hearings as to the amount of funding required by current law for this program.*

The Governor's Budget requests a total of \$132,000 from the General Fund for the Substandard Housing Program in 1988-89, an increase of 4.8 percent over the current year.

Our analysis indicates that the department has understated the amount of revenues which must be transferred from the General Fund to the LACERF in 1988-89. Current law appears to require that this transfer be based on actual revenue collected in 1986-87 under the Substandard Housing Program, minus Franchise Tax Board's (FTB's) projected costs for administering the program. According to FTB, in 1986-87 the disallowed claims equaled \$268,000, while administrative costs equaled \$56,000. Thus, the total amount required to be transferred is \$212,000. We recommend that the department comment at the time of budget hearings regarding this discrepancy.

---

**LOCAL GOVERNMENT FINANCING**

Item 9210 from the General Fund

Budget p. GG 183

---

Requested 1988-89.....	\$15,300,000
Estimated 1987-88 .....	None
Actual 1986-87 .....	None
Requested increase \$15,300,000	
Recommendation pending .....	15,300,000

---

**GENERAL PROGRAM STATEMENT**

Chapter 1286, Statutes of 1987 (AB 650) established a new program — the County Revenue Stabilization Program — to provide fiscal relief to “distressed” county governments. Specifically, the program is intended to stabilize the percentage of county general purpose revenues (GPR) which must be expended for the county share of costs associated with four state programs, beginning in 1988-89.

**LOCAL GOVERNMENT FINANCING—Continued**

For the 1988-89 fiscal year, state payments will be made to offset "disproportionate" county costs that were incurred in the 1986-87 fiscal year. Specifically, if a county's ratio of costs for the four programs to its GPR was higher in the 1986-87 fiscal year than it was in the 1981-82 base-year, the state will provide increased assistance to offset the difference. Thus, the state assistance is provided on a "lagged" basis. The county program costs eligible for reimbursement under this program include the Aid to Families with Dependent Children program (exclusive of Foster Care), the In-Home Supportive Services program, the Community Mental Health program, and the Food Stamps program.

The budget requests an appropriation of \$15.3 million from the General Fund to fund the County Revenue Stabilization Program in 1988-89. This figure is based upon preliminary data as to county program costs for the 1986-87 fiscal year.

**ANALYSIS AND RECOMMENDATIONS**

*We withhold recommendation.*

Final county expenditure data for the 1986-87 fiscal year will be released prior to the time of budget hearings. At that time, a review of the actual funding requirement for this item will be conducted by the Department of Finance. Pending receipt and review of this information, we withhold our recommendation on this item.

---

**PAYMENT OF INTEREST ON GENERAL FUND LOANS**

Item 9620 from the General Fund

Budget p. GG 195

---

Requested 1988-89.....	\$1
Estimated 1987-88 .....	0
Actual 1986-87 .....	0
Requested increase—None	
Total recommended reduction.....	None

---

**GENERAL PROGRAM STATEMENT**

Whenever cumulative cash disbursements exceed cumulative incoming revenues, the General Fund must borrow monies to cover these payments. This borrowing, which is done on a short-term basis, often requires the payment of interest.

To meet the General Fund's short-term cash needs, the state may borrow either internally, from the unexpended balances in its own various funds, or externally, through the issuance of short-term borrowing instruments. External borrowing is preferable because the state can invest money at a higher interest rate than the rate at which it must borrow. This is because when the General Fund borrows externally, it does so at *tax-exempt* interest rates, whereas when it borrows internally, it does so, in effect, at *taxable* interest rates — since most of the funds borrowed would otherwise be invested in taxable securities. The Legis-

lature has expressed its intent that the state use external, rather than internal, borrowing whenever it is advantageous to the state.

The interest paid on external loans is funded by a continuous appropriation in the Government Code, not out of the appropriation made in this item.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

The budget requests \$1 for payment of interest on the loans made to the General Fund from *internal* sources in 1988-89. Although \$1 obviously would not be sufficient were the General Fund forced to borrow from internal sources, some amount must be appropriated in order to maintain this item in the budget, and thereby allow a deficiency appropriation in the event that a change in conditions requires extensive internal borrowing.

