

SUBSTANDARD HOUSING—Continued

The budget requests \$278,000 from the General Fund for transfer to the Substandard Housing program in 1989-90, an increase of 31 percent from the current year. The requested amount reflects the actual amount of revenues from disallowed tax deductions collected in 1987-88, as reported by the Franchise Tax Board (\$334,201), less the board's estimated administrative costs of the program of about \$56,000. Essentially all of the increase in disallowances for 1987-88 resulted from violations cited by the Los Angeles City Department of Building and Safety.

LOCAL GOVERNMENT FINANCING

Item 9210 from the General Fund

Budget p. GG 173

Requested 1989-90	\$15,000,000
Estimated 1988-89	15,300,000
Actual 1987-88	None
Requested decrease \$300,000 (-2.0 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

Chapter 1286, Statutes of 1987 (AB 650, Costa), 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.

For 1989-90, payments will be made to offset “disproportionate” county costs that were incurred in 1987-88. Specifically, if a county’s ratio of costs for the four programs to its GPR was higher in 1987-88 than it was in 1981-82, the state will provide increased assistance to offset the difference. Thus, 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.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget requests an appropriation of \$15 million from the General Fund to fund the County Revenue Stabilization program in 1989-90. This is a reduction of \$300,000, or 2 percent, below 1988-89 expenditures.

Based on preliminary estimates of 1987-88 program expenditures, it appears that at least several million dollars more than the amount requested would be required to fully stabilize program expenditures in the manner contemplated by the statutory formulas. However, because Chapter 1286 limits the total amount that must be allocated to \$15 million

The credit is applied first to any income taxes due, with any balance paid directly to the renter. Persons with no income tax liability must file a return to receive the tax relief payment. The amount of the credit is \$60 for single renters; \$137 for married couples, heads of households, and surviving spouses; \$69 for married persons filing separately, and \$99 for heads of households with joint custody of their children. The annual budget appropriation for this program funds both the revenue loss due to the reduction of tax liability and the payments in excess of tax liability.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget estimates that the cost of the Renters' Tax Relief Program will be \$490 million in 1989-90, an increase of 1.9 percent over the estimated current-year cost of \$481 million. The estimate of the current-year cost, most of which will be incurred when 1988 tax returns are processed, also reflects a growth of 1.9 percent over the actual cost of the program in 1987-88. The annual percentage growth in spending for Renters' Tax Relief has exhibited considerable variation. The budget estimate of 1.9 percent growth is roughly in the middle of the recent historical range and appears reasonable.

SUBSTANDARD HOUSING

Item 9100-101 (g) from the
General Fund

Budget p. GG 173

Requested 1989-90	\$278,000
Estimated 1988-89	212,000
Actual 1987-88	126,000
Requested increase \$66,000 (+31 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Substandard Housing program provides funds to local agencies to augment housing code enforcement and rehabilitation activities.

Existing law disallows certain income tax deductions for rental housing that is found to violate housing codes. The additional tax revenues generated by these disallowances are transferred from the General Fund to the Local Agency Code Enforcement and Rehabilitation Fund (LAC-ERF). The State Controller distributes these funds to the cities and counties in which the code violations occurred, to be used for code enforcement, housing rehabilitation and related activities. Generally, two fiscal years elapse between the time when housing code violations are reported and when the additional tax revenues generated by these violations are distributed to local governments.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

per year, the Department of Finance's proposal is consistent with current law.

PAYMENT OF INTEREST ON GENERAL FUND LOANS

Item 9620 from the General Fund

Budget p. GG 187

Requested 1989-90	\$1
Estimated 1988-89	4,012,000
Actual 1987-88	0
Requested decrease \$4,011,999	
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 Legislature 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 1989-90. In the past several years, the state has not paid any interest on funds borrowed internally. In these years, \$1 has been appropriated to maintain this item in the budget and to allow for a deficiency appropriation in the event that a change in conditions required extensive internal borrowing.

In the current year, however, the state is expected to pay interest totaling \$4 million for internal loans to the General Fund. The state borrowed *internally* to correct a cash imbalance at the end of 1987-88 and at the beginning of 1988-89. Normally, internal borrowing does not result in the payment of interest, because there usually are sufficient state special fund balances available for borrowing for which state law does not require the payment of interest. In the current case, the state also found

PAYMENT OF INTEREST ON GENERAL FUND LOANS—Continued

it necessary to borrow from state special funds that do require the payment of interest.

The \$1 requested for the budget year obviously would not be sufficient were the General Fund forced to borrow a significant amount of money from internal sources again in 1989-90. It is not possible to determine at this time, however, whether the state will find it necessary to borrow internally from funds which require the payment of interest. Given this uncertainty, it would be prudent to maintain this item for interest on General Fund loans in case such borrowing becomes necessary. Accordingly, we recommend that this item be approved as submitted.

