

A Citizens' Guide to the State Budget Mess

Contents

- Introduction
- Legislative, Judicial and Executive
- State and Consumer Services
- Business, Transportation and Housing
- Trade and Commerce
- Resources
- Environmental Protection
- Health and Welfare
- Youth and Adult Corrections
- Education
- General Government
- Other Programs

INTRODUCTION

This compendium offers over 217 specific reductions that could be made in the 1995-1996 state budget. Total savings from these proposals amount to more than \$11.7 billion, including \$1.2 billion in proposals by the Legislative Analyst's Office in 64 items.

In compiling this collection, our purpose is to show that there are ample opportunities to reduce spending. It will be said by defenders of many of the items that they are "small amounts" in the context of a \$89 billion budget. This is true, but it misses the point. "Small" programs involve real dollars that add up to millions, then tens of millions—all of it spent on unnecessary state activities. To regain control of the budget, unnecessary spending of all kinds must be eliminated. All that is needed is the requisite resolve.

Budget developments in Sacramento and Washington present California policy makers with both the responsibility and the opportunity to begin a long overdue down-sizing of California's inefficient administrative structure and the abolition of obsolete bureaucracies.

The opportunity is obvious. An overwhelming public sentiment for economy in government produced a political sea-change at the polls in 1994, which is now being translated into historic budget reform in Congress. Similarly, California's administration and legislature have moved dramatically away from the days of record-breaking tax increases and unchallenged bureaucratic growth.

The obligation Sacramento owes to California's citizens is to use this opportunity for genuine and permanent budgetary down-sizing and reform. Contrary to the rosy economic predictions of the Department of Finance's "May Revise," California is still in deep financial difficulty. The state's high tax rates continue to place California at a significant competitive disadvantage with neighboring states, and the increasing ability of commerce to by-pass such obstacles bodes poorly for the future. Furthermore, the administration's tax cutting proposal only rolls back a quarter of the 1991 tax increase which gravely deepened the 1990-1994 recession in California. Finally, bureaucratic bloat seriously reduces the government's ability to provide basic services such as education, law enforcement and transportation.

The Growth Of State Spending

It is an astonishing fact that a government whose budget has *quadrupled* in 20 years now lacks the funds to educate its children, transport its commerce or lock up its criminals. The paradox is easily explained with a simple calculator and a little basic common sense. Apply these tools to some current spending practices:

- Next year, it will cost \$69,244 for every student attending the University of California.
- It will cost an average of \$23,684 to house a prisoner in the Department of Corrections.

OVERVIEW

Savings

- The combined budget cuts in this report will conserve \$11.7 billion, or about \$1,400 for every family of four in California.
- The savings amount to about 13% of all funds proposed to be spent in the Governor's budget, or 18% of General and Special Funds.
- The proposals would eliminate \$725 million in fees on California citizens.
- \$350 million would be returned to federal taxpayers.

Reforms

This report identifies 217 budget items which could be reduced or eliminated.

We propose three broad reforms affecting many budget sections:

- Bring the state prevailing wage into conformity with the federal Davis-Bacon standard;
- Implement Proposition 187;
- Adopt a 5% across-the-board salary rollback.

112 agencies and commissions are proposed to be abolished, saving \$1.7 billion and \$725 million in fees.

85 programs with unjustified growth in overhead are identified, and budget freezes or rollbacks are proposed with savings of \$4 billion.

10 opportunities for contracting out services are identified, with \$350 million in potential savings.

13 operational reforms are proposed, with savings of \$4.5 billion.

- It will cost taxpayers \$25.12 per hour in wages and benefits for a flagman holding a stop and go sign under the state's prevailing wage regulations.
- Taxpayers will back every classroom of 30 students in this state with \$167,790 of public resources, or \$5,593 per pupil.
- Next year, taxpayers will buy the average legislator nearly \$800 in snacks and meals, and will spend \$7,300 each for legislators' luxury car leases.
- Because of lavishly generous contracts for state employees approved in 1992, an average working family now pays \$125 more in taxes to fund salary increases granted in the middle of the worst recession this state has experienced in 50 years.

Sadly, these practices are symptomatic of the deeply ingrained habits of the state bureaucracy. They are mere examples of spending that is out of control.

The 1995-96 budget submitted to the legislature in January proposes expenditures of \$89.3 billion drawn from all sources: the state's general and special funds, bond funds and federal trust funds. This constitutes \$10,891 from the purchasing power of every family of four in California which they pay directly as taxpayers, or indirectly either as consumers through taxes passed along as higher prices, or as employees and investors through taxes passed along as lower wages and earnings. This transfer of purchasing power is not theoretical: the money expropriated for support of the state government is real, it is massive, and ultimately it is paid by the working people who comprise the private sector of the economy.

