

Analysis of the 1989-90 Budget Bill

Report of the Legislative Analyst to the Joint Legislative Budget Committee

California Legislature

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February 22, 1989

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, 1989 to June 30, 1990, 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 1989-90. It contains our recommendations on the funding levels proposed in the budget. In order to enhance legislative oversight of state programs, we also have recommended that a number of departments report to the Legislature, prior to budget hearings, with specific information on various issues. Our recommendations are offered to assist the Legislature in its efforts to fashion a budget which reflects *legislative* priorities.

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.

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 1989-90 Budget: Perspectives and Issues*. This document is divided into four parts:

Part One, "State Fiscal Picture" provides an overall perspective on the fiscal dilemma the Legislature faces in the coming year.

Part Two, "Perspectives on the 1989-90 Budget: Expenditures" presents data on the state's spending plan, focusing on proposed General Fund and special fund expenditures. It describes how the budget differs from the current year, and highlights major program changes and expenditures not recognized in the budget.

Part Three, "Perspectives on the 1989-90 Budget: Revenues" describes the state's major funding sources and evaluates the administration's economic and revenue forecasts.

Part Four, "Major Issues Facing the Legislature," discusses significant issues that we have identified in reviewing the state's current fiscal condition and the Governor's Budget for 1989-90. Wherever possible, our analysis identifies options that the Legislature may wish to consider in addressing these issues. The issues in this part fall into five general categories: (1) issues pertaining to growth (such as, state options for better accommodating growth, waste management, and the state's appropriations limit); (2) matters relating to infrastructure and capital

spending (for instance, state bonded debt; prison capacity, and asbestos abatement); (3) crosscutting programs (such as state child care programs and immigration reform); (4) specific program reviews (for example, insurance reform, the state's mental health system, and out-of-home placement of juvenile offenders); and (5) public employee issues (such as retiree cost-of-living adjustments and state annuitant health care).