[MS-0398.042.004.001]

Senate Committee on Budget and Fiscal Review

Budget in Perspective

Testimony by

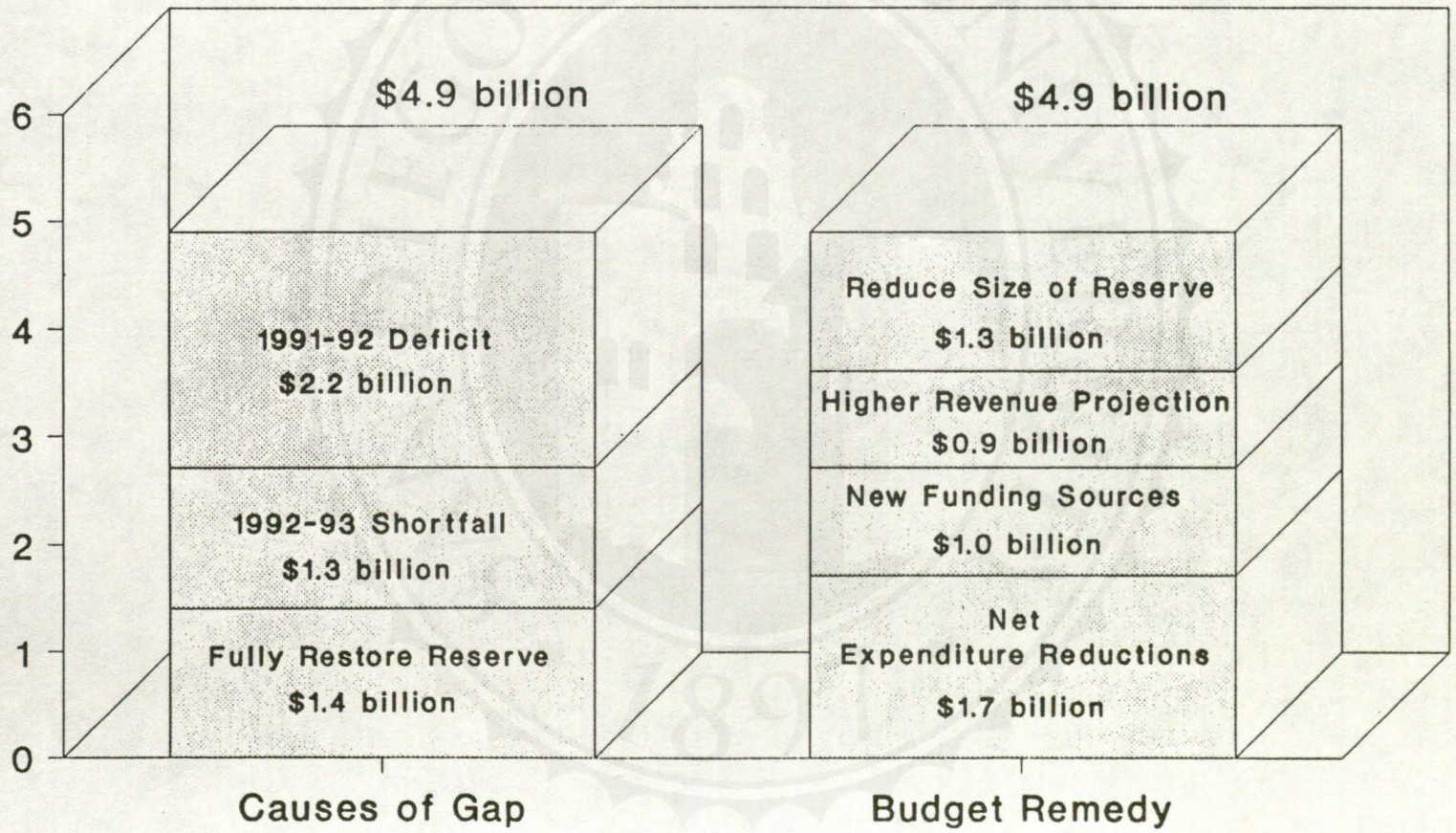
Commission on State Finance

Kevin Scott - Executive Director

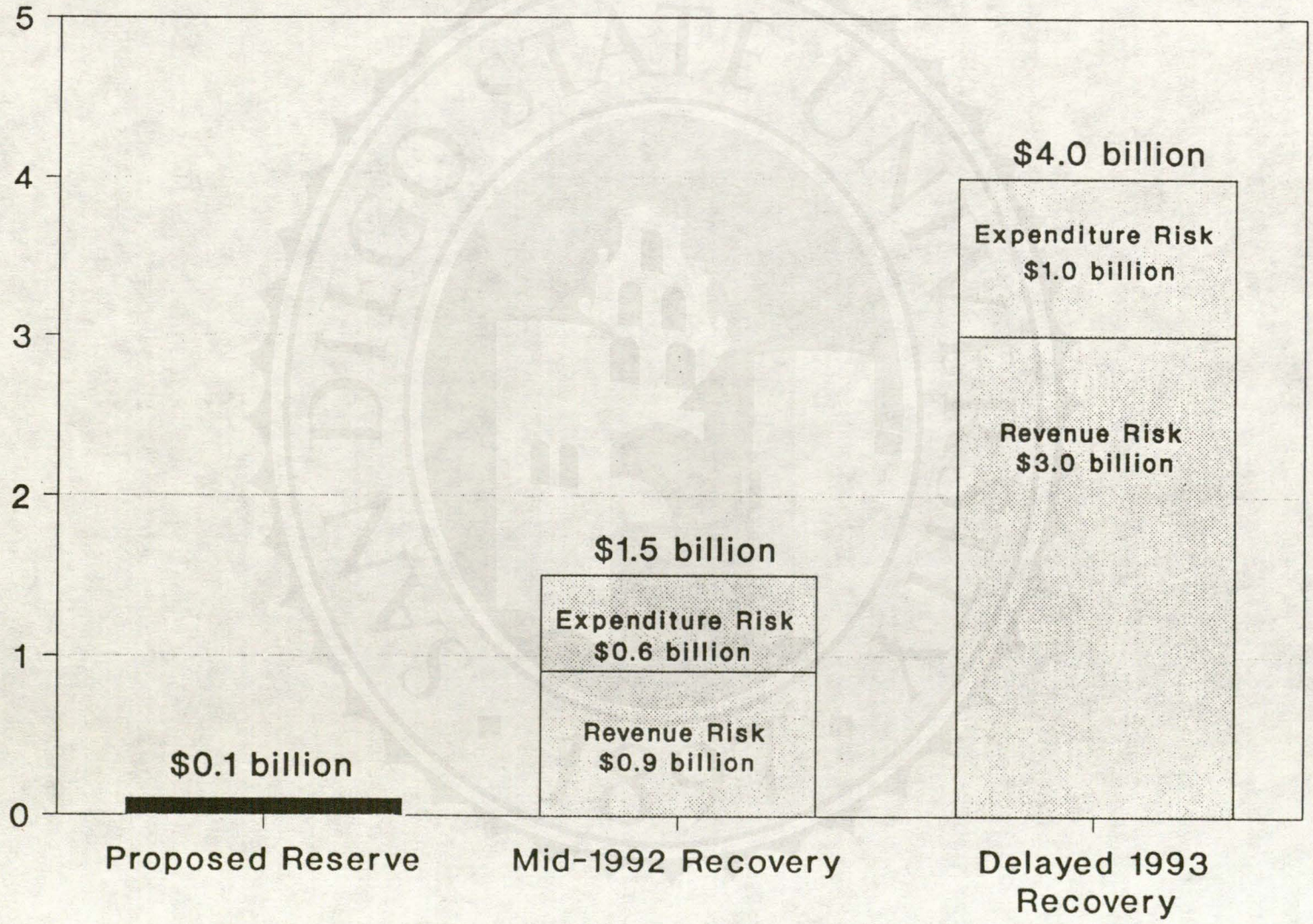
January 16, 1992

The Budget In Perspective

How Budget Addresses $4.9 billion Funding Gap Estimated by COSF Dec. 1991



Proposed Reserve vs. Budget Risks



OPENING STATEMENT

SENATOR ALFRED E. ALQUIST, CHAIRMAN

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

HEARING ON THE OVERVIEW OF 1992-93 PROPOSED BUDGET

THURSDAY, JANUARY 16, 1992

THIS MORNING, WE MEET TO BEGIN THE PUBLIC HEARING PROCESS ON THE GOVERNOR'S PROPOSED BUDGET FOR THE 1992-93 FISCAL YEAR. AS USUAL, WE HAVE REQUESTED TOM HAYES, THE DIRECTOR OF FINANCE, TO MAKE THE INITIAL SUMMARY PRESENTATION OF THE GOVERNOR'S PROPOSAL, FOLLOWED BY COMMENTS FROM THE LEGISLATIVE ANALYST, ELIZABETH HILL AND THE EXECUTIVE DIRECTOR OF THE COMMISSION ON STATE FINANCE, KEVIN SCOTT. THE COMMITTEE ALSO HAS A PARTICULAR INTEREST IN THE IMPACT OF SOME OF THE GOVERNOR'S PROPOSALS ON THE COUNTIES AND SPECIAL DISTRICTS, AND HAS REQUESTED TESTIMONY FROM WITNESSES REPRESENTING THE COUNTY SUPERVISORS ASSOCIATION, AND FROM THE SPECIAL DISTRICTS.

ALSO, THE STAFF HAS PREPARED A BUDGET OVERVIEW REPORT ORGANIZED BY SUBCOMMITTEE THAT NOTES AND SUMMARIZES CRITICAL ISSUES IN THE GOVERNOR'S PROPOSAL. OF PARTICULAR INTEREST IS THE CRITIQUE PREPARED BY STAFF OF THE DOF REPORT TITLED, "CALIFORNIA'S TAXPAYER SQUEEZE". MANY OF THE CENTRAL THEMES IN THE GOVERNOR'S BUDGET PROPOSAL ARE PREDICATED ON ARGUMENTS MADE IN THIS REPORT, AND THE CRITIQUE CHALLENGES THE CENTRAL ASSUMPTIONS. THE STAFF REPORT IS MADE AVAILABLE AT THIS TIME.

BEFORE WE PROCEED TO HEAR THE WITNESSES, THERE ARE A FEW COMMENTS THAT NEED TO BE MADE.

THE GOVERNOR'S BUDGET PROPOSAL IS BALANCED VERY PRECARIOUSLY. GIVEN THE REMARKABLE FAILURE IN THE CURRENT YEAR OF REVENUES TO MEET ESTIMATES, THE GOVERNOR'S REVENUE ESTIMATES LOOK INFLATED AND HIS ECONOMIC ASSUMPTIONS (E.G. A 4.9% GROWTH RATE FOR PERSONAL INCOME THAT IS UP FROM 1.8% IN THE CURRENT YEAR, AND AN INCREASE IN TAXABLE SALES OF A NET 12.1%) STRETCH CREDULITY.