In the last two years, state general and special fund spending has increased by \$3.2 billion, or 6.1 percent, producing a record level of short term borrowing to bridge the gap between revenues and expenditures. In 1995, the administration and legislature face a continually sluggish economy combined with the need to retire \$4 billion of short term notes carried over from the prior fiscal year.

The Wilson administration has taken dramatic steps to stem the spiraling costs of the state's health and welfare system, and the reforms contained in the Governor's budget are vitally important to continue this progress. The administration has also succeeded in eliminating a few unnecessary or duplicative bureaucracies-no small task considering the institutional resistance to government downsizing. But much remains to be done to get state spending under control.

A Menu Of Budget Options

The compendium of proposals offers a menu of reductions that total \$11.7 billion. This will sound draconian to some people,

especially to politicians who are accustomed to incremental adjustments in the rate of spending growth, not real cuts. But \$11.7 billion is only 13 percent of the proposed budget of \$89.3 billion. If all of the proposals were enacted, the state budget would return to its 1989-1990 level in constant dollars.

It is true that many of the proposals for abolishing small programs yield only one-time savings, as is the case when "special funds" are abolished and their balances transferred to the General Fund. If the funds are abolished, they will not collect the same fees and fines next year, so those savings will not be available in future years. However, these special funds *should* be abolished unless they meet the test of a true "user fee"-genuinely voluntary payments by citizens who derive a tangible benefit from the agency's activities. Such cases are rare. Most of the fees are not voluntary, and their proliferation has created a web of hidden government costs and expenses.

The proposed reforms can be divided into four general classifications:

- Contracting out services the private sector can provide more efficiently.
- Abolishing superfluous or superannuated state agencies and programs.
- Freezing or rolling back out-of-control or unjustified budget growth.
- Operational reforms within individual agencies and across the bureaucracy.

Contracting Out Services

A tangled web of constitutional and statutory prohibitions prevent California government from using the private sector to obtain the best possible services at the lowest possible cost. Contracting out state services not only opens up vastly less expensive ways to provide these services, it introduces the missing element of competition into the mix of incentives which act upon state bureaucracies. Forcing state managers to compete with private sector vendors adds a powerful incentive-where none currently exists-to economize and streamline operations.

The Reason Foundation has conducted extensive studies on privatizing government operations, and the Pacific Research Institute Institute has showcased individual studies in its past *Government Efficiency Reports*. This compendium cites ten specific instances where state programs could be contracted out to private vendors, either by divesting current programs such as the State Fair and the Museum of Science and Industry, or by contracting out specific functions in agencies ranging from Corrections to General Services. These ten proposals would conserve more than \$350 million, while in many cases delivering a better quality of service than currently provided by the bureaucracy. This figure does not include the elephantine one-time savings from the sale of state assets which would accompany some privatizing proposals.

Abolishing Obsolete Agencies and Programs

This compendium identifies 112 various agencies or programs which, bluntly stated, provide no vital services to the people of California or merely duplicate services available elsewhere. These proposals include eliminating free cars and meals for legislators; discontinuing state regulation of trades and professions ranging from barbers to tax preparers; consolidating the Governor's cabinet to eliminate an entire layer of middle-management; and abolishing agencies such as the Department of Fair Employment and Housing, Cal-OSHA and the state Banking Department which are entirely duplicative of the work already performed by federal agencies.

These 112 programs together consume well over \$1.7 billion in state funds, and nearly \$725 million in licensing and permitting fees, fines and assessments which feed these bureaucracies and are ultimately passed on to consumers as higher prices. These calculations do not include the unknown savings to consumers which would result from greater competition within trades and professions as bureaucratic barriers to entry are reduced.

Controlling Bureaucratic Bloat

We have identified 85 budget sections which are experiencing extraordinary growth in administrative overhead or in overall program delivery costs. For example, since 1992 the cost per student (full-time equivalency) at the University of California has grown from \$35,790 to \$40,426 (not including extramural programs, which bring total per pupil spending to \$69,244), and at the California State University from \$11,100 to \$12,065. Since 1993, the cost per prisoner has grown from \$21,659 to \$23,684, and even after excluding lease-payment bond service has grown from \$20,153 to \$21,885.

In 1994 and 1995, California state employees received 5 percent and 3 percent across-the-board salary increases respectively, adding nearly \$1 billion to state payroll costs and taking an additional \$125 from the average family through taxes. These salary boosts were provided despite studies by such organizations as the American Legislative Exchange Council documenting that California state employees earned on average 40 percent more in wages than private sector employees performing the same

work.