The budget assumes that there will be no change in federal law or regulations which could limit the state's ability to borrow externally. Nevertheless, it would be prudent to maintain this option. Accordingly, we recommend that the item be approved as submitted.

---

---

**HEALTH BENEFITS FOR ANNUITANTS**

Item 9650 from the General Fund

Budget p. GG 203

Requested 1988-89.....	\$153,902,000
Estimated 1987-88 .....	131,533,000
Actual 1986-87 .....	115,962,000
Requested increase \$22,369,000 (+17.0 percent)	
Total recommended reduction .....	None
Recommendation pending .....	153,902,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis page*

1. Funding for Premium Increases. Withhold recommendation on entire amount, pending additional information on the actual increase in health and dental insurance premiums. 1237

**GENERAL PROGRAM STATEMENT**

This appropriation provides the state's contribution toward monthly health and dental insurance premiums for annuitants of retirement systems to which the state contributes as an employer. These systems are the Judges', Legislators', Public Employees', and State Teachers' Retirement Systems. For the latter two systems, the health insurance premium contribution is made only on behalf of retired *state* employees.

This program offers a degree of post-retirement security for employees and their dependents by contributing toward the cost of state-approved health and dental insurance plans. Government Code Section 22825.1 expresses legislative intent that the state pay an average of 100 percent of

**HEALTH BENEFITS FOR ANNUITANTS—Continued**

health insurance costs for active employees and annuitants, and 90 percent of health insurance costs for the dependents of employees.

The State Employees' Dental Care Act does not stipulate the same intent with regard to the state's contribution toward dental insurance costs as that set forth in Section 22825.1. Currently, the state is paying 100 percent of *dental* premium costs, with the exception of the "family" plan for highway patrol officers and all three plans for correctional officers (for which the state pays an amount comparable to that paid for other state employees).

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes an appropriation of \$153.9 million from the General Fund for payment of health and dental insurance premiums in 1988-89. This is \$22.4 million, or 17 percent, more than estimated current-year expenditures. The increase is attributable both to higher premium rates and projected growth in the number of annuitants. In prior years the portion of health and dental benefits attributable to premium rate increases was budgeted in Item 9800 (Augmentation for Employee Compensation) for transfer to this item. For 1988-89 the total cost for annuitant health and dental benefits is included in this item.

**Annuitant Health Benefits.** The budget proposes expenditures of \$135.3 million for the payment of health insurance premiums. This is \$20 million, or 17 percent, more than estimated 1987-88 expenditures. The increase is due to the following projections:

- An increase of 12 percent in the premium rate.
- Growth of 5 percent in the number of enrollees in the health benefit program.

**Table 1**  
**Health and Dental Benefits**  
**Annuitants and Costs**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

	Number of Annuitants			State Costs			Percent Change From 1987-88
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1986-87	1987-88	1988-89	1986-87	1987-88	1988-89	
<b>Health Benefits</b> <i>(by Retirement System)</i>							
Public employees .....	65,492	68,792	72,259	\$99,247	\$113,102	\$132,780	17.4%
District agricultural employees .....	299	311	323	452	511	592	15.9
Legislators .....	94	94	94	148	161	181	12.4
State teachers .....	307	310	313	437	481	543	12.9
Judges .....	557	579	602	904	1,022	1,185	15.9
Subtotals, Health Benefits .....	(66,749)	(70,086)	(73,591)	(\$101,188)	(\$115,277)	(\$135,281)	(17.4%)
<b>Dental Benefits</b> <i>(by Retirement System)</i>							
Public employees .....	49,139	53,082	57,341	\$14,485	\$15,943	\$18,262	14.5%
District agricultural employees .....	299	311	323	88	93	106	14.0
Legislators .....	47	51	55	15	16	19	18.8
State teachers .....	119	129	139	35	38	44	15.8
Judges .....	455	491	531	151	166	190	14.5
Subtotals, Dental Benefits .....	(50,059)	(54,064)	(58,389)	(\$14,774)	(\$16,256)	(\$18,621)	(14.5%)
Totals .....				\$115,962	\$131,533	\$153,902	17.0%

**Annuitant Dental Benefits.** The budget proposes expenditures of \$18.6 million for the payment of dental insurance premiums. This is \$2.4 million, or 15 percent, more than estimated current-year expenditures. The increase is due to the following projections:

- An increase of 7 percent in the premium rate.
- Growth of 8.7 percent in the number of dental program enrollees.