THE GOVERNOR'S PROPOSAL ASSUMES THAT THE "RECESSION" WILL END SOON AND THAT IMPROVEMENTS WILL CONTINUE THROUGHOUT THE BUDGET YEAR. I RECOGNIZE THAT THE ECONOMIC ESTIMATES IN THIS PROPOSAL ARE CONSIDERED BY THE DEPARTMENT OF FINANCE TO BE FAIRLY CONSERVATIVE WHEN ARRAYED AGAINST MOST OTHER FORECASTS. GIVEN THE TRACK RECORD OF MOST ECONOMIC PROGNOSTICATORS DURING THE LAST FEW YEARS, AND MY OWN INTUITION AND EXPERIENCE, I CAN'T HELP BUT THINK THAT THESE ASSUMPTIONS ARE OVERLY OPTIMISTIC.

HOWEVER, EVEN IF THESE ASSUMPTIONS ARE ACCURATE, THE BALANCING ACT THAT CHARACTERIZES THIS BUDGET PROPOSAL IS STILL ON THE THIN EDGE OF REALITY. I CITE THE FOLLOWING EXAMPLES, AND ELICIT REACTIONS FROM OUR WITNESSES.

FIRST, THE RESERVE FOR ECONOMIC UNCERTAINTIES IS ALL BUT ELIMINATED. INSTEAD OF THE HISTORICAL RESERVE LEVEL OF $1.3 BILLION (USUALLY ABOUT 3% OF THE GENERAL FUND), THE RESERVE IS REDUCED TO $105 MILLION. THIS REDUCES THE LEVEL OF FUNDING FROM "MINIMAL" TO VIRTUALLY "NONEXISTENT". IT IS AS IF THE GOVERNOR DECREED IN HIS BUDGET THAT THERE WILL BE NO FOREST FIRES, NO FLOODS, NO FREEZES, NO MED-FLIES, NO EARTHQUAKES, ETC. I KNOW THE GOVERNOR'S POWER IS GREAT, BUT DENYING MOTHER NATURE HER

PREROGATIVES IS FRAUGHT WITH PERIL, EVEN FOR A GOVERNOR.

CERTAIN ASSUMPTIONS IN THE BUDGET PROPOSAL REDUCE THE IDEA OF $105 MILLION RESERVE TO AN ABSURDITY. FOR EXAMPLE, THERE IS A SAVINGS OF $90 MILLION IF THE GOVERNOR'S WELFARE INITIATIVE PORTIONS OF THE BUDGET PROPOSAL ARE ADOPTED BY MARCH 1, 1992. DOES ANYONE REASONABLY EXPECT THAT SUCH ACTION WILL TAKE PLACE? ANOTHER EXAMPLE IS THE ASSUMPTION THAT THE FEDERAL GOVERNMENT WILL APPROPRIATE TO CALIFORNIA $195 MILLION IN THE '91-92 FISCAL YEAR, AND $217 MILLION IN '92-93 FOR STATE LEGALIZATION IMPACT ASSISTANCE GRANTS (SLIAG). IN THE PAST TWO YEARS, FUNDING FOR SLIAG HAS NOT BEEN INCLUDED IN THE PRESIDENT'S BUDGET AT ALL, AND CONGRESS HAS REDUCED FUNDING TO THE STATE'S BY ONE HALF. IS THERE ANYONE WHO REALLY THINKS THAT THE GOVERNOR'S FUNDING ASSUMPTIONS IN THIS AREA ARE REASONABLE?

EVEN MORE SIGNIFICANTLY, SUCH A LOW RESERVE NUMBER ALSO ASSUMES THAT CASELOADS IN ALL AREAS OF GOVERNMENT WILL NOT INCREASE ONCE THE BUDGET IS ENACTED. HISTORY INDICATES THAT SUCH AN ASSUMPTION HAS, AS LONG AS I CAN REMEMBER, NEVER BEEN ACCURATE.

SECOND, THOUGH THE BUDGET PROPOSAL ASSERTS THAT THERE ARE NO TAX INCREASES, DRAMATIC INCREASES IN FEES FOR THE UNIVERSITY AND STATE UNIVERSITY, THE EFFECTS OF PROPOSED TRANSFERS OF PROPERTY TAX REVENUE FROM ENTERPRISE SPECIAL DISTRICTS, AND THE ELIMINATION OF THE RENTER'S TAX CREDIT, TEND TO ACT LIKE TAX INCREASES. THESE EXAMPLES SURELY QUACK LIKE DUCKS AND WILL RESULT IN REAL TAX-LIKE INCREASES TO THE POPULATION OF ABOUT $1 BILLION.

THIRD, THE GOVERNOR, WHILE PROPOSING TO AUGMENT FUNDING FOR K-14, ALSO PROPOSES DRASTIC REDUCTIONS TOTALING ABOUT $3.1 BILLION IN THE HEALTH AND WELFARE AREA. GIVEN THE LIMITED FISCAL RESOURCES, THIS LEVEL OF REDUCTION WILL SET THE STAGE FOR A CRITICAL DEBATE BETWEEN TWO PARAMOUNT STATE PRIORITIES - K-14 EDUCATION VS. HEALTH AND WELFARE.

FOR THE GOVERNOR TO APPROACH THE STATE'S FISCAL CRISIS BY SETTING IN MOTION SUCH A DEBATE IS VERY DIFFICULT FOR ME TO ACCEPT AS RESPONSIBLE STATECRAFT. I BELIEVE THAT GOVERNMENT HAS CERTAIN RESPONSIBILITIES THAT MUST BE PERFORMED FOR THE CITIZENS OF THE STATE. THAT AMONG THOSE DUTIES, STATE GOVERNMENT IN CALIFORNIA IS RESPONSIBLE FOR PROVIDING GOOD PUBLIC EDUCATION TO ITS CITIZENS, AND FOR PROVIDING ADEQUATELY FOR THOSE NOT ABLE TO CARE FOR THEMSELVES. TO FORCE THE GOVERNMENT TO CHOOSE BETWEEN THESE FUNCTIONS OF GOVERNMENT, TO INCREASE SUPPORT FOR ONE BASIC SERVICE WHILE DRASTICALLY REDUCING THE OTHER, IS FAR FROM RESPONSIBLE. BOTH OF THESE FUNCTIONS ARE ESSENTIAL TO PROPER GOVERNMENT SERVICE TO THE BODY POLITIC.

WITH ALL DUE RESPECT, THE GOVERNOR'S PROPOSAL ON THIS ISSUE SMACKS OF POLITICAL OPPORTUNISM. IN THESE TIMES, WHEN CUTBACKS IN SERVICES ARE NECESSARY, BALANCE IN CUTBACKS - THAT IS EVEN-HANDED AND FAIR REDUCTIONS IN ALL AREAS OF GOVERNMENT - SEEMS MUCH MORE RESPONSIBLE THAN FAVORING ONE ESSENTIAL GOVERNMENT SERVICE OVER ANOTHER.

THE GOVERNOR HAS PRESENTED THE LEGISLATURE WITH A BUDGET PROPOSAL THAT PRESENTS CHALLENGES TO PROBLEM SOLVING AS NEVER BEFORE. IN ESSENCE, HE DRAWS A LINE IN THE DUST AND ASKS: DOES

THE LEGISLATURE HAVE A BETTER IDEA ABOUT HOW TO COME TO GRIPS WITH THE ENORMITY OF THE FISCAL CRISIS FACING THE STATE? IN THE END, UNDER THE CONSTITUTION, IT IS THE RESPONSIBILITY OF THE LEGISLATIVE BRANCH OF GOVERNMENT TO CREATE AND APPROVE THE STATE'S FISCAL PLAN. WHAT I KNOW TODAY ABOUT THE GOVERNOR'S PROPOSAL IS THAT I DON'T LIKE WHAT HE HAS DONE. SO, WITH SOME SENSE OF RESIGNATION, THE CHALLENGE TO COME UP WITH SOMETHING BETTER IS ACCEPTED. NO OPTIONS WILL BE REJECTED, AND ALL POSSIBILITIES WILL BE REVIEWED. WHAT COMES OUT OF THE LEGISLATURE IN JUNE WILL BE DIFFERENT, BETTER THAN THE GOVERNOR'S PROPOSAL, AND BALANCED WITH AN ADEQUATE RESERVE.

Initial Comments on the 1992-93 Budget

Senate Budget and Fiscal Review
Alfred E. Alquist, Chairman

Elizabeth Hill, *Legislative Analyst*
January 16, 1992

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Figure 1

Governor's Budget
General Fund Condition

	1991-92	1992-93	Percent Change
Prior-year balance	-$1,258.9	-$1,343.8	—
Revenues and Transfers	43,633.3	45,673.1	4.7%
Total Resources	$42,374.4	$44,329.3	4.6%
Expenditures	$43,718.2	$43,817.0	0.2%
Fund Balance	-$1,343.8	$512.3	—
Reserves:			
Special Fund for Economic Uncertainties	**-1,781.3**	**105.4**	—
Other Reserves	406.9	406.9	

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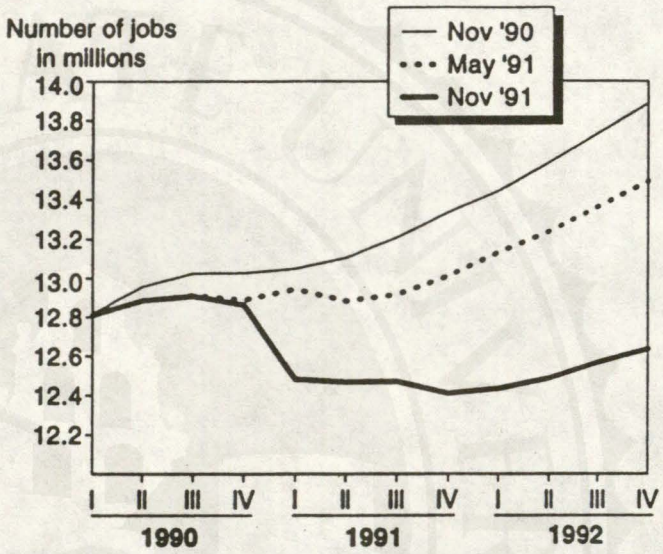
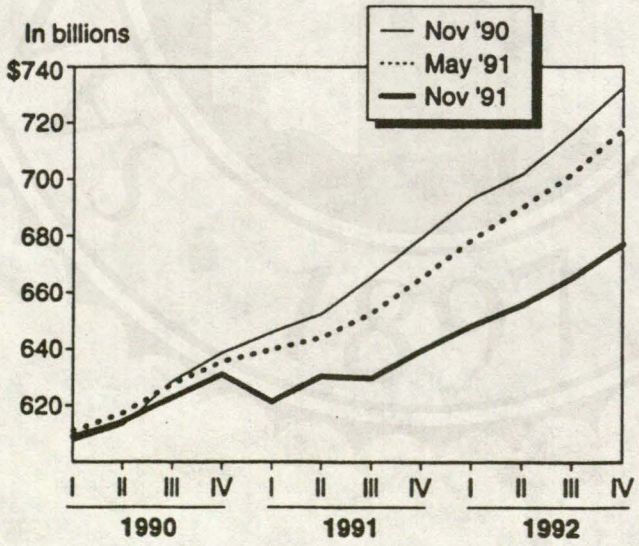
Figure 2