Administrative overhead has also continued to expand exponentially in many bureaucracies. The most dramatic example is the office of the Governor's Secretary for Child Development and Education, which has grown 1,032 percent in two years, in part because of the addition of duplicative state and federal programs administered through that office. The office is itself duplicative of the State Department of Education. The Franchise Tax Board and Department of Corporations are each increasing their budgets 25 percent over two years, the State Coastal Conservancy, 44 percent; the Mobile Source Program of the Air Resources board, 47 percent; the Managed Risk Medical Insurance Board, 61 percent. Administrative overhead at the Department of Social Services will grow 80.1 percent and will triple at the Department of Health Services.

The 85 proposals in this class would save over \$4 billion from all sources, in the most extreme examples by merely rolling back per unit expenditures to the 1992/93 spending level or by rolling back overall budgets to the 1993/94 expenditure level.

Operational Reforms

In several cases the operational reforms cited in this report require implementing decisions the voters have already made at the ballot box: returning legislative agencies under the Proposition 140 ceiling for the Legislature, and ceasing to provide services for illegal aliens. The three other major operational reforms in this report involve conforming the state prevailing wage to the federal Davis-Bacon standard; tax simplification, either through the adoption of the Laffer flat tax proposal or conforming state income tax law to federal codes; and capping the AFDC grant level at 10 percent below the net wages one would earn in a full time job at the minimum wage.

Together, these proposals would reduce expenditures from all sources by \$4.5 billion annually, in addition to the ancillary benefits of increased tax compliance, and reduction of the welfare rolls by voluntary return to work by chronic welfare dependents.

Some of the numbers in this report are estimates based on extrapolations of studies done for prior budget years and others depend on statutory or constitutional changes or upon actions of the federal government. Unless otherwise noted, references to "the Governor's Budget" refer to Governor Wilson's 1995-96 proposed budget submitted to the legislature on January 10, 1995, and all cost savings estimates are based on the spending levels proposed in that budget. In most cases, "reimbursements" are included among special fund savings, except when programs are proposed to be eliminated. Section numbers refer to the affected budget section. The aggregate figures reflect about \$250 million in overlapping proposals, principally in mass transit and Franchise Tax Board proposals.

STATE AND CONSUMER SERVICES

\$523,839,000 General Fund

\$37,199,000 Special Funds

\$3,550,000 Federal Trust Fund

\$174,834,000 Fees and Assessments

The scandal-ridden commissions and bureaus of the State and Consumer Services Agency unnecessarily cost taxpayers nearly a half billion dollars annually in taxes and fees, and an incalculable amount in higher consumer prices because of reduced competition in a wide range of trades and professions, ranging from contractors to tax preparers. The largest saving in this division (\$218,698,000) comes from the abolition of 26 regulatory commissions.

There is a recognized need for state oversight of standards for medical practitioners, and there is a general consensus that the increased consumer cost for such regulation is justified by the sensitivity of health care. The same argument cannot be made for the vast majority of trades and professions regulated by the current system. The \$174 million in permitting fees and assessments are directly passed on to consumers as increased prices, but the real cost from reduced competition is incalculable.

The State Contractors License Board, for example, has virtually eradicated the "handyman" of past generations who provided low cost labor to small businesses and households. Given the consumer protection afforded by voluntarily negotiated bonds, insurance, and the heavy civil and criminal penalties for breach of contract and fraud, it is difficult to see what is accomplished by the State Contractors License Board, except to erect a very significant barrier to entry by competitors in a semi-skilled trade. It is not surprising that the most vigorous defenders of the board are the state's existing contractors. They are not unique. The principal constituencies for the continuation and expansion of these boards are invariably the industries ostensibly "regulated" by them.

The second largest savings in this division involves various and conflicting proposals for reorganization of the Franchise Tax

Board. The aggregate savings noted above are based on the largest of these proposals, an estimate of FTB savings from conforming California's personal income tax to a straight percentage of the federal code. A close second in FTB savings is the Laffer proposal discussed in the introductory section of the LJE division above.

1100. Privatize the Museum of Science and Industry, abolish the Exposition Park Improvement Fund and revert balance to General Fund

Comments: This museum is a prime candidate for privatizing, as has been recommended by a myriad of reports and studies. In addition to the savings noted from budget items, additional one-time General Fund revenues would derive from sale of the facility.