The state contributions for these programs are paid initially from the General Fund. Special fund agencies are assessed pro rata charges for these costs, which are then credited to the General Fund. Approximately 30 percent of the state's contribution is recovered from special fund agencies.

The increases in the number of annuitants and state costs for the health and dental care programs are shown in Table 1.

**ANALYSIS AND RECOMMENDATIONS**

**Premium Rate Increases in 1988-89**

*We withhold recommendation on this item, pending receipt of information on the increases in health insurance and dental insurance premiums that will become effective for the budget year.*

The actual amount of any increase in health insurance premiums will not be known until April or May 1988. At that time, the Public Employees' Retirement System (PERS) board will give final approval for rate increases to health care providers. In addition, the Department of Finance was unable to reconcile all elements of its projections of dental care expenditures. Therefore, we withhold recommendation on this item, pending final determination of budget-year premium rate increases and receipt of information from the Department of Finance.

---

**AUGMENTATION FOR EMPLOYEE COMPENSATION: CIVIL SERVICE, EXEMPT, AND STATUTORY EMPLOYEES**

Item 9800 from the General Fund and various other funds

Budget p. GG 208

---

Requested 1988-89 .....	\$193,495,000
Recommendation pending .....	193,495,000

---

**1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
9800-001-001—Compensation increase	General	\$105,075,000
9800-001-494—Compensation increase	Special	52,169,000
9800-001-988—Compensation increase	Nongovernmental cost	36,251,000
Total		\$193,495,000

---

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis page*

1. 1988-89 Compensation Increases. Withhold recommendation on \$193.5 million, pending review of memoranda of understanding for represented employees, and compensation proposals for nonrepresented employees. 1239

**AUGMENTATION FOR EMPLOYEE COMPENSATION: CIVIL SERVICE,  
EXEMPT, AND STATUTORY EMPLOYEES—Continued**  
**OVERVIEW OF THE BUDGET REQUEST**

The Governor's Budget proposes three appropriations totaling \$193.5 million for compensation increases for all state employees except those in higher education. The General Fund appropriation is \$105.1 million, or 54 percent, of the total. The amount in these items would provide:

- \$118.3 million for a "general compensation increase" of up to 4 percent, *beginning January 1, 1989*;
- \$75.2 million for premium rate increases in existing employee benefits, and other compensation adjustments as may be agreed upon.

Funds appropriated in this item will be allocated for salary and benefit enhancements for *represented* employees based on the results of the collective bargaining process; consequently, the *actual* amounts allocated for the various components of these compensation packages could vary from those proposed by the administration. Memoranda of understanding produced through the bargaining process will be submitted to the Legislature for approval of any changes agreed to between labor and management. This item also covers the costs of compensation increases for *nonrepresented* employees (such as, managerial, confidential and legislative employees).

The \$193.5 million does *not* include compensation increases proposed for employees of the University of California (UC), the California State University (CSU) and Hastings College of the Law. The Governor's Budget for 1988-89 includes funds for these increases in the support budgets of the individual segments or colleges (please see our analysis of Items 6440, 6610 and 6600, respectively, for a description of the higher education employee compensation packages).

**ANALYSIS AND RECOMMENDATIONS**

**A Review of the Current-Year Employee Compensation Program**

The 1987 Budget Act appropriated \$140.2 million from all funds (\$77.6 million from the General Fund) to finance employee compensation increases in 1987-88. The major provisions funded by this amount are:

- A 3.75 percent general compensation increase effective January 1, 1988;
- Special salary adjustments which accounted for an additional quarter of 1 percent of the total compensation package effective January 1, 1988;
- Maintenance of health, dental, vision, and other benefits.