Impact of the Recession

Changes in Anticipated Wage and Salary Employment Levels



Changes in Forecasts for California Personal Income



Source: Department of Finance

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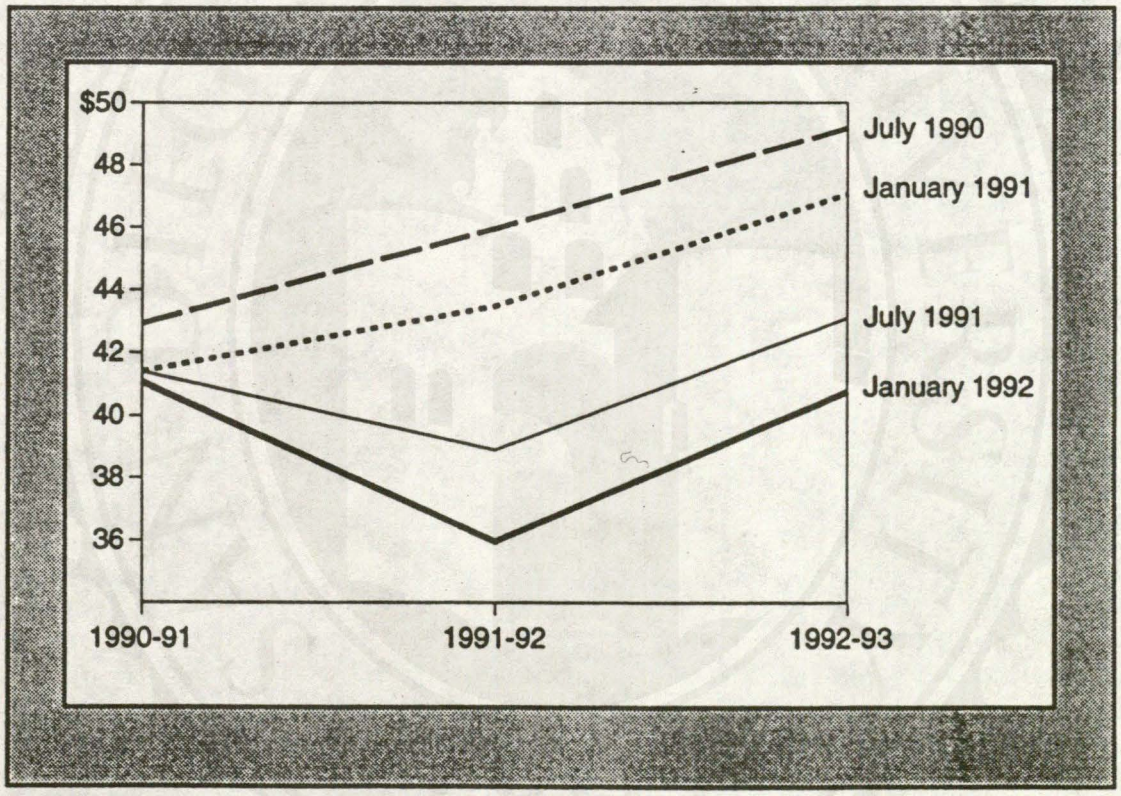
Figure 3

Changes in Anticipated General Fund Revenues Excluding 1991 and 1992 Revenue Enhancements



Source: July 1990 forecast is LAO extrapolation of DOF's 1990-91 estimates. All other figures reflect LAO adjustments to DOF estimates in order to strip out revenue changes.

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Figure 4

Budget's Proposed Resolution of the 1992-93 Spending Gap

(In billions)

Program Reductions	
AFDC: net savings from Governor's welfare proposals	$0.7
State employees: no COLA, reduce pay and health benefits	0.5
Eliminate renters' credit	0.4
UC/CSU: eliminate faculty and staff COLAs and other adjustment	0.3
Proposition 98: Reduce 1991-92 funding to reflect lower revenue	0.2
Medi-Cal: Limit optional benefits, inpatient days and rates	0.2
Defer lease revenue bond payments	0.1
Other	0.5
New program proposals	-0.1
Subtotal	**$2.8**
Funding Shifts	
To Local governments	$0.5
To Federal Government	0.5
To Proposition 99 (Medi-Cal)	0.1
To fees	0.1
Subtotal	**$1.2**
Increased Revenues	
Transfers from special funds and bond funds	$0.5
Eliminate health care tax credit	0.1
Increased audit and collection efforts	0.2
Other	0.1
Subtotal	**$0.8**
Reserves	
Reduce reserve level	$1.2
Total	$6.0

Detail may not add to totals due to rounding.

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Figure 5

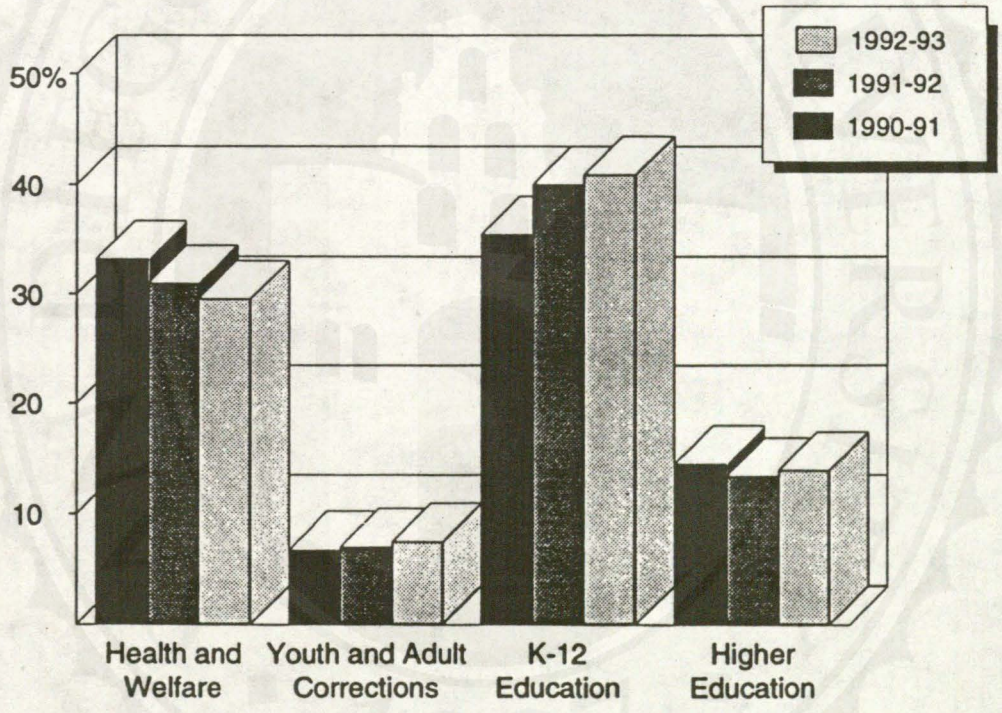

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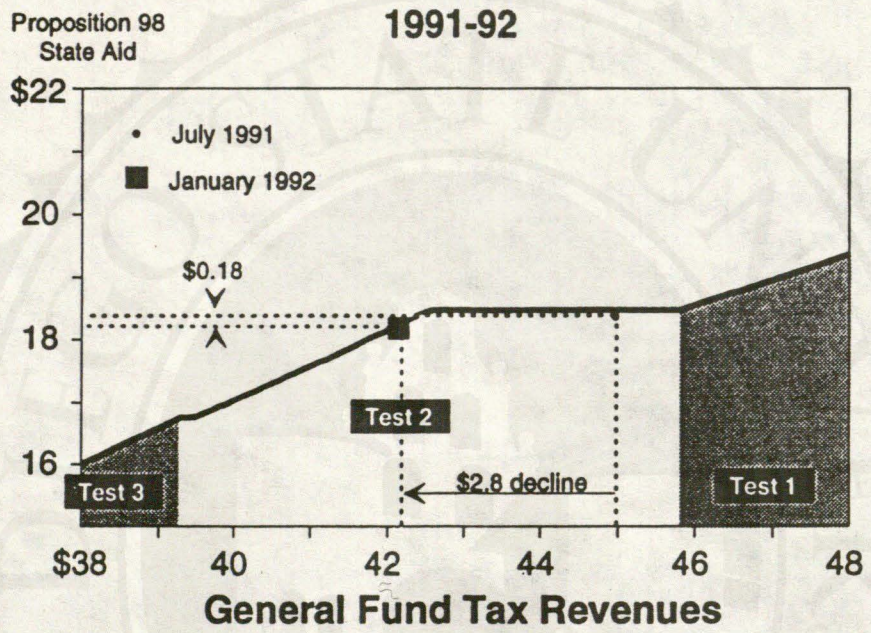
Figure 6

Proposition 98 Funding Guarantee 1991-92 and 1992-93

(In billions)