Savings: \$5.613 million (GF-appropriation) , \$0.431 million (GF-reversion)

1110. Abolish the Board of Accountancy; abolish Accountancy Fund and revert balance to General Fund

Comments: Accountancy certification could-and should-be done by private professional associations and institutions of learning; it does not require a state bureaucracy. In addition to the one-time General Fund savings by reverting the Accountancy fund balance, abolition of the board will also allow elimination of \$8,968,000 in fees paid by accountants. Also, increased competition should also result in a reduction in costs to the public. It is not in the consumers' interest to erect barriers to entry for this profession.

Savings: \$5.921 million (GF)

1110. Abolish the Athletic Commission; abolish the Boxer's Neurological Examination Account and revert balance to the General Fund

Comments: This commission's services could-and should-be assumed by private athletic associations. In addition to the savings noted here, this reform would also relieve private parties from \$200,000 in annual regulatory fees.

Savings: \$0.676 million (GF-appropriation), \$0.088 million (GF-reversion)

1110. Abolish Board of Barbering and Cosmetology; abolish Board of Barbering and Cosmetology Contingent Fund and revert balance to General Fund

Comments: Certification for barbering and cosmetology could-and should-be done by private professional associations and institutions of learning. There is no benefit to consumers from erecting barriers to entry for this trade. In addition to the savings noted below, this reform would save barbers and cosmetologists \$9,523,000 in annual permitting fees, and unknown savings to consumers from increased competition.

Savings: \$3.928 million (GF)

1110. Abolish Board of Behavioral Science Examiners; abolish Board of Behavioral Science Examiners Fund and revert balance to General Fund

Comments: Counselors and psychologists can be certified by private professional associations and institutions of learning. There is no benefit to consumers from erecting barriers to entry. In addition, this proposal would save \$4,316,000 in permitting fees for counselors and psychologists.

Savings: \$0.169 million (GF)

1110. Abolish Cemetery Board; abolish Cemetery Fund and revert balance to General Fund

Comments: Based on the commission's past performance, it should be obvious that private professional associations could do a better job of policing the industry. In addition to savings noted below, cemetery operators would save \$292,000 in permitting fees.

Savings: \$0.146 million (GF)

1110. Abolish Contractors State License Board; abolish Construction Management Education Account and Contractors License Fund and revert balances to General Fund

Comments: Despite the self-serving rhetoric about protecting consumers from fly-by-night contractors, the principle purpose of the Contractors State License Board is to act as a very significant obstacle to entry by competitors. Consumer protection in this field is fully provided by voluntarily arranged bonds or insurance and recourse to the courts. Regulatory functions could be performed by private professional associations. Consumers' interests are not served by erecting barriers to competition. In addition to the savings noted below, this reform would save consumers

\$38,182,000 in permitting fees which are passed on by contractors and would produce unknown additional consumer savings due to increased competition.

Savings: \$12.660 million (GF)

1110. Abolish Board of Funeral Directors and Embalmers; abolish State Funeral Directors and Embalmers Fund and revert balance to General Fund

Comments: The functions of this board could-and should-be performed by private associations. In addition to the General Fund savings noted below, consumers would save \$729,000 in permitting fees which are passed along by operators, and unknown additional savings from increased competition. The LAO recommends termination, noting that "the Department of Consumer Affairs can assume clerical, re-registration and investigative duties of the boards."

Savings: \$0.457 million (GF)

1110. Abolish Board of Registration for Geologists and Geophysicists; abolish Geology and Geophysics Fund and revert balance to General Fund

Comments: Certification and regulatory functions could-and should-be performed by private professional associations and institutions of learning. In addition to the savings noted below, the public will be saved an additional \$677,000 in annual permitting fees

Savings: \$0.615 million (GF)

1110. Abolish Board of Guide Dogs for the Blind; abolish Guide Dogs for the Blind Fund and revert balance to General Fund

Comments: Certification and regulatory functions could-and should-be performed by private professional associations. In addition to the savings noted below, the public would be relieved of \$54,000 in annual permitting fees.

Savings: \$0.006 million (GF)

1110. Abolish Board of Landscape Architects; abolish State Board of Landscape Architects Fund and revert balance to General Fund

Comments: Certification and regulatory functions should be performed by private professional associations and institutions of learning. Consumers' interests are not well served by erecting barriers to entry for landscapers. In addition to the savings noted below, the public will be relieved of \$494,000 in annual permitting fees.

Savings: \$0.361 million (GF)

1110. Abolish Medical Board of California's regulatory authority over registered dispensing opticians; abolish Dispensing Opticians Fund and revert balance to General Fund

Comments: Dispensing opticians are not involved in diagnosing or treating physical disorders. Until recently, certification was accomplished through private professional associations. In addition to the savings noted below, this reform would relieve the public of \$325,000 in annual permitting fees and unknown additional savings through increased competition.