Under the State Employer-Employee Relations Act (SEERA), the Legislature has the responsibility to approve all provisions of negotiated agreements (called memoranda of understanding or MOUs) which require either (1) the expenditure of funds or (2) a change in law, before the provisions of an MOU can be implemented.

At the time of this *Analysis*, seven bills had been chaptered in 1987 and 1988 which approved the MOUs of 19 out of the 20 employee bargaining units, thereby ratifying the changes agreed to between labor and management for the period July 1987 through June 1988. One unit (#3, Education and Library Employees) was still without an approved MOU.

**Absorbable Costs.** In some cases departments did not receive funding in 1987-88 for certain benefits and had to absorb the costs of these benefits in their support budgets. Some examples of these costs are:

- Increase in the amount of pay differentials for certain employees;
- Increase in business and travel expenses (per diem); and
- Increase in Social Security contributions.

With regard to the last factor, we estimate that state departments will collectively have to absorb about \$8 million in 1987-88 because of the January 1, 1988 increase in the Social Security tax rate and base. Of this amount, the Department of Corrections will have to absorb about \$1 million, the Department of Transportation about \$900,000, and the Department of Developmental Services about \$600,000.

To fund these "absorbable" costs, departments will have to: (1) redirect funds from other activities or (2) request a deficiency.

**Employee Compensation Increases in 1988-89**

*We withhold recommendation on funds for employee compensation increases proposed in the Budget Bill, pending review of memoranda of understanding (MOUs) for represented employees and compensation proposals for nonrepresented state employees.*

Fiscal year 1988-89 will be the seventh year that state employee compensation increases will be subject to collective bargaining. Until the new or amended MOUs are submitted for the Legislature's consideration, together with the increases proposed by the administration for employees not covered by collective bargaining, we have no basis for evaluating (1) the nature or magnitude of the increases proposed or (2) the amount of funds required to implement these increases. Therefore, we withhold recommendation on this item, pending review of these proposals.

**PAYMENT OF SPECIFIED ATTORNEY FEES**

Item 9810 from the General Fund and various funds

Budget p. GG 209

Requested 1988-89 .....	\$975,000
Estimated 1987-88 .....	975,000
Actual 1986-87 .....	—
Requested increase: None	
Total recommended reduction.....	None

**1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
9810-001-001-Attorney fees	General	\$505,000
9810-001-494-Attorney fees	Special	150,000
9810-001-988-Attorney fees	Nongovernmental Cost	<u>320,000</u>
Total		\$975,000

**GENERAL PROGRAM STATEMENT**

This item provides funds for the payment of attorney fee claims, settlements, and judgments against the state arising from actions in either state or federal courts.

**PAYMENT OF SPECIFIED ATTORNEY FEES—Continued**

Generally, those court-awarded attorney fees which relate to a legal action that brings about the enforcement of an "important right" and results in a "significant benefit to the public" may be financed from this item.

The language in this item specifies that for claims related to actions arising in state courts (1) individual payments from the item shall not exceed a maximum hourly rate of \$125, and (2) a payment made from this item constitutes full satisfaction for the claim.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

The budget proposes an appropriation of \$975,000 from various funds for payment of court-awarded attorney fees in 1988-89. This amount consists of \$505,000 from the General Fund, \$150,000 from special funds, and \$320,000 from nongovernmental cost funds. This is the same amount that was appropriated in the 1987 Budget Act.

The request appears reasonable and we recommend that it be approved.