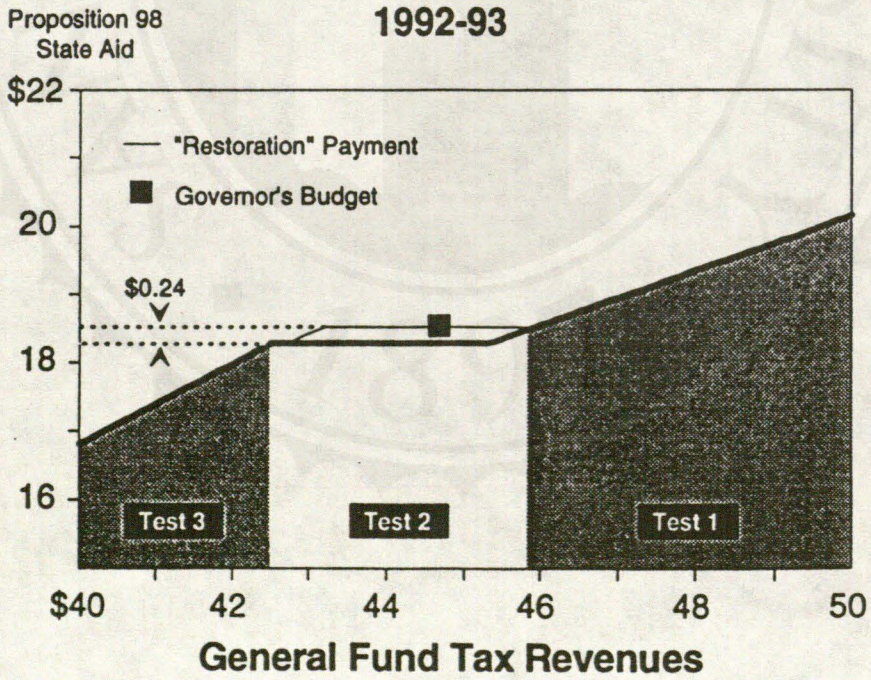


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Figure 7

Initial Reactions to the Budget

- Administration's budget targets reductions, rather than relying upon "across-the-board" reductions
  - Proposes suspending the "trigger" mechanism
  - Funds many increases by redirecting existing funds away from "lower-priority" activities
- Program initiatives continue emphasis on prevention
  - Healthy Start, Preschools, Early Mental Health -- education
  - Healthy Kids, family planning, lead poisoning prevention -- health
  - Preventing Parole Failure, Alternative Sentencing Program -- criminal justice
- Administration has proposed some significant reductions in major state programs
  - Welfare initiative
  - Medi-Cal optional benefits, 60-day inpatient stay limit
- Budget plan contains large downside risks
  - Assumes cooperation of federal government on waivers required for welfare initiative and funding for SLIAG
  - Requires immediate legislative action on controversial proposals to generate anticipated current- and budget-year savings
  - Probable violation of Proposition 99 in proposal to replace General Fund support for perinatal and CHIP programs
  - Uses of Motor Vehicle Account and State Highway Account funds may violate Article XIX
- Budget is highly vulnerable to economy
  - Revenue estimates appear optimistic, both for GF and realignment
  - Budget acknowledges high probability of continued recession
  - Proposed reserve is only $105 million
- In summary, Administration has proposed a budget which for all practical purposes is not balanced

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Figure 8

How the Governor's Budget "Stacks Up" Against Budget Balancing Principles

- ☐ *Make Significant Reductions in Major Programs*
  - Budget proposes significant reductions in Health and Welfare
  - Achieves savings in higher education with cuts and increased fees but leaves ability to meet Master Plan goals in doubt
  - Does not apply this principle to Corrections, K-14 Education
- ☐ *Restructure Programs*
  - Budget contains few significant proposals to more effectively address basic program objectives outside of welfare changes
- ☐ *Make Choices Rather Than "Across-the-Board" Cuts*
  - Budget does reflect policy choices and generally targets reductions at specific programs
  - However, in many cases administration has deferred priority setting to individual departments
  - Many departmental reductions have yet to be specified
- ☐ *Use One-time Solutions Appropriately*
  - Budget's reliance on one-time solutions is generally limited
  - Additional one-time actions can be justified to restore reserve and pay off deficit
- ☐ *Avoid Short-Term Savings That Increase Long-Term Costs*
  - Budget generally positive in this regard, with some exceptions:
    - Revenue bond refinancing
    - Doesn't address chronic problem areas like deferred maintenance, judicial retirement, STRS
- ☐ *Examine Tax Base and Coverage*
  - Budget doesn't make changes in this area

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Figure 9

Challenges for the Legislature

- The Legislature faces filling in the gaps left by the administration's budget plan:
  - Additional significant reductions in major programs
  - Additional one-time and ongoing contributions to resolving the budget gap
  - Identification of ways to restructure major programs to enhance long-run effectiveness
- Early action is needed to mitigate the current-year deficit and resolve the budget-year shortfall
- To resolve the budget's structural problems, the Legislature must:
  - Open up the entire budget for review, and reduce or eliminate those activities that are low-priority or are not cost-effective;
  - Review tax expenditure programs on the same basis as regular spending programs, and examine the coverage of the state's tax base; and
  - Make changes to the state's priority programs that will make them more effective in the long run
- Finally, the Legislature needs to ensure that a longer-run perspective and a vision of California for the year 2000 and beyond remains present in its deliberations:
  - How does the state ensure delivery of quality governmental services in the most effective manner?
  - How can the ability of California's state and local governments to deal with the problems of the future be improved?
  - What steps need to be taken to ensure healthy economic growth in the future?

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REALIGNMENT ALLOCATIONS BY COUNTY
F. Y. 1991-92 BASE ALLOCATIONS (In Thousands)
ESTIMATES PER AB 1491 (CHAPTER 611/91)

1/16/92
9:24a

SALES TAX ACCOUNT:	1,442,792	1,349,792
Mental Health Sub-Acct.:	745,253	697,216
Social Services Sub-Acct.:	521,858	488,220
Health Sub-Acct.:	171,981	160,895
VLF ACCOUNT:	768,934	711,934
SB 370 Mental Health:	3,700	3,462
	0	0

COUNTY	MENTAL HEALTH			HEALTH			SOCIAL SERVICES				VLF ALLOCATION			TOTALS		
	AB 1491 Revenue	Actual Revenue	Diff.	AB 1491 Revenue	Actual Revenue	Diff.	Stabili-zation*	AB 1491 Revenue	Actual Revenue	Diff.	AB 1491 Revenue	Actual Revenue	Diff.	AB 1491 Revenue	Actual Revenue	Diff.
Alameda	42,894	40,129	-2,765	7,747	7,248	-499	0	22,193	20,720	-1,473	34,637	32,070	-2,568	107,471	100,166	-7,305
Alpine	160	150	-10	24	22	-2	7	83	77	-5	105	98	-8	379	354	-25
Amador	549	513	-35	260	243	-17	11	379	353	-25	1,163	1,076	-86	2,361	2,198	-163
Butte	4,803	4,493	-310	1,398	1,308	-90	623	5,244	4,896	-348	6,252	5,789	-463	18,321	17,109	-1,211
Calaveras	677	634	-44	235	220	-15	62	505	471	-34	1,051	973	-78	2,530	2,360	-170
Colusa	572	535	-37	206	192	-13	40	279	261	-19	919	851	-68	2,016	1,879	-137
Contra Costa	19,198	17,960	-1,237	3,850	3,602	-248	0	17,728	16,551	-1,177	17,213	15,937	-1,276	57,988	54,050	-3,938
Del Norte	759	710	-49	230	216	-15	139	361	337	-24	1,030	954	-76	2,520	2,356	-164
El Dorado	2,486	2,326	-160	899	841	-58	0	2,515	2,348	-167	4,020	3,722	-298	9,920	9,237	-683
Fresno	18,292	17,113	-1,179	4,047	3,786	-261	2,804	9,671	9,029	-642	18,094	16,753	-1,341	52,907	49,484	-3,423
Glenn	715	669	-46	239	224	-15	122	808	755	-54	1,070	990	-79	2,954	2,759	-194
Humboldt	3,957	3,702	-255	1,536	1,437	-99	334	3,502	3,270	-232	6,866	6,357	-509	16,195	15,099	-1,095
Imperial	2,832	2,650	-183	1,417	1,325	-91	319	2,335	2,180	-155	6,334	5,864	-470	13,237	12,339	-898
Inyo	794	743	-51	321	301	-21	39	553	516	-37	1,437	1,331	-107	3,144	2,929	-215
Kern	12,743	11,922	-821	2,814	2,633	-181	1,973	5,431	5,071	-360	12,581	11,649	-933	35,542	33,246	-2,296
Kings	2,546	2,382	-164	702	657	-45	0	1,604	1,498	-106	3,140	2,908	-233	7,993	7,444	-549
Lake	1,453	1,359	-94	301	282	-19	191	1,655	1,545	-110	1,347	1,247	-100	4,947	4,625	-323
Lassen	749	701	-48	262	245	-17	26	657	613	-44	1,173	1,086	-87	2,867	2,671	-196
Los Angeles	237,821	222,491	-15,330	64,081	59,951	-4,131	0	155,738	145,402	-10,336	286,510	265,272	-21,239	744,150	693,116	-51,034
Madera	2,059	1,927	-133	629	588	-41	160	1,033	964	-69	2,811	2,603	-208	6,692	6,242	-450
Marin	8,165	7,639	-526	1,855	1,735	-120	0	3,417	3,190	-227	8,293	7,678	-615	21,730	20,243	-1,487
Mariposa	421	394	-27	140	131	-9	57	589	550	-39	627	580	-46	1,834	1,712	-122
Mendocino	2,675	2,502	-172	445	416	-29	128	2,945	2,749	-195	1,988	1,841	-147	8,181	7,637	-544
Merced	4,836	4,524	-312	704	659	-45	751	2,891	2,700	-192	3,148	2,915	-233	12,330	11,548	-782
Modoc	430	403	-28	159	149	-10	30	166	155	-11	710	657	-53	1,495	1,393	-102
Mono	334	312	-22	231	216	-15	21	255	238	-17	1,032	955	-76	1,872	1,743	-130
Monterey	7,448	6,968	-480	1,544	1,444	-99	0	4,862	4,539	-323	6,901	6,390	-512	20,755	19,341	-1,414
Napa	4,051	3,790	-261	768	719	-50	41	2,080	1,942	-138	3,434	3,179	-255	10,374	9,671	-703
Nevada	1,780	1,665	-115	470	440	-30	0	1,613	1,506	-107	2,102	1,946	-156	5,965	5,557	-408
Orange	40,025	37,445	-2,580	9,339	8,737	-602	0	23,535	21,973	-1,562	41,756	38,661	-3,095	114,655	106,816	-7,839
Placer	3,461	3,238	-223	483	451	-31	91	2,946	2,750	-195	2,158	1,998	-160	9,138	8,529	-610
Plumas	553	517	-36	197	184	-13	29	500	467	-33	880	815	-65	2,159	2,012	-147
Riverside	21,859	20,450	-1,409	4,793	4,484	-309	0	17,069	15,937	-1,133	21,428	19,839	-1,588	65,149	60,710	-4,439
Sacramento	26,841	25,111	-1,730	4,729	4,424	-305	0	23,958	22,368	-1,590	21,143	19,576	-1,567	76,671	71,479	-5,192
San Benito	737	689	-47	293	274	-19	29	448	419	-30	1,308	1,211	-97	2,815	2,622	-193
San Bernardin	27,925	26,125	-1,800	4,249	3,976	-274	1,778	25,433	23,745	-1,688	19,000	17,591	-1,408	78,385	73,215	-5,170
San Diego	48,110	45,009	-3,101	8,216	7,686	-530	0	52,245	48,778	-3,467	36,733	34,010	-2,723	145,304	135,483	-9,821
San Francisco	41,957	39,252	-2,704	12,288	11,496	-792	0	27,147	25,345	-1,802	54,940	50,868	-4,073	136,332	126,961	-9,371
San Joaquin	14,262	13,343	-919	1,859	1,739	-120	1,201	8,761	8,180	-581	8,312	7,696	-616	34,395	32,159	-2,237
San Luis Obisp	4,005	3,747	-258	827	774	-53	0	3,063	2,860	-203	3,699	3,425	-274	11,595	10,806	-789
San Mateo	20,334	19,023	-1,311	2,741	2,564	-177	0	7,567	7,065	-502	12,255	11,346	-908	42,896	39,998	-2,898
Santa Barbara	7,739	7,240	-499	1,620	1,515	-104	0	4,629	4,321	-307	7,242	6,705	-537	21,229	19,782	-1,447
Santa Clara	34,472	32,250	-2,222	6,232	5,831	-402	0	14,768	13,788	-980	27,865	25,799	-2,066	83,336	77,667	-5,669
Santa Cruz	4,673	4,372	-301	1,155	1,080	-74	0	2,577	2,406	-171	5,163	4,780	-383	13,567	12,638	-929
Shasta	4,082	3,819	-263	1,158	1,083	-75	333	3,075	2,871	-204	5,176	4,793	-384	13,824	12,898	-926
Sierra	219	205	-14	58	55	-4	12	208	194	-14	261	242	-19	759	708	-51
Siskiyou	1,063	995	-69	386	361	-25	161	1,122	1,048	-74	1,727	1,599	-128	4,460	4,164	-296
Solano	8,538	7,988	-550	1,613	1,509	-104	347	6,636	6,196	-440	7,210	6,676	-534	24,345	22,715	-1,629
Sonoma	9,207	8,614	-593	2,870	2,685	-185	0	6,346	5,925	-421	12,831	11,880	-951	31,254	29,104	-2,151
Stanislaus	8,346	7,808	-538	1,807	1,691	-116	911	4,864	4,541	-323	8,081	7,482	-599	24,009	22,433	-1,576
Sutter	0	0	0	767	718	-49	19	661	617	-44	3,429	3,175	-254	4,877	4,529	-348
Sutter/Yuba	3,526	3,298	-227	0	0	0	0	0	0	0	0	0	0	3,526	3,298	-227
Tehama	1,623	1,519	-105	514	480	-33	177	1,268	1,184	-84	2,296	2,126	-170	5,878	5,486	-392
Trinity	442	414	-29	239	223	-15	32	389	363	-26	1,067	988	-79	2,169	2,020	-149
Tulare	8,168	7,642	-527	1,287	1,204	-83	951	7,392	6,901	-491	5,755	5,329	-427	23,554	22,027	-1,527
Tuolumne	969	907	-62	405	379	-26	229	474	443	-31	1,812	1,678	-134	3,890	3,636	-254
Ventura	11,820	11,058	-762	2,349	2,198	-151	0	5,327	4,974	-354	10,502	9,724	-779	29,999	27,953	-2,045
Yolo	4,098	3,833	-264	606	567	-39	568	2,202	2,056	-146	2,708	2,507	-201	10,181	9,531	-650
Yuba	0	0	0	529	495	-34	254	1,156	1,080	-77	2,365	2,190	-175	4,305	4,019	-286
City of Berkele	0	0	0	119	111	-8		0	0	0	532	493	-39	651	604	-47
City of Long B	0	0	0	502	469	-32		0	0	0	2,244	2,077	-166	2,746	2,547	-199
Pasadena	0	0	0	238	223	-15		0	0	0	1,065	986	-79	1,303	1,209	-94
Tri-City	0	0	0	0	0	0		0	0	0	0	0	0	0	0	0
											0	0	0			
TOTAL	745,253	697,216	-48,038	171,981	160,895	-11,086	15,000	506,858	473,220	-33,638	768,935	711,935	-57,000	2,208,027	2,058,265	-149,762
SB 370 M-H	3,700	3,462	-238											3,700	3,462	-238
TOTAL	748,953		-48,276											2,211,727	2,061,727	-150,000