Savings: \$0.145 million (GF)

1110. Abolish MBC regulatory authority over outpatient settings agencies; abolish Outpatient Setting Fund; revert balance to MBC contingent fund and repeal provisions of law requiring further repayment to that fund

Comments: This regulatory function was established in 1994. The start-up fund balance of \$111,000 should be reverted to the MBC contingency fund, and the \$39,000 unpaid balance of the intra-agency loan should be zeroed out. This will save the public unknown future permitting fees.

Savings: \$0.111 million

1110. Abolish Acupuncture Committee of the Medical Board of California; abolish Acupuncturists Fund and revert balance to General Fund

Comments: Certification and regulatory functions should be performed by private professional associations and institutions of learning. In addition to the savings noted below, the public would save \$955,000 in annual permitting fees

Savings: \$1.659 million (GF)

1110. Abolish regulatory functions of Medical Board of California pertaining to Hearing Aid Dispensers and revert Hearing Aid Dispensers Fund balance to General Fund

Comments: This function can be addressed by private professional associations. In addition to the savings noted below, this reform would relieve the public of \$541,000 in annual permitting fees.

Savings: \$0.124 million (GF)

1110. Abolish the Physical Therapy Examining Committee of the Medical Board of California; abolish Physical Therapy Fund and revert balance to General Fund

Comments: Certification can and should be performed by private professional associations. In addition to the savings noted below, this reform would save \$1,228,000 in annual permitting fees.

Savings: \$0.186 million (GF)

1110. Abolish Board of Psychology and Psychology Fund and revert balance to General Fund

Comments: Certification should be done by private professional associations. In addition to the savings noted below, this reform would save the public \$2,582,000 in annual permitting fees.

Savings: \$0.240 million (GF)

1110. Abolish Speech Pathology and Audiology Examining Committee; abolish Speech Pathology and Audiology Examining Committee Fund and revert balance to General Fund

Comments: Certification can and should be done by private professional associations and institutions of learning. In addition to the savings noted below, this reform would save the public \$315,000 in annual permitting fees.

Savings: \$0.556 million (GF)

1110. Abolish Court Reporters Board of California; abolish Transcript Reimbursement Fund and Court Reporters Fund and revert balances to General Fund

Comments: Certification and regulation can be adequately addressed by private professional associations and institutions of learning. In addition to the savings noted below, this reform would relieve the public of \$818,000 in annual permitting fees.

Savings: \$0.226 million (GF)

1110. Abolish Structural Pest Control Board; abolish Structural Pest Control Research Fund, Structural Pest Control Education and Enforcement Fund and Structural Pest Control Fund and revert balances to General Fund

Comments: This board exists primarily as an obstacle to open competition. Its certification and regulatory functions should be addressed by private trade associations. In addition to the savings below, this reform would also save the public \$3,318,000 in annual permitting fees.

Savings: \$3.004 million (GF)

1110. Abolish Board of Examiners in Veterinary Medicine; abolish Board of Veterinary Examiners' Contingent Fund and revert balance to General Fund

Comments: Certification and regulatory functions should be addressed by private associations and institutions of learning. In addition to the savings below, this reform would also save the public \$1,006,000 in annual permitting fees.

Savings: \$0.218 million (GF)

1110. Abolish Animal Health Technician Examining Committee, abolish Animal Health Technician Examining

Committee Fund and revert balance to General Fund

Comments: In addition to the savings below, this would also save \$90,000 in permitting fees.

Savings: \$0.011 (GF)

1111. Reduce Department of Consumer Affairs funding for nine positions

Comments: The Legislative Analyst recommends this action "because the DCA should accommodate these costs under the performance-based budgeting program."

Savings: \$0.340 million (SF)

1111. Abolish Bureau of Security and Investigative Services; abolish Private Security Services Fund and Private Investigators Fund and revert balance to General Fund

Comments: Certification and regulatory functions for security guards and private investigators should be addressed by trade associations. In addition to the savings below, this reform would save the public \$5,545,000 in annual permitting fees.

Savings: \$0.480 million (GF)

1111. Abolish Bureau of Electronic and Appliance Repair; abolish Electronic and Appliance Repair Fund and revert balance to General Fund

Comments: Certification and regulatory functions should be addressed by private trade associations. In addition to the savings below, this reform would also save the public \$1,680,000 in annual permitting fees.

Savings: \$0.177 million (GF)

1111. Abolish Tax Preparers Program; abolish Tax Preparers Fund and revert balance to General Fund

Comments: Certification and regulatory functions should be addressed by private professional associations and learning institutions. In addition to the savings below, this reform would save the public \$1,404,000 in annual permitting fees.