---

**RESERVE FOR CONTINGENCIES OR EMERGENCIES**

Item 9840 from the General  
Fund, special funds and  
nongovernmental cost funds

Budget p. GG 211

---

Requested 1988-89.....	\$4,500,000
Amount Appropriated by 1987 Budget Act .....	4,500,000
Total recommended reduction.....	None

---

**1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
9840-001-001—Reserve for contingencies or emergencies	General	\$1,500,000
9840-001-494—Reserve for contingencies or emergencies	Special	1,500,000
9840-001-988—Reserve for contingencies or emergencies	Nongovernmental Cost	1,500,000
9840-011-001—Reserve for contingencies or emergencies (Loans)	General	(2,500,000)
9840-490—Reserve for contingencies or emergencies (Reappropriation)	Various	—
Total		<u>\$4,500,000</u>

---

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

The budget proposes three appropriations totaling \$4.5 million for allocation by the Department of Finance to state agencies in 1988-89. These funds may be allocated for expenses resulting from unforeseen



contingencies and emergencies not covered by specific appropriations. The appropriations consist of \$1.5 million each from the General Fund, special funds and nongovernmental cost funds.

Item 9840-011-001 appropriates an additional \$2.5 million for temporary loans to state agencies whose operations are in danger of being curtailed because of a delay in the receipt of reimbursements or revenue. The loans made under this item must be repaid by the end of the fiscal year in which they are made.

Item 9840-490 reappropriates any unexpended balances of the appropriations made by the 1987 Budget Act (Items 9840-001-001, 9840-001-494, and 9840-001-988) to the Reserve for Contingencies or Emergencies proposed in the 1988 Budget Bill, effective July 1, 1988. The reappropriated funds would be available during the budget year for allocation by the Director of Finance to cover any additional costs associated with 1987-88 deficiencies discovered after the fiscal year ends.

The amounts requested for 1988-89 are the same as that provided in the 1987 Budget Act.

### **General Fund Deficiencies**

The amount appropriated for contingencies and emergencies in the Budget Act is not intended to cover all unforeseen needs that will arise during the fiscal year. In recent years, the Legislature has appropriated only a nominal amount in this item, primarily to cover minor emergencies that arise during the first part of the fiscal year. Most of the money needed to cover deficiency spending is provided by the annual deficiency bill, which appropriates funds in augmentation of this reserve item. Additional money to cover deficiency spending is authorized in: (1) individual departmental deficiency bills, (2) Budget Act language that allows agencies to spend more than the amount specifically appropriated by the Legislature, and (3) other authorizations for deficiencies, such as when funding is provided in the Budget Act for deficiencies incurred in a prior year.

Table 1 displays the amounts spent or proposed for expenditure from the General Fund out of this item and other sources since 1978-79. It shows that General Fund deficiencies have increased from \$32.3 million in 1978-79 to an estimated \$388 million in the current year. In five of the last six years, deficiency expenditures have exceeded \$350 million.

**Current Year Deficiencies.** As shown in Table 1, we estimate that \$388 million will be needed from the General Fund to cover deficiencies in 1987-88. This amount consists of (1) \$293 million proposed to be funded in the annual deficiency bill, (2) \$87.5 million from other General Fund sources reflected in the Governor's Budget, and (3) \$6.9 million in additional current year deficiencies not recognized by the Department of Finance.

**Reserve for Contingencies and Emergencies.** The major General Fund deficiency allocations from the reserve anticipated by the Department of Finance in the current year are:

#### **Health and Welfare**

- \$104.4 million to cover a shortfall in funding for Medi-Cal, including \$13 million to fund abortions;
- \$20 million to pay an outstanding audit settlement with Los Angeles County relating to Medi-Cal payments;

**RESERVE FOR CONTINGENCIES OR EMERGENCIES—Continued**

- \$13.4 million to fund the SSI/SSP program resulting from higher caseload; and
- \$11.9 million to cover a shortfall in the Department of Developmental Services resulting from (1) lower-than-anticipated Medi-Cal payments to state developmental centers, (\$9.2 million) and (2) a higher-than-anticipated population (\$2.7 million).

**Corrections**

- \$56.4 million to provide for a larger-than-anticipated inmate and parolee population; and
- \$28.4 million to restore part of an unallocated reduction made in the Department of Corrections' current year budget.