HEALTH BENEFITS FOR ANNUITANTS

Item 9650 from the General
Fund

Budget p. GG 195

Requested 1989-90.....	\$193,180,000
Estimated 1988-89.....	160,181,000
Actual 1987-88.....	132,545,000
Requested increase \$32,999,000 (+21 percent)	
Total recommended reduction.....	None
Recommendation pending.....	193,180,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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1. Funding for Premium Increases. Withhold recommendation, pending receipt of updated information on the cost of health and dental insurance premiums. 990

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', District Agricultural Employees', 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* 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. In general, the state currently pays 100 percent of *dental* premium costs for state employees.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$193.1 million from the General Fund for payment of health and dental insurance premiums in

1989-90. This is \$33 million, or 21 percent, more than estimated current-year expenditures. The increase is attributable both to higher premiums charged by insurers and projected growth in the number of annuitants.

Annuitant Health Benefits. The budget proposes expenditures of \$172.5 million for the payment of health insurance premiums. This is \$31 million, or 22 percent, more than estimated 1988-89 expenditures. The budget increase is based on the following assumptions:

- An increase of 17 percent in the premium cost.
- An increase of 6 percent in the number of enrollees in the annuitant health benefit program.

Annuitant Dental Benefits. The budget proposes expenditures of \$20.6 million for the payment of dental insurance premiums. This is \$2 million, or 11 percent, above estimated current-year expenditures. The budget increase is based on the following assumptions:

- An increase of 7 percent in the premium cost.
- An increase 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.

Table 1 shows the number of annuitants and state costs for the health and dental care programs for the past, current, and budget years.

Table 1
Health and Dental Benefits
Annuitants and Costs
1987-88 through 1989-90
(dollars in thousands)

	<i>Number of Annuitants</i>			<i>State Costs</i>			<i>Percent Change From 1988-89</i>
	<i>Actual 1987-88</i>	<i>Est. 1988-89</i>	<i>Prop. 1989-90</i>	<i>Actual 1987-88</i>	<i>Est. 1988-89</i>	<i>Prop. 1989-90</i>	
Health Benefits							
<i>(by Retirement System)</i>							
Public employees	68,792	72,259	76,594	\$113,767	\$138,941	\$169,347	21.9%
District agricultural employees	311	323	335	521	623	759	21.9
Legislators	94	94	95	177	184	224	21.7
State teachers	310	313	320	475	566	690	21.9
Judges	579	602	640	1,029	1,246	1,519	21.9
Subtotals, health benefits	(70,086)	(73,591)	(77,984)	(\$115,969)	(\$141,560)	(\$172,539)	(21.9%)
Dental Benefits							
<i>(by Retirement System)</i>							
Public employees	53,082	57,341	61,928	\$16,254	\$18,262	\$20,243	10.8%
District agricultural employees	311	323	335	98	106	118	11.3
Legislators	51	55	59	17	19	21	10.5
State teachers	129	139	150	39	44	49	11.4
Judges	491	531	573	168	190	210	10.5
Subtotals, dental benefits	(54,064)	(58,389)	(63,045)	(\$16,576)	(\$18,621)	(\$20,641)	(10.8%)
Totals				\$132,545	\$160,181	\$193,180	20.6%

**HEALTH BENEFITS FOR ANNUITANTS—Continued
ANALYSIS AND RECOMMENDATIONS**

Premium Rate Increases in 1989-90

We withhold recommendation on this item, pending receipt of updated information on the costs of health and dental insurance premiums for the budget year.

A firm estimate of the 1989-90 cost of health insurance premiums will not be available until April or May 1989. At that time, the Public Employees' Retirement System (PERS) board will approve rate increases to health care providers. In addition, the Department of Finance will have updated information on dental premium rates. Therefore, we withhold recommendation on this item, pending receipt of updated estimates of budget-year premium costs.

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

Item 9800 from the General Fund and various other funds

Budget p. GG 199

Requested 1989-90	\$218,104,000
Estimated 1988-89	99,001,000
Actual 1987-88	143,675,000
Requested increase \$119,103,000 (+120 percent)	
Total recommended reduction	None
Recommendation pending	\$218,104,000

1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
9800-001-001-Compensation increase	General	\$120,230,000
9800-001-494-Compensation increase	Special	56,555,000
9800-001-988-Compensation increase	Nongovernmental cost	41,319,000
Total		\$218,104,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. 1989-90 Compensation Increases. Withhold recommendation on \$218 million, pending review of memoranda of understanding for represented employees, compensation proposals for nonrepresented employees, and updated information on budget year benefit increases. 991