* Note: The Controller has already distributed the $15 million in Stabilization funding; therefore, no reduction is applied to this column.

REVPROJ.004

Local Revenue Fund - VLF
December 1991 Budget Estimate

	1991-92	1992-93
July	0.0	78.4
August	0.0	60.2
September	0.0	63.2
October	125.4	60.2
November	60.4	61.7
December	46.2	52.4
January	65.9	60.9
February	69.8	64.7
March	66.7	61.7
April	71.3	66.2
May	67.4	62.4
June	75.0	69.2
FY (Cash Basis)	648.1	761.2
Accrual:		
Prior Yr Adjustment	0.0	-63.9
July	63.9	58.7
FY (Accrual Basis)	712.0	756.0

1/9/92
8:42a

Local Revenue Fund - 1/2 Cent Sales Tax
December 1991 Budget Estimate

	1991-92	1992-93
July	0.0	153.8
August	0.0	116.5
September	0.0	100.3
October	167.8	116.7
November	134.3	166.0
December	99.8	104.8
January	98.2	117.3
February	156.3	189.1
March	84.0	94.6
April	103.5	116.5
May	145.6	163.9
June	96.9	108.0
FY (Cash Basis)	1,086.4	1,547.5
Accrual:		
Prior Yr Adjustment	0.0	-263.6
July	150.5	169.5
August	113.1	126.6
FY (Accrual Basis)	1,350.0	1,580.0

1/10/92
9:46a

REALIGNMENT CLEAN-UP ISSUES
January 16, 1992

A. Equity Issues

1. Revised Section 5701 and 17606.05 language to provide direction on calculating equity allocations.

2. Tuolomne issue regarding one-time-money used in their base. El Dorado issue regarding including Amador County contract funds into the base may have resulted in shorting El Dorado on an equity allocation for mental health.

3. Divide Sutter/Yuba equity $$

4. Sequencing the equity deal.

5. Correction/Clarification of language on 5 year equity sunset (Currently the sunset is only contained in Section 17605.15(b).)

6. Add language to Section 17605.05 to specify that equity funds shall be expended for the specific program used to determine the equity allocation. The equity funds shall be used to recalculate future equity allocatiuons and shall be calculated into each county's base allocation for each program receiving equity funding.

7. Assure proper deposits on equity allocations for Tier II and Tier III of $10 million. Are the apportionments to be made directly off the top or from one or more of the subaccounts? If this apportionment from the General Growth Account before or after the apportionment of the $52.2 million?

8. The four subaccounts in Section 17605.05 (a) should be clarified to assure proper calculations of equity allocations and deposit of funds. For example:

Indigent Health Subaccount:	Old MISP
Community Health Subaccount:	Old AB 8
Mental Health Subaccount:	Old Short-Doyle
State Hospital Subaccount:	appears clear in present form

9. Should Section 17605.05 be amended to require counties to deposit equity allocations into the Local Health & Welfare Trust Fund?

10. The Controller has indicated that the schedules contained inSection 17606.05 add up to more than 100% -- what to do?

11. Should the amount eligible for transfer among accounts pursuant to Section 17600.20 be calculated before or after equity allocations are made?

B. Sales Tax Growth Account

(How will "base" versus "growth" be calculated? -- need discussion regarding possible proposals which link equity allocations with definitions of the base)

1. The growth account specified in Section 17600 (c) do not have corresponding accounts at the local level. Should they?

2. Does "excess" in Section 17604 (b) mean excess for the month or for the fiscal year?

3. If "excess" means excess for the fiscal year, how can the Controller make deposits when they will not know how much the revenues willbe until after the end of the fiscal year?

4. If the total amount to be deposited monthly can be determined, what order will the subaccounts receive the revenue, and what amounts will be deposited?

5. Should Section 17606.20 be amended? Is the proportional relationship between VLF and Sales Tax still valid with the Governor's revised revenues/growth estimates in the current year and subsequent years?

Caseload Subaccount

1. Should the statutes specify which programs are funded from the caseload subaccount?

   Amend Section 17605 or Section 17606 to specify caseload growth for AFDC, AFDC-FC, Child Welfare Services, California Children's Services, local health services under Section 1157.1.

   How about IHSS given the statutory cap on the entitlement?

   CMSP?

2. Is the social services base a permanent base or is it modified on mid-year based upon revised caseload estimates -- or revised at the beginning of the following year?

General Growth Subaccount

1. Amend Section 17606.10 and 17606.20 to authorize General Growth Account funds to be spent for any realigned program (discretionary funds for realignment). The intent was to fund caseload growth for entitlement programs fromthe Caseload Subaccount and to allow counties to use funds from the General Growth Subaccount for any program under realignment without any specific amount targeted at any particular program, this maximizing local control over these funds.

2. Should Section 17606.10 (b) contain language about distribution of growth funds in excess of $52.2 million?

3. Should Section 17608.15 be amended to specify where VLF Growth Subaccount funds go -- they should follow VLF Account funds (indirectly) into the LHWTF.

C. **Base allocations/Maintenance of Effort**

1. Need statutory definitions for program base to prevent penalizing counties which have reduced caseload due to discretionary local actions (i.e. AFDC-FC caseload down because of Family Reunification/Preservation activities).. In other words, some programs should have a "fixed" base of 91/92 -- other programs should have a floating base to

reflect revised caseload estimates. These should be listed and clarified in statute.

2. The old question pertaining to local matching funds has not been clarified. The question remains about how county matching costs for social services programs should be calculated in the second and subsequent years of program realignment. SDSS would have counties maintain two budgets -- showing what the county match would have been from general purpose revenues without realignment, and what the match is with realignment. This is based on the notion that realignment revenues are intended to fund only those new costs in excess of earlier match requirements.

   We should have a unified process which recognizes that the old match ratios no longer exist and focus on the new match requirements.

3. Strike the schedule in Section 17608.10 (b) which scheduled a hard-dollar maintenance of effort tied to the original VLF estimate. Under current law, this schedule in not enforceable and provides confusion about maintenance of effort requirements.

4. The financial maintenance of effort tied to Prop. 99 needs revision.

(See Fresno County Proposal)

D. Mental Health

1. Amend Section 4070 (b) to add:

   "The standards and guidelines shall not exceed federal law and guidelines."

2. Allow county funds to be used for transport of patients for 72-hour treatment and evaluation, amend Section 5714 (WIC) to read:

   "To continue county expenditures for legal proceedings involving mentally disordered persons, the following costs incurred in carrying out Part 1 (commencing with Section 5000) of this division shall not be paid for from funds designated for mental health services.