**Other Deficiencies Shown in Budget.** Other parts of the budget also provide for deficiency payments. These will total \$87.5 million and consist mainly of:

**Health and Welfare**

- \$53.9 million in increased expenditures by the Department of Social Services to pay increased costs for AFDC, due primarily to (1) additional caseload and (2) a federal audit of the refugee program.

**Local Government Claims**

- \$32.9 million contained in legislation to fund prior year deficiencies in amounts provided to pay local government claims for state-mandated costs.

**Other Potential Deficiencies.****Various State Agencies**

- \$6.7 million in additional deficiency notifications sent to the Department of Finance pursuant to Control Section 27 of the 1987 Budget Act which have not yet been approved.

**Table 1**  
**General Fund Deficiency Expenditures**  
**1978-79 through 1988-89**  
**(dollars in thousands)**

	<i>Reserve for Contingencies or Emergencies</i>					
	<i>Amount Appropriated</i>		<i>Actual</i>	<i>Individual</i>		<i>Total</i>
	<i>Budget</i>	<i>Deficiency</i>	<i>Amount</i>	<i>Departmental</i>		
<i>Act</i>	<i>Act</i>	<i>Allocated</i>	<i>to Agencies</i>	<i>Deficiency</i>	<i>Other</i>	<i>Allocated</i>
1978-79	\$1,500	\$11,000	\$12,193	\$20,082	—	\$32,275
1979-80	1,500	25,646	26,208	7,461	—	33,669
1980-81	1,500	18,600	19,005	39,799	\$121,935	180,739
1981-82	1,500	25,000	25,545	138,118	48	163,711
1982-83	1,500	431,500	332,101	2,318	47,477	381,896
1983-84	1,500	118,460	109,531	—	93,565	203,096
1984-85	1,500	423,850	417,017	2,200	10,000	429,217
1985-86	1,500	335,523	329,373	16,552	13,236	359,161
1986-87	1,500	347,162	330,602	—	140,913	471,515
1987-88	1,500	293,254 <sup>a</sup>	293,254 <sup>b</sup>	—	94,411 <sup>c</sup>	387,665
1988-89	1,500	—	—	—	—	—

<sup>a</sup> Proposed.

<sup>b</sup> Total amount of 1987-88 allocations anticipated by the Department of Finance as of January 1988.

<sup>c</sup> Legislative Analyst's Office.

**Deficiencies in Special Funds and Nongovernmental Cost Funds**

Tables 2 and 3 show deficiencies in special and nongovernmental cost funds, respectively, since 1978-79, the first year in which there was legislative control and oversight of these funds.

**Table 2**  
**Reserve for Contingencies or Emergencies**  
**Appropriations and Allocations from Special Funds**  
**1978-79 through 1988-89**  
**(dollars in thousands)**

	<i>Appropriated in Budget Act</i>	<i>Deficiency Appropriation</i>	<i>Allocated to Agencies</i>	<i>Unexpended Balances</i>
1978-79.....	\$1,500	—	\$254	\$1,246
1979-80.....	1,500	—	821	679
1980-81.....	1,500	\$1,000	1,859	641
1981-82.....	1,500	5,000	5,121	1,379
1982-83.....	1,500	4,500	3,115	2,885
1983-84.....	1,500	20,652	21,365	787
1984-85.....	1,500	22,303	21,049	1,254
1985-86.....	1,500	26,086	26,162	1,424
1986-87.....	1,500	11,903	11,885	1,518
1987-88.....	1,500	7,943 <sup>a</sup>	7,943 <sup>b</sup>	1,500 <sup>a</sup>
1988-89.....	1,500 <sup>a</sup>	—	—	—

<sup>a</sup> Proposed.

<sup>b</sup> Total amount of 1987-88 allocations anticipated by the Department of Finance as of January 1988.

In 1987-88, special fund deficiency allocations are estimated at \$7.9 million, which is \$4 million less than the \$11.9 million allocated in 1986-87. The major special fund allocations proposed for 1987-88 are: (1) \$2.1 million from the Energy Resources Program Account to meet increased workload in the siting of power plants by the Energy Resources Conservation and Development Commission, and (2) \$1.1 million from the School Building Program Account (recently renamed the Architecture Public Building Fund) for the Department of General Services to check building plans for schools.