OVERVIEW OF THE BUDGET REQUEST

A Review of the Employee Compensation Program

At the time this analysis was prepared, the state had reached collective bargaining agreements (called memoranda of understanding or MOUs) with 18 of the 20 state employee bargaining units. The agreements that

have been reached are three-year agreements covering the period 1988-89 through 1990-91 and generally contain the following provisions:

- **1988-89 Provisions.** A general salary increase of 6 percent effective June 1, 1990, and continued funding of existing employee benefits;
- **1989-90 Provisions.** Effective January 1, 1990 a general salary increase of 4 percent, special salary adjustments for certain employees equal to an additional 1 percent, and continued funding of existing employee benefits;
- **1990-91 Provisions.** Effective January 1, 1991 a general salary increase of between 3 percent to 5 percent depending on the consumer price index, and continued funding of existing employee benefits.

Under the State Employer-Employee Relations Act (SEERA), the Legislature has the responsibility to approve all provisions of negotiated agreements (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 this analysis was prepared, of the 18 employee bargaining units that have signed an MOU with the state, 16 have been ratified by the Legislature.

1989-90 Funding. The Governor's Budget proposes three appropriations totaling \$218 million for compensation increases for all state employees except those in higher education. The General Fund would provide \$120.2 million, or 55 percent, of the total. The amount in these items would provide:

- \$160 million for the 4 percent general compensation increase, and the 1 percent additional special salary adjustment *beginning January 1, 1990*;
- \$58 million for premium rate increases in existing employee benefits.

Funds appropriated in this item will be allocated for salary and benefit enhancements for *represented* employees based on the final 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. This item also covers the costs of compensation increases for *nonrepresented* employees (such as, managerial, confidential and legislative employees).

The \$218 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 1989-90 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

Employee Compensation Increases in 1989-90

We withhold recommendation on funds for employee compensation increases proposed in the Budget Bill, pending review of memoranda of understanding for represented employees, compensation proposals for nonrepresented employees, and updated information on budget year benefit cost increases.

Fiscal year 1989-90 will be the eighth year that state employee compensation increases will be subject to collective bargaining. Until the

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

Department of Personnel Administration submits the final versions of negotiated MOUs (not just summaries of the MOUs) 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 increases proposed, or (2) the amount of funds required to implement these increases. In addition, the Department of Finance will have updated information on the cost increases in employee health benefits in April or May when the Public Employees' Retirement System Board approves new premium rates. 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 200
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Requested 1989-90	\$975,000
Estimated 1988-89	1,547,000
Actual 1987-88	665,000
Requested decrease: \$572,000 (-37.0 percent)	
Total recommended reduction.....	None

1989-90 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	320,000
Total		<u>\$975,000</u>

GENERAL PROGRAM STATEMENT

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

Generally, this item finances 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."

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 1989-90. 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 1988 Budget Act.

Total *expenditures* in 1988-89 are expected to be \$1.5 million. That estimate includes \$975,000 appropriated in the Budget Act and an additional \$572,000 in deficiency funding which has been approved by the Department of Finance with notification provided to the Legislature. Because of the uncertainty of the amount and frequency of such claims, we have no analytical basis for recommending a higher level of funding in the budget year.

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 202

Requested 1989-90	\$4,500,000
Amount appropriated by the 1988 Budget Act.....	4,500,000
Total recommended reduction.....	None

1989-90 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		\$4,500,000

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 1989-90. 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 which are made under this item must be repaid by the end of the fiscal year in which they are made.

RESERVE FOR CONTINGENCIES OR EMERGENCIES—Continued

Item 9840-490 reappropriates any unexpended balances of the appropriations made by the 1988 Budget Act (Items 9840-001-001, 9840-001-494 and 9840-001-988) to the Reserve for Contingencies or Emergencies proposed in the 1989 Budget Bill, effective July 1, 1989. The reappropriated funds would be available during the budget year for allocation by the Director of Finance to cover additional costs associated with 1988-89 deficiencies discovered after the fiscal year ends.

The amounts requested for 1989-90 are the same as those provided in the 1988 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 \$410.8 million in the current year. In each of the last five years, deficiency expenditures have exceeded \$350 million.

Table 1
General Fund Deficiency Expenditures^a
1978-79 through 1989-90
(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>Other</i>	<i>Amount</i>
	<i>Act</i>	<i>Act</i>	<i>Allocated</i>	<i>Deficiency</i>		<i>Allocated</i>
			<i>to Agencies</i>	<i>Bills</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	2,500	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	276,678	277,543	—	96,122	373,665
1988-89.....	1,500	231,944 ^b	231,944 ^c	85,273 ^b	93,574 ^d	410,791
1989-90.....	1,500 ^b	—	—	—	—	—

^a Includes deficiencies funded from this item and other items.