   (a) The costs involved in bringing a person in for 72-hour treatment and evaluation. Funds designated for county mental health services may pay for transportation services of patients who require 72-hour treatment and evaluation provided that the involuntary hold was initiated by a designated employee of that county's mental health service."

(Submitted by Los Angeles County)

3. To ensure that young children having their first psychiatric crisis are not excluded from the classification "seriously emotionally disturbed", amend Section 5600.3 (a)(2) to read:

   "For the purposes of this part, "seriously emotionally disturbed children or adolescents" means minors aunder the age of 18 years who have a mnetal disorder as identified in the most recent edition of the Diagnostic and Statistical Manual of Mental DIsorders, other than a primary substance use disorder or developmental disorder, which results in behavior inappropriate to the child's age according to expected developmental norms. This abnormal behavior is persistent, the behavioral symptomology is both severe and

frequent, the behavior causes suffering, social restriction, interference with development, and has a negative effect on others to the detriment of the child's development in needed relationships. Members of this target population shall meet one or more of the following criteria: (maintain rest of section)"

(Submitted by Los Angeles County)

4. Should the statutes specify state-at-risk for federal ADAMHA block grant maintenance of effort requirements? Who should be at risk -- the State or counties?

E. **State Hospitals Mental Health Issues**

1. Small county allocations are insufficient (Kings & Humboldt)

2. Authorize county discretionary to make cuts in both state hospital and community mental health current year.

F. **County Medical Services Program**

1. CMSP Participation Fee Pro-rated for time out of program (Lake issue)

2. CMSP fee correction for Mono & Siskiyou

3. CMSP Participation Fee -- add participation fee to schedule (Humboldt letter)

4. Section 17605.15 (b)(2) was intended to provide the CMSP with the same overall grwoth status as MISP. Is this language sufficiently clear to provide direction to DHS and DOF?

G. **Health Program Issues:**

1. Section 17608.10 (b) amend to read:

"As an additional condition of deposit of funds from the Sales Tax Account of the Local Revenue Fund into a county's or city's local health and welfare trust fund health account, a county or city shall deposit into the Health Account each month an amount of county or city general purpose revenues at least equal to the amount of funds transferred by the Controller each month to the county or city pursuant to Article 5 (commencing with Section 17604).

2. In Section 16801 (a) and (c) (WIC), replace authority to count mental health, alcohol and drug abuse services, and other services as defined "health services". This clarification added by DHS in AB 1491 is inconsistent with realignment and added a new restriction to health expenditures that did not exist prior to realignment.

3. Authorize a modified County Health Services Plan method of calculating net county costs, whereby the MOE for realignment and AB 99 would be measured annually, at the end of year based on actual deposits into the LHWTF rather than expenditures.

4. Section 17608.10 (a) should be amended to authorize annual funding of the local match -- instead of monthly (or one-twelfth) deposit requirements. This amendment would assist with cash-flow requirements.

H. **Juvenile Justice/AB 90**

1. Exempt Kern County from WIC 881.5. This section provides that if a county reduces the capacity of its juvenile camps, schools or ranches during the 1991-92 fiscal year and subsequently increases its number of commitments tot he California Youth Auhtority, the county must "contribute" to the Youth Authority the cost of the commitments over the 1990-91 fiscal year.

2. Are there are other counties that need exemption from this section?

I. **IHSS withhold issue:**

- Authorize withhold from trust fund in same manner as State Hospital & IMD
- Prohibit any changes on advances for admin & other programs
- Authorize reconciliation on advances if actual withhold from the trust fund is insufficient.

J. **Child Welfare Services**

Certain counties Child Welfare Serviecs allocations were "negatively afected by anomolies inthe claiming proccess for actual costs.

1. The following proposed amendment to Section 17602 (WIC) has been submitted to Assembly Member Bronzan:

   "Subject to the availability of funds fromthe 1990-91 fiscal year, the Counties of Butte, Colusa, El Dorado, Humboldt, Lake, Madera, Nevada, Placer, Riverside, Santa Cruz, Yolo, and Yuba may be reimbursed for underallocated Child Welfare Serviecs' Program costs fromunused Child Welfare Services' funds to reflect Public Employees' Retirement System contributions credits in the 1991-92 fiscal year."

2. The following proposed amendments to Section 17606 (c)(2) has been submitted to Senator Alquist:

   "The schedule required by paragrpah (1) shall include, but need not be limited to, adjustments resulting from retirement system credits and other anomolies in costs that occurred in the 1989-90 and 1990-91 fiscal year.

I. **Gann spending limit**

J. **Trust Fund Report deadline is unrealistic**

1. Change due date for trust fund report from 90 days to 120 days

STATE/LOCAL PROGRAM REALIGNMENT -- Strategies to Close the Revenue Gap
January 16, 1992

Program	Old Rev. Estimate	New Rev. Estimate	Current Authority & Restrictions to Reduce Expenditures	Fiscal Effect of Current Law (Amount that can be reduced from expenditures)	Proposed Changes to Obtain Program Savings/Reduce Expenditures	Fiscal Effect of Proposed Changes	Program Effect of Proposed Changes
Community Mental Health	$447m	$420.48m at best $398.7m at worse	The law specificies that counties must only spend funds as available for community mental health. Fiscal effect of current law is not as troublesome as the practical effect of the law. In order to achieve program savings, counties would need to explore: - employee lay-offs (can take 60-90 days) - changes in provider contracts - public safety issues (5150's) - AB 3632 mandates would compound reductions in services to adults.	(48.3 million)	1. Limit requirements on IMD contracts (92/93) 2. Spread cuts proportionately across all programs (State Hospital & IMD) 3. Suspend SB 370 4. Suspend AB 3632 5. Define state as responsible for fulfilling ADAMH MOE. 6. Recapture	Dollar amount unknown.	Would provide additional local flexibility in meeting local needs & priorities.

					uncontracted IMD $ (approx $6-7 million)		
State Hospital	210m	196.22m	Current law requires counties to pay the full amount scheduled at $210m despite any changes in actual revenues.	No cuts = 0	Spread cuts proportionately across all programs.	Would mitigate local mental health cuts by $14 m.	SDMH would have difficulty dealing with mid-year cuts (same problem counties have with mid-year cuts).
IMD	92m	84.10	Current law requires counties to pay the full amount scheduled at $92 m. SDMH indicates that approximately $6-7 million is being held by the State and will not be expended during the current fiscal year.	No cuts = 0	Spread cuts proportionately across all programs.	Would mitigate local mental health cuts by $7.9m.	May be absorbed by the "reserve" that DMH is holding.
Mental Health TOTALS	749	700.8	Shortfall of $48.3 million could be compounded by possible transfers of $42 million -- for a total gap of $90.3 million.				

CMSP	86.8m	82.0m	State-at-risk requires General Fund augmentation in order to close the revenue gap = $4.7m augmentation in the current fiscal year. This amount is contained in the proposed budget.	$4.7 GF augmentation.	No changes.		
MISP	232m	213.54m	Maintenance of effort tied to Prop.99 funds severely restricts counties' ability to reduce expenditures or achieve program savings in the current fiscal year or in 1992/93. DHS theorizes about "room" in the financial MOE due to "supermatch" funds budgeted by the counties (see chart). However, reductions in expenditures for health care may not be possible due to MOE of eligibility, benefits, etc.	Under the DHS MOE theory, it appears that (in aggregate) counties could reduce health funding by the full funding gap without violating MOE laws. However, individual counties would not meet the financial MOE test for Prop. 99 funds after adjusting their net county costs.	1. Change financial MOE requirements. 2. Explore county options vis-a-vis SB 855 revenues, MOE, and NCC. 3. Obtain relief from Beilenson requirements. 4. Define state as responsible for MOE/Prop. 99.	Unknown.	Less patient care would seem to be the result of reductions in funding.
SLIAG	116.0m	110.73m	Same as MISP.	Same.	Same.	Same.	Same.

AB 8 Match	502.9m	466.63m	Same.	Same.	Same.	Same.	Same.
Local Health Svcs.	3.3m	3.29	Same.	Same.	Same.	Same.	Unknown.
HEALTH TOTALS	854.2m	790.9	Shortfall of $63.4 million could be compounded by possible transfers of $79.0 million -- for a total gap of $142.4 million. The funding gap in health care is made worse by the adjustment in CHIP/Prop.99 revenues at a loss of $11 million in the current year and $33 million in 92/93. In addition, the potential loss of SLIAG dollars budgeted at $180.3 million could create a total shortfall of $333.7 million in health care funding in the current fiscal year.				
AFDC Grants	-157m						
AFDC Admin	-92m						
Food Stamps Eligibility	-46.6m						
AFDC-Foster Care	363.4m	348.2	The Administration is projecting decreased caseloads in the current year of approximately $25 million. The caseload adjustment may close the gap	Need caseload information county-by-county.	None.	None.	None.

			on the revenue shortfall in this program.				
Child Welfare Services	42.4m	40.6	Federal and state entitlement program. No authority to reduce expenditures.	Will probably require county transfers to fund the gap.	1. Screen more cases/raise the standard of harm. 2. Reduce services to extent permitted by judges (i.e. visit kids less often).	1. Would reduce CWS costs by unknown amount in the short term. 2. Probably increase Foster Care costs in long run.	Possible increase in county liability to lower the level of protection to children.
Adoptions Assistance Program	12.3m	11.8m	Federal and state entitlement program. No authority to reduce expenditures.	Will probably require county transfers to fund the gap.	Limit grants to foster family home level.	Less than $1 million in program savings.	Potentital higher foster care costs due to fewer adoptions.
In-Home Supportive Services	235.8m	225.9m	Current law authoritizes county to defict expend in this program area in 91/92 and the program is capped in 92/93 and 93/94. Hence, the current year shortfall can be carried over into FY 92/93. There are substantial cashflow problems in funding the current year gap.	May require county transfers to fund the gap in the current fiscal year.	1. Require the state to provide a loan to SDSS to cover the immediate revenue shortfall and recapture these funds from the counties 92/93 allocations. 2. Further reduce the IHSS program.	1. Would assist counties with cash flow problems. 2. Savings to counties of 35% of any statewide cut.	Potentially more institutionalized clients and increased costs to Medi-Cal for nursing home care.