Savings: \$2.486 million (GF)

1111. Abolish Bureau of Automotive Repair; abolish Vehicle Inspection and Repair Fund and revert balance to General Fund

Comments: Certification and regulatory functions should be addressed by private trade associations. In addition to the savings below, this reform saves the public \$85,944,000 in annual permit fees.

Savings: \$8.252 million (GF)

1111. Abolish Bureau of Home Furnishings; abolish Bureau of Home Furnishings and Thermal Insulation Fund and revert balance to General Fund

Comments: Certification and regulatory functions should be addressed by private trade associations. In addition to the savings below, this reform would save the public \$2,165,000 in permitting fees.

Savings: \$1.551 million (GF)

1700. Abolish the Department of Fair Employment and Housing

Comments: This bureaucracy duplicates functions already performed by the judiciary, the Attorney General's office and local district attorneys. It is unnecessary given the wide range of laws forbidding discrimination in employment and housing, the large civil and criminal penalties for their violation, and the myriad of enforcement mechanisms.

Savings: \$10.103 million (GF), \$0.013 million (SF), \$3.345 million (Fed)

1705. Abolish the Fair Employment and Housing Commission

Comments: This commission provides no service that is not already being performed by a large number of private organizations and the federal government, and for the reasons stated in section 1700, this commission seems

redundant.

Savings: \$0.769 million (GF), \$0.014 million (SF)

1710. Abolish the Office of the State Fire Marshal; abolish State Fire Marshal Licensing and Certification Fund, California Oil Refinery and Chemical Safety Plant Fund, California Fire and Arson Training Fund, and California Hazardous Liquid Pipeline Safety Fund and revert balances to General Fund

Comments: This office provides no direct fire protection for the public and needlessly duplicates the function of local fire departments. The training functions it provides could be absorbed by cooperative arrangements among local fire departments. In addition to the savings noted below, this reform would save the public \$3,483,000 in permitting fees. Savings: \$2.949 million (GF-appropriation), \$1.257 million (GF-reversion), \$2.902 million (SF), \$0.205 million (Fed)

1730. Roll back budget of the Franchise Tax Board to 1993-94 level of expenditures

Comments: The FTB is budgeted to grow 25 percent from 1993-94 levels.

Savings: \$65.802 million (GF), \$1.258 million (SF)

1730. Conform California's income tax code to a straight percentage of federal tax liability

Comments: In 1993, the Pacific Research Institute published a paper by Peter M. Towne, proposing a simplification of the California Income Tax Code to essentially conform to the federal code on a percentage basis. He estimated savings of \$117,358,000 in personnel, printing, internal operations and facilities costs for FY 1990-91. On a proportional comparison, this reform would translate to savings of \$186.227 million for FY 1995-96.

Savings: \$186.227 million (GF)

1730. Merge the Franchise Tax Board into the Board of Equalization, and reduce the combined budget 10 percent to reflect first year cost savings

Comments: California is nearly alone among the states in maintaining two entirely separate bureaucracies to administer tax policy, including separate offices in over 20 California cities. Reducing costs by just 10 percent from such a merger would save taxpayers \$61 million. Legislation to do so was passed by the legislature last year but vetoed by the Governor.

Savings: \$47.995 million (GF), \$12.710 million (SF)

1730. Adopt the Laffer Flat tax proposal; reduce tax enforcement expenditures by one-half; abolish Homeowners and Renters Assistance and DMV Collections expenditures

Comments: The Laffer Tax Reform proposal abolishes the current California tax code and replaces it with a revenue-neutral combination of a flat rate income tax and value-added tax. It will vastly simplify audit requirements by abolishing all deductions, exemptions, credits, etc., thereby achieving at least a 50 percent reduction in tax enforcement costs. (Laffer estimates a 2/3 reduction in enforcement costs.) Administrative costs for tax checkoffs would also be eliminated. Home- owners and Renters Assistance and DMV collections programs would also become obsolete.

Savings: \$153.692 million (GF), \$8.364 million (SF)

1760. Contract out records storage operations of the State Records Center

Comments: According to a study by Mark F. Meier, president of Record Systems Associates of Danville, immediate savings of between \$700,000 and \$1 million could have been realized relative to FY 1990-91 expenditures by contracting out records storage operations, or 22 percent of records management costs that year. Using the low end estimate as a proportional comparison, this savings would translate to \$1.970 million for FY 1995-96.