**Table 3**  
**Reserve for Contingencies or Emergencies**  
**Appropriations and Allocations from Nongovernmental Cost Funds**  
**1978-79 through 1988-89**  
**(dollars in thousands)**

	<i>Appropriated in Budget Act</i>	<i>Deficiency Appropriation</i>	<i>Allocated to Agencies</i>	<i>Unexpended Balances</i>
1978-79.....	\$1,500	—	\$676	\$824
1979-80.....	1,500	\$5,300	6,271	528
1980-81.....	1,500	—	610	890
1981-82.....	1,500	—	279	1,221
1982-83.....	1,500	351,250	275,682	77,068
1983-84.....	1,500	3,639	3,639	1,500
1984-85.....	1,500	3,435	3,438	1,497
1985-86.....	1,500	4,540	3,887	2,153
1986-87.....	1,500	77,945	77,945	1,500
1987-88.....	1,500	5,545 <sup>a</sup>	5,545 <sup>b</sup>	1,500 <sup>a</sup>
1988-89.....	1,500 <sup>a</sup>	—	—	—

<sup>a</sup> Proposed.

<sup>b</sup> Total amount of 1987-88 allocations anticipated by the Department of Finance as of January 1988.

**RESERVE FOR CONTINGENCIES OR EMERGENCIES—Continued**

The budget proposes \$5.5 million in deficiency allocations from non-governmental cost funds, which is \$72.4 million less than the \$77.9 million allocated in 1986-87. The major nongovernmental cost fund allocations proposed for 1987-88 are: (1) \$1.7 million from the Service Revolving Fund for various activities in the Department of General Services, and (2) \$1.3 million from the Architecture Revolving Fund to meet increased workload in the area of prison construction inspection.

---

**UNALLOCATED CAPITAL OUTLAY—PROJECT PLANNING**

Item 9860-301-036 from the  
Special Account for Capital  
Outlay

Budget p. GG 219

---

Requested 1988-89.....	\$300,000
Recommended approval .....	300,000

---

**ANALYSIS AND RECOMMENDATIONS**

**Project Planning**

*We recommend approval of \$300,000 requested in Item 9860-301-036 for statewide project planning.*

The budget provides \$300,000 to finance the development of basic planning documents and cost estimates for new projects which the Department of Finance (DOF) anticipates will be included in the budget for 1989-90 and 1990-91. These funds will be allocated by the DOF.

Funds for this purpose are traditionally included in the Budget Bill as an attempt to improve the quality of the information the Legislature will have available when considering capital outlay requests during the budget process. The requested amount is the same as the amount appropriated for this purpose in the current year. We recommend approval.

---

**UNALLOCATED CAPITAL OUTLAY—MATCHING FUNDS FOR ENERGY GRANTS**

Item 9860-301-785 from the 1988  
Higher Education Capital  
Outlay Bond Fund

Budget p. GG 219

---

Requested 1988-89.....	\$500,000
Recommended approval .....	500,000

---

**ANALYSIS AND RECOMMENDATIONS**

**Matching Funds for Energy Grants**

*We recommend approval.*

The budget includes \$500,000 from the proposed 1988 Higher Education Capital Outlay Bond program for working drawings/construction of energy projects that are expected to be partially financed through federal grants for energy conservation. The amount proposed is identical to the amount for this purpose contained in the 1987 Budget Act.

These funds will be allocated by the Department of Finance for the highest priority projects identified by the University of California, the California State University, the California Maritime Academy and the California Community Colleges. The Department of Finance would be required to report proposed allocations to the Legislature at least 30 days prior to allocating the funds. This requirement is the same requirement placed on prior appropriations for this purpose.

Prior lump-sum appropriations have enabled the state to realize a high rate of return on its investment through participation in the federal grant program for energy projects. We recommend approval of the proposed \$500,000 to continue this effort.

---