CSBG	13.6m	12.9m	No COLA since 1984 means this a highly underfunded program and a current area for overmatch in many counties. Funds are used to administer IHSS and Adult Protective Services (APS).	May require county transfers to fund the fap in the current fiscal year.	The State could eliminate the APS Program.	Minimal statewide savings.	More seniors at risk of abuse.
GAIN	25.8m	24.1m	Limited authority to reduce program expenditures.	Unknown.	State could reduce GAIN program standards to federal minimums under the JOBS program.	Statewide savings unknown, may be approximately $1 million.	Potential increased AFDC grant costs due to longer periods on aid. May increase welfare dependency.
County Justice System Subvention Program	35m	33.5m	WIC 881.5 provides that if a county reduces the capacity of its juvenile camps, schools or ranches during the 1991-92 fiscal year and subsequently increases its number of commitments to the California Youth Auhtority, the county must "contribute" to the Youth Authority the cost of the commitments over the 1990-91 fiscal year. In addition, mandated services (i.e. home supervision, alternatives to 601 incarceration, Public Defender, and District Attorney services) preclude counties from reducing expenditures.	May require county transfer to cover revenue shortfall.	Will need to repeal mandates under AB 3121 (1978) and/or WIC 881.5 to achieve any program savings.	Unknown.	Potential increased costs in Foster Case due to additional minors being placed in group homes and/or foster care.

1992-93
GOVERNOR'S BUDGET

BACKGROUND INFORMATION

PETE WILSON
Governor
State of California

January 9, 1992

UNITED STATES
SELECTED ECONOMIC DATA

	1991	1992	1993
Real gross national product ($82)			
% change	-0.6	1.5	2.7
Personal income			
% change	3.4	4.8	5.8
Corporate profits before taxes			
% change	-8.9	-1.5	22.8
Nonagricultural wage and salary employment (mill.)	109.0	110.1	111.9
% change	-0.8	1.0	1.6
Unemployment rate (%)	6.7	6.7	6.2
Housing starts (mill.)	0.98	1.11	1.14
% change	-17.6	13.1	24.2
New car sales (mill.)	8.4	8.8	10.2
% change	-11.8	5.5	15.5
Consumer price index (1982-84=100)	136.2	141.2	146.1
% change	4.2	3.6	3.5

Note: Percent changes calculated from unrounded data.

CALIFORNIA
SELECTED ECONOMIC DATA

(Dollars in Billions)

	1991	1992	1993
Personal income	$630.3	$661.5	$707.0
% change	1.8	4.9	6.9
Corporate profits	$50.0	$54.8	$59.3
% change	5.1	9.7	8.1
Taxable sales	$270.0	$291.2	$322.4
% change	-4.2	7.9	10.7
Nonagricultural wage and salary employment (thous.)	12,459	12,532	12,874
% change	-3.2	0.6	2.7
Unemployment rate (%)	7.7	7.6	6.7
Housing units authorized (thous.)	109	133	197
% change	-33.9	21.4	48.6
Auto registrations	1,315	1,380	1,495
% change	-8.8	4.9	8.3
Consumer price index (1982-84=100)	140.7	146.6	152.0
% change	4.2	4.2	3.7

Note: Percent changes calculated from unrounded data.

FORECAST COMPARISONS: MAY REVISION TO 1992-93 BUDGET

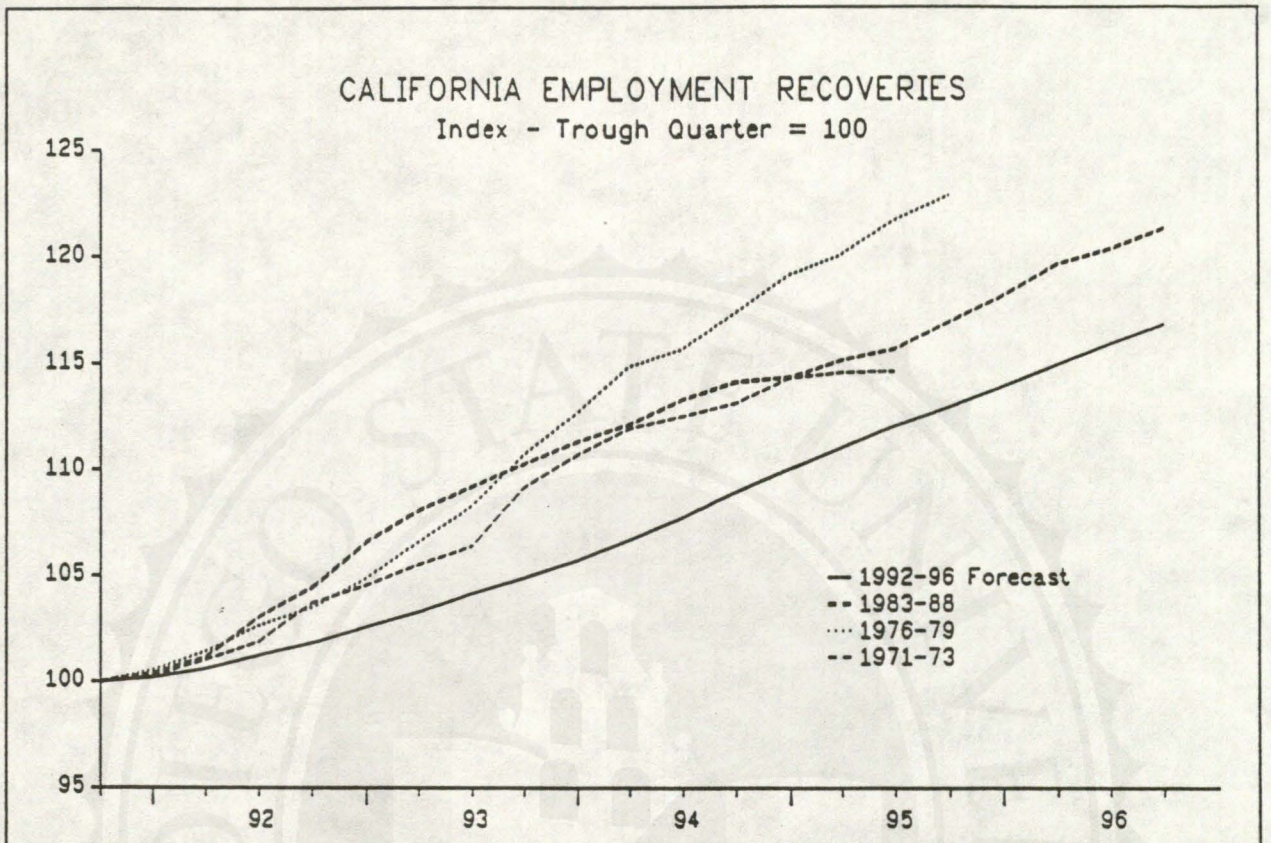
	1991		1992		1993
	May revision	Governor's Budget	May revision	Governor's Budget	Governor's Budget
National Outlook:					
Real GNP ($82)	4150.2	4132.5	4280.5	4194.8	4306.7
% change	-0.2	-0.6	3.1	1.5	2.7
Personal income	4812.4	4805.1	5128.7	5034.7	5328.7
% change	3.6	3.4	6.6	4.8	5.8
Corporate profits	293.7	277.6	332.3	273.6	336.1
% change	-3.6	-8.9	13.1	-1.5	22.8
Car sales (mill.)	8.7	8.4	9.7	8.8	10.2
% change	-8.4	-11.8	11.9	5.5	15.5
Housing starts (thous.)	1013	984	1263	1113	1381
% change	-15.7	-17.6	24.6	13.1	24.2
Wage & salary employment (mill.)	109.7	109.0	112.5	110.1	111.9
% change	-0.5	-0.8	2.5	1.0	1.6
Unemployment rate	6.8	6.7	6.2	6.7	6.2
Consumer price index (% change)	4.9	4.2	3.5	3.6	3.5
California Forecast					
Personal income	650.4	630.3	697.2	661.5	707.0
% change	4.4	1.8	7.2	4.9	6.9
Wage and salary employment (thous)	12938	12459	13306	12532	12874
% change	0.5	-3.2	2.8	0.6	2.7
Unemployment rate	7.7	7.7	6.9	7.6	6.7
Housing units	125	109	187	133	197
% change	-24.8	-33.9	50.2	21.4	48.6

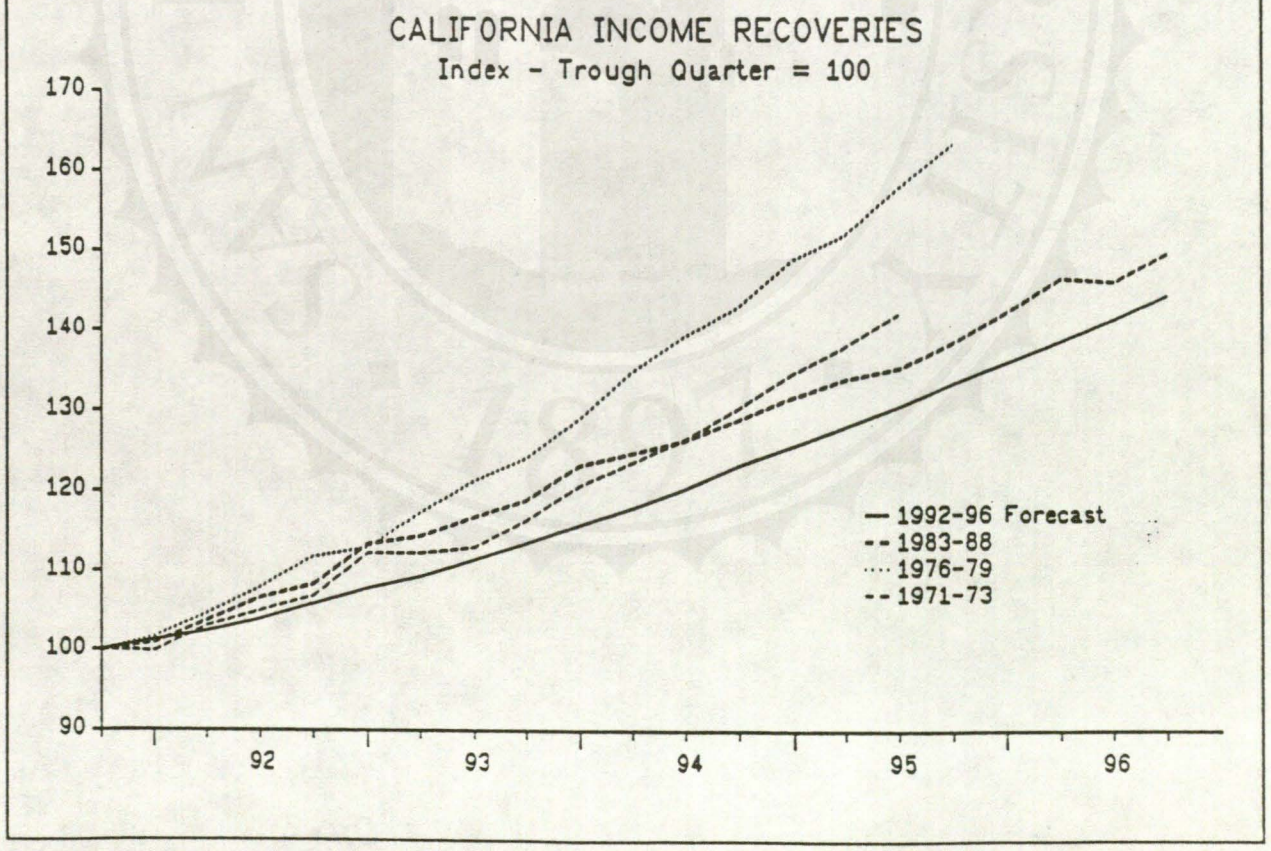
20 November 1991

FORECAST COMPARISONS

(Percent change)