Savings: \$1.970 million (SF)

1760. Privatize fleet administration of the Department of General Services

Comments: Based on 1992 expenditures for the administration of all of the state's countless automobiles, Terry Flesia, CEO of Autocross and Associates in Irvine, documented cost savings of \$67.644 million from privatizing fleet administration services for state, county and municipal governments-approximately 19.3 percent of the estimated \$350 million spent for fleet administration by those governments. Assuming a similar savings for the 1995-96 state budget, this reform would yield more than \$5.5 million in savings.

Savings: \$0.040 million (GF), \$5.589 million (SF)

1760. Contract out State Printing Operations

Comments: Paul Page, President of Page Design, Inc. in Sacramento, documented \$5 million in cost savings by contracting out work done by the Office of the State Printer, about 10 percent of state printing expenditures, in PRI's January, 1993 report.

Savings: \$0.619 million (GF), \$3.745 million (SF)

1760. Privatize Ground Maintenance

Comments: In 1993, the Assembly Republican Working Group chaired by Assemblyman Dean Andal estimated that contracting out building and landscape maintenance could save \$2 million per year. This estimate appears to be in line with other privatization studies. If correct, the savings extrapolated from FY 1993-94 would be \$2.264 million.

Savings: \$2.264 million (SF)

1900. Conform retirement and health benefits for CSU employees and retirees to those given other state employees

Comments: The LAO cites initial savings of \$1 million, increasing to \$30 million in future years.

Savings: \$1.000 million (GF)

1920. End state subsidies of retirement benefits for teachers

Comments: According to the LAO, retirement costs should be fully supported by school districts. The LAO estimates savings of \$3 million, eventually reaching \$450 million annually.

Savings: \$3.000 million (GF)

BUSINESS, TRANSPORTATION AND HOUSING

\$118,473,000 General Fund

\$708,630,000 Special Funds

\$155,269,000 Federal Trust Fund

\$49,917,000 Fees and Assessments

The Business, Transportation and Housing division of the budget could be cut by over \$1 billion next year without seriously affecting the business, transportation or housing condition of the state. Indeed, many reforms would improve the state's ability to promote business, move people and commerce and increase housing, by removing layers of accreted bureaucracy and the crushing compliance and tax costs of supporting it.

The overlapping and duplicative jurisdictions in the state are illustrated by the proposals to abolish such time-honored institutions as the state Department of Banking, and the Alcoholic Beverage Control Board. Would such actions suddenly expose the public to insolvent financial institutions and rampant alcoholism? Hardly. Banks and savings and loan institutions are already chartered and regulated by the federal government; the state's parallel structure is a vestige of the last century which could be eliminated by transferring the few remaining state chartered institutions to federal oversight. The Alcoholic Beverage Control Board does not enforce age or impairment laws-local police departments do. The ABC Board exists primarily to restrict the issuance of liquor licenses as a barrier to entry of retail competitors. If restricting alcoholic beverage sales is desirable public policy, it should be done directly through legislation and not furtively through bureaucratic interference.

By far the largest savings can be found in transportation expenditures. Through Propositions 111 and 116, unprecedented levels of funding have been provided by California's taxpayers to meet the state's transportation needs, but these funds have so far not produced the transportation renaissance that voters were promised. The Legislative Analyst is now raising serious questions about the efficacy of some of the state's mass transit systems, echoing concerns which have been raised for years by such institutions as the Reason Foundation. After spending billions of dollars over the past several years for such projects, they have failed not only to alleviate surface road congestion, recent studies suggest the ratio of passengers per vehicle is *decreasing*.

For these reasons, perhaps the time has come to re-examine the effectiveness of the state's mass transit expenditures and to insist that they meet the same standards as private sector mass transit: that the demand for such service is sufficient to pay for providing that service.

2100. Abolish the Department of Alcoholic Beverage Control; abolish Alcohol Beverage Control Fund and revert balance to General Fund

Comments: This bureaucracy regulates the issuance of alcoholic beverage licenses, a pointless exercise which needlessly adds to business expenses with no public safety benefits. Enforcement of age restrictions on alcohol purchases is accomplished by local law enforcement agencies. In addition to the savings below, the public would be saved \$33,045,000 in annual licensing fees.
Savings: \$6.467 million (GF)

2120. Abolish the Alcoholic Beverage Control Appeals Board; abolish the Alcoholic Beverage Control Appeals Fund and revert balance to General Fund

Comments: This is an adjunct of the Department of Alcoholic Beverage Control. Abolition of state licensing functions would eliminate the need for this board. In addition to the savings noted below, the public would be saved \$587,000 in annual fees.
Savings: \$0.408 million (GF)

2140. Abolish the State Banking Department; abolish State Banking Fund and Local Agency Deposit Security Fund and revert balances to General Fund

