

Analysis of the 1991-92 Budget Bill

*Report from the Legislative Analyst's Office
to the Joint Legislative Budget Committee*

California Legislature

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February 27, 1991

The Honorable Alfred E. Alquist, 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, 1991 to June 30, 1992, 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. I am especially grateful to each of them as well as their families.

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 1991-92. It contains our findings and recommendations on the funding levels proposed in the budget. In addition, we have separately highlighted throughout this *Analysis* major issues facing the Legislature in order to enhance legislative oversight. Our recommendations are offered to assist the Legislature in fashioning a budget which reflects its priorities.

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

- The objectives established by the Legislature 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.

In addition, we have recommended that funds, other than the General Fund, be used to support programs, thereby freeing up General Fund monies for legislative priorities.

In many cases, our analysis indicates that the Legislature does not have sufficient information to determine the appropriate funding or staffing levels for a particular program. Where the Legislature has not been given the information it needs, we have withheld recommendation on the budget proposal pending receipt of the information.

In those cases where our recommendations require the enactment of legislation, we have so indicated.

Perspectives and Issues

This *Analysis* is accompanied by a companion document entitled *The 1991-92 Budget: Perspectives and Issues*. This document is divided into four parts:

- Part One, "State Fiscal Picture," provides an overall perspective on the serious fiscal problem currently confronting the Legislature which requires resolution before the start of the coming fiscal year.
- Part Two, "Perspectives on the 1991-92 Budget," provides a brief overview of the economic and demographic forces which will help shape the budget; a review of the revenue projections assumed in the budget and an assessment of their reliability; and a description of the budget's spending plan, including information on each of the main program areas in the budget (such as K-12 Education, Resources, and Capital Outlay).
- Part Three, "Strategies for Addressing the State's Budgetary Imbalance," offers examples of the various strategies available to the Legislature (such as eliminating tax expenditures, reducing services, and shifting costs to fees) in addressing the current funding gap. It

also lists some considerations on how each type of strategy should be used.

- **Part Four, "Major Issues Facing the Legislature,"** discusses some of the broader issues currently facing the Legislature. Given the state's current fiscal problems, we have included several analyses in key fiscal areas: Proposition 98 and its proposed suspension, county-state relations and the impact of the Governor's "realignment" proposal, the AFDC program and the implications of the Governor's proposal to reduce welfare grant levels, and the community corrections alternative and how it might relieve prison over crowding and some of the pressure on state prison spending. In addition, Part Four has overview pieces on state infrastructure, the uses of bond proceeds, school restructuring, and the state rail transportation program.