	1991	1992	1993
Gross National Product, $82			
Department of Finance	**-0.6**	**1.5**	**2.7**
First Interstate Bank	-0.3	3.0	3.1
Commission on State Finance	-0.5	2.0	3.9
WEFA	-0.5	2.1	3.1
Bank of America	-0.5	2.3	- -
Blue Chip Consensus	-0.5	2.2	- -
Major Employer	-0.7	1.5	3.3
Data Resources, Inc.	-0.5	2.4	3.5
UCLA	-0.7	0.7	3.2
Wells Fargo Bank	-0.6	1.6	- -
California Personal Income			
Department of Finance	**1.8**	**4.9**	**6.9**
First Interstate Bank	2.8	5.8	6.5
Wells Fargo Bank	1.8	4.8	- -
Western Blue Chip Consensus	3.2	5.7	- -
Bank of America	2.4	5.7	6.4
Commission on State Finance	2.0	4.6	6.7
Major Employer	1.0	3.9	5.4
UCLA	1.4	1.9	5.5


CALIFORNIA EMPLOYMENT RECOVERIES
Index - Trough Quarter = 100
125
120
115
110
105
100
95
92
93
94
95
96
— 1992-96 Forecast
-- 1983-88
···· 1976-79
-- 1971-73


CALIFORNIA INCOME RECOVERIES
Index - Trough Quarter = 100
170
160
150
140
130
120
110
100
90
92
93
94
95
96
— 1992-96 Forecast
-- 1983-88
···· 1976-79
-- 1971-73

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REVENUES AND TRANSFERS
GENERAL FUND

(Dollars in Millions)

	1990-91 Actual	1991-92 Forecast	1992-93 Forecast
Personal Income Tax	$16,849	$18,133	$19,522
Sales and Use Taxes	13,303	16,188	16,859
Bank and Corporation Tax	4,508	5,017	5,420
Insurance Tax	1,286	1,195	1,217
Estate Taxes	499	489	540
Tobacco Tax	146	168	189
Alcoholic Beverage Taxes	129	333	313
Horse Racing Fees	106	94	87
Other Revenues	975	1,173	1,158
Total Revenues	$37,801	$42,790	$45,305
Transfers	413	843	368
Total Revenues and Transfers	$38,214	$43,633	$45,673
% Change From Prior Year		14.2%	4.7%
July Budget	$38,548	$46,290	--
Change Since July	-$334	-$2,657	--

TOTAL EXPENDITURES
ALL FUNDS
(Dollars in Millions)

	Revised 1991-92	Proposed 1992-93	Percent Change
General Fund	$43,718.2	$43,817.0	0.2
Special Funds	11,657.5	12,464.1	6.9
Budget Totals	$55,375.7	$56,281.1	1.6
Selected Bond Funds	2,328.9	3,922.9	68.4
Subtotal	$57,704.6	$60,204.0	4.3
Federal Trust Fund	26,915.5	25,153.8	-6.5
Total Expenditures	$84,620.1	$85,357.8	0.9

GENERAL FUND
BUDGET SUMMARY
(Dollars in Millions)

	1991-92	1992-93
Prior Year Balance	-$1,258.9	-$1,343.8
Revenues and Transfers	43,633.3	45,673.1
Total Resources Available	$42,374.4	$44,329.3
Expenditures	43,718.2	43,817.0
Fund Balance	-$1,343.8	$512.3
Budget Reserves:		
Reserve for K-14	--	(210.0)
Reserve for Proposition 98 Carryovers	30.5	--
Special Fund for Economic Uncertainties	-1,781.2	105.3
Reserve for Liquidation of Encumbrances	406.9	407.0

Available General Fund Resources
1992-93
(Dollars in Millions)

Revenues and Transfers	$45,673
Less:	
Pay Off 91-92 Deficit	1,344
Available Resources	$44,329
Less Constitutional Requirements:	
Proposition 98	$18,551
Debt Service	1,501
Homeowner's Exemption	362
State Mandates	54
Total	$20,468
Resources Available for Non-Constitutional Programs	$23,861
Non-Constitutional Expenditures, 1991-92	24,249
Change from 1991-92	
Amount	-$388
Percent	-1.6

Increase in Program Recipients

	92-93*	Increase from 91-92
K-14 Attendance	6,972,700	217,914
Welfare	3,456,535	248,285
Medi-Cal	4,851,800	302,200
Prisons	109,834	5,401
UC/CSU	520,988	4,735
Population	31,760,000	694,000

*Projected

ACTIONS TO BALANCE
GENERAL FUND
($ in Millions)

	1991-92	1992-93
Revenues/Transfers		
Employment Training Funds	--	$18
Unitary Fund	--	33
Prop 111 Gas Tax (Boating & Waterways $15-Aeronautics $5)	--	20
K-12 Portable Classroom Rent	--	23
Tidelands Transfer	120	--
Revenue Bond Reserves	130	--
World Trade Commission - Loan Guarantees	6	--
Driver Training Penalty Fund	--	10
Delay Small Business Health Care Credit	--	110
Tax Compliance (BOE, FTB)	40	175
Fund G.O. Debt from SHA/TPD	--	96
Elk Hills	--	45
School Construction Interest	--	20
Eliminate Cigarette Tax to Cities	--	26
TOTAL REVENUES/TRANSFERS	$296	$576
Expenditure Reductions		
Health and Welfare	$333	$1,297
Eliminate Renters' Tax Credit	--	376
Enterprise Districts (K-12 Property Taxes)	--	347
Retirement Cost Savings	--	210
Reduce State Operations	--	155
Rank/File 5% Salary Reduction	72	145
Freeze Trial Courts at 91-91 Level	--	143
Freeze Costs of 92-93 Benefit Increases	--	76
UC/CSU -- Fund Only Enrollment Growth No Inflation	--	48
Refinance Revenue Bond Debt	45	15
Make Specified Local Mandates Optional	--	14
Diagnostic Schools (Assessments) to Prop 98	--	9
TOTAL EXPENDITURE REDUCTIONS	$450	$2,835
Total Reduced Expenditures and Increased Revenues/Transfers	$746	$3,411
Reduced Reserve		$1,095
TOTAL	$5,252	

Revised January 13, 1992

January 7, 1992
Revised

HEALTH AND WELFARE
BUDGET REDUCTIONS
GENERAL FUND

($ in Millions)

	1991-92	1992-93
Aid to Families with Dependent Children (AFDC) Initiative:		
Reduce AFDC 10%	$81	$287
Transitional Grants	--	252
Residency Grants	2	15
Maximum Family Grants	--	16
AFDC Foster Care COLA	--	4
Eliminate State Only AFDC - Pregnancy Benefit	4	38
SSI/SSP:		
Eliminate Cash Out for Food Stamps	--	73
IHSS:		
Eliminate IHSS Statutory COLA	--	1
Cap IHSS Caseload for 1992-93	--	47
Medi-Cal:		
Use Prop 99 Health Education Account Funds for Medi-Cal	60	63
Eliminate Certain Medi-Cal Optionals	8	101
Limit In-Patient Days	--	61
Reduce LTC Reimbursement to Median or Actual Cost 50%	--	28
Medi-Cal/Medicare Crossover for In-Patient	--	31
Reduce Mark-Up from 50% to 25% for Medical Supplies	--	3
Prudent Purchase of Drugs	--	3
Other:		
Assume SLIAG for Entitlements	195	218
Use ETP Funds (Transfer to G.F)	--	18
Prior Year COLAs	--	24
CMSP - Optionals	--	1
Federal Reimbursement for Targeted Case Management	(72) 1/	--
Behavioral Changes	--	60
Sub-Total, Reductions	***$350***	***$1,344***
Administration Cost:		
Health Services/Social Services	-$1	-$2
County Administration	-15	-25
State Administration	-1	-2
Sub-Total, Administration Cost	***-$17***	***-$29***
Total, Reduction	***$333***	***$1,315***

1/ Prior-year adjustment

CH:H&WBUDG.100

Patricia Gayman
SACRAMENTO REPRESENTATIVE
COUNTY OF SAN DIEGO

1100 K STREET, SUITE 100
SACRAMENTO, CALIFORNIA 95814
(916) 447-2868

To: Supervisor George F. Bailey, Chairman
Supervisor Brian P. Bilbray, Vice Chairman
Supervisor Susan Golding
Supevisor Leon L. Williams
Supervisor John MacDonald

From: Patricia Gayman

Date: Wednesday, May 20, 1992

Re: State Budget

RECEIVED
MAY 20 1992
Ans'd DOA

For the last week the Budget Conference Committee* has been going through "The Budget Book" to reconcile the differences between the Assembly and Senate versions of the Budget. But this has been a very low-key process. Many members have told me that nothing "real" is going to happen until (1) the Department of Finance issues the May Revise and (2) the people vote on June 2.

The May Revise is scheduled to be released today - sometime. And the news is expected to be dismal. The word on the street is that the combined deficit for this year and next is between $10 billion and $12 billion. As soon as the figures are available, I will forward them to you.

Senator Keene, the Democratic Majority Leader, has been sitting in leadership meetings for Senator Roberti, who has been in his new district running for the seat vacated by Senator Robbins. That race will be decided June 2.

*The Conference Committee is composed of Chairman Al Alquist, Senators Gary Hart and Frank Hill; and Vice-Chairman John Vasconcellos, Assembly Members Tom Hannigan and Cathy Wright. Both Hart and Wright are new to the Committee this year.

Next week the Legislature will convene Conference Committee Working Groups which are supposed to advise the Conference Committee on special areas of concern: Local Government; Boards, Commissions, and Councils; Special Funds; and K-14 Education. The members of the Assembly and the Senate are expected to be announced today or tomorrow.

We have been told that the Conference Committee would like the recommendations from these working groups by the end of next week. It's too soon to know how significant the work of these groups will be.

If you have questions as this process unfolds, please give me a call.