^b Proposed.

^c Total amount of 1988-89 allocations anticipated by the Department of Finance as of January 1989.

^d Legislative Analyst's Office.

Current-Year Deficiencies. As shown in Table 1, we estimate that \$410.8 million will be needed from the General Fund to cover deficiencies in 1988-89. This amount consists of (1) \$231.9 million proposed to be funded in the annual deficiency bill, (2) \$143 million from other General Fund sources reflected in the Governor's Budget, and (3) \$35.9 million in additional current-year deficiencies not yet 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

- \$135.3 million to cover a shortfall in funding for Medi-Cal, including \$14.9 million to fund abortions;
- \$8.6 million for Social Services Programs, including (1) \$1.6 million for Child Welfare Services due to lack of federal approval for redesign of the Emergency Assistance Program and (2) \$7 million for the In-Home Supportive Services program to account for a 2.5 percent increase in the average number of hours per case;
- \$6.7 million for the Department of Developmental Services (DDS) resulting from a shortfall in Medi-Cal reimbursements; and
- \$3 million to restore the Public Water Supply Program in the Department of Health Services.

Corrections

- \$14.9 million to provide for a larger-than-anticipated inmate population; and
- \$16.2 million to increase support for security coverage and transportation for homicide trials, to reduce the department's salary savings level, and to reduce the number of unassigned inmates at Folsom Prison.

Various State Programs

- \$7 million for the Franchise Tax Board to accommodate workload growth;
- \$17.6 million for the California Department of Forestry and Fire Protection to pay emergency fire suppression costs and to extend peak fire season staffing;
- \$3.8 million for growth in enrollment at California State University; and
- \$8.4 million to reinstate the Cal/OSHA private sector enforcement program.

Other Deficiencies Shown in Budget. The budget also provides for deficiency payments through mechanisms other than the main deficiency item. These will total \$143 million and consist mainly of:

Resources

- \$27.1 million for the California Department of Forestry for additional emergency fire suppression, funded by allocations from the Special Fund for Economic Uncertainties.

RESERVE FOR CONTINGENCIES OR EMERGENCIES—Continued**Health and Welfare**

- \$30.6 million in increased expenditures by the Department of Social Services to pay increased costs for AFDC, authorized by language contained in the department's budget item.

Education

- \$76.9 million for the State Department of Education, including \$10 million for special education deficiencies and \$66.9 million for school apportionment deficiencies, to be funded by a proposed departmental deficiency bill.

Other Potential Deficiencies. In addition to the deficiencies provided for in the budget, we have identified \$35.9 million in additional deficiencies for the current year. These consist mainly of:

- \$27.2 million for DDS to cover a delay in the receipt of federal Medi-Cal reimbursements for case management at DDS regional centers, and
- \$7.9 million for DDS regional centers to cover unanticipated increases in purchases of services for clients.

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 1989-90
(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	24,122	24,471	1,151
1988-89	1,500	10,451 ^a	10,451 ^b	1,500 ^a
1989-90	1,500 ^a	—	—	—

^a Proposed.

^b Total amount of 1988-89 allocations anticipated by the Department of Finance as of January 1989.

In 1988-89, special fund deficiency allocations are estimated at \$10.5 million, which is \$14 million less than the \$24.5 million allocated in 1987-88. The major special fund allocations proposed for 1988-89 are (1) \$3.3 million from the Vehicle Inspection and Repair Fund to implement Chapter 544, Statutes of 1988, which makes extensive changes to the Smog Check Program, and (2) \$1.5 million from the Motor Vehicle Account to pay for postal rate increases for the Department of Motor Vehicles.

Table 3
Reserve for Contingencies or Emergencies
Appropriations and Allocations from Nongovernmental Cost Funds
1978-79 through 1989-90
(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	2,778	2,763	1,515
1988-89	1,500	6,089 ^a	6,089 ^b	1,500 ^a
1989-90	1,500 ^a	—	—	—

^a Proposed.

^b Total amount of 1988-89 allocations anticipated by the Department of Finance as of January 1989.

The budget proposes \$6.1 million in deficiency allocations from nongovernmental cost funds, which is \$3.3 million more than the \$2.8 million allocated in 1987-88. The Governor's Budget actually shows a total proposed deficiency from nongovernmental cost funds of \$97.1 million. This amount, however, erroneously includes \$91 million in Federal Trust Fund monies which should not be counted as nongovernmental cost funds. The major nongovernmental cost fund allocation proposed for 1988-89 is a \$5.5 million allocation from the 1988 Prison Construction Fund for increased support for legal analyses and defense of construction claims.