Comments: There is no reason to maintain an entirely redundant state banking agency while the federal government provides precisely the same regulatory functions. In addition to the savings noted below, this reform will repeal \$14,735,000 in fees.
Savings: \$5.078 million (GF)

2180. Freeze Department of Corporations expenditures at current year's level

Comments: This bureaucracy is seeking a 25 percent increase in funding in a single year. Since 1990-91, administrative costs of this department have nearly tripled.
Savings: \$7.312 million (SF)

2240. Abolish General Fund support for the Codes and Standards Program of the Department of Housing and Community Development

Comments: Those aspects of the Codes and Standards Program which involve building and safety standards for mobile or manufactured homes should be supported by the dedicated special funds established for this purpose. The program's other functions merely duplicate local government jurisdiction and should be eliminated.
Savings: \$0.888 million (GF)

2240. Abolish Century Freeway Housing Program; Abolish Century Freeway Housing Program Special Deposit Fund and revert balance to General Fund

Comments: Amazingly, more than a decade after initiation of the Century Freeway and several years after its completion, the Department continues to manage an office dedicated to providing relocation assistance to people displaced by that freeway, pursuant to federal court order. That order should be challenged. The fund reports a balance of \$95.116 million.
Savings: \$95.116 million (GF)

2240. Abolish the Housing Policy Development Program of the Department of Housing and Community Development

Comments: This program duplicates local government housing functions and appears to exist principally for the purpose of chasing federal funds.
Savings: \$1.076 million (GF), \$0.122 million (SF)

2240. Reduce administrative staff for housing program by ten positions

Comments: The LAO recommends reducing the housing program administrative staff by \$800,000. According to the LAO, the HCD should "redesign its loan monitoring program to reduce costs and preserve the program's remaining administrative reserves for the longest period possible."

Savings: \$0.800 million (SF)

2240. Reduce administrative overhead for monitoring HCD's state-funded loan portfolio

Comments: The LAO recommends a reduction of 15 positions: the HCD "should ensure that its monitoring program reflects the state's limited policy interest in many of the loans and should explore less costly options for monitoring loans in which the state had broad policy interests."

Savings: \$1.200 million (SF)

2320. Freeze administrative overhead at the Department of Real Estate

Comments: The department's budget is still increasing despite cuts in positions.

Savings: \$.329 million (SF)

2340. Abolish Office of Savings and Loan; abolish Savings Association Special Regulatory Fund and revert balance to General Fund

Comments: This office duplicates regulatory functions performed by the federal government and could be abolished with no loss of regulatory oversight.

Savings: \$0.627 million (GF)

2600. Abolish Clean Air and Transportation Improvement Program; cancel further sale of authorized bonds

Comments: This program, enacted by voters as Proposition 116 in 1990 and dedicated to mass transit systems, has neither cleaned the air nor improved upon the state's transportation needs. \$367 million in bond funds is to be expended on this program next year. These funds should be used to redeem bonds already sold or at least held until the efficacy of this program can be established. \$1.265 billion of this bond authorization remain unsold.

Savings: Unknown future savings from lower G.O. interest payments

2640. Abolish state assistance for local special transportation programs

Comments: This program is used for local mass transit program assistance. The state should not be subsidizing mass transit projects serving uniquely local interests.

Savings: \$86.000 million (SF)

2660. Abolish Aeronautics Program; abolish Aeronautics Account and revert balance to General Fund; redirect fuel taxes to State Highway Account; abolish Local Airport Loan Account and revert balance to General Fund; redirect revenues from Local Airport Loan Account to State Highway Account

Comments: This program duplicates functions otherwise performed by local governments and the Federal Aviation Administration. In addition to the savings noted below, \$8.912 million would be conserved for state highway construction.

Savings: \$4.564 million (GF-reversions), \$0.429 million (Fed)

2660. Abolish Bicycle Lane Account; revert balance to General Fund and redirect Bicycle Lane Account revenues to State Highway Account

Comments: Because of their limited range, bicycle travel is by its very nature a local form of transportation and cannot be seriously considered as significant to the state transportation system. In addition, this reform would conserve an additional \$440,000 for state highway construction.

Savings: \$0.424 million (GF)

2660. Abolish Ridesharing Vanpool Revolving Loan and Grant Fund and revert balance to General Fund

Comments: This program duplicates local programs.
Savings: \$3.792 million (GF)

2660. Abolish mass transit subsidies

Comments: The state's mass transit programs are notoriously expensive and inefficient, and should be supported from operating revenues. Furthermore, these programs are taking increasing portions of state highway funds. The Legislative Analyst reports that "Highway funds now provide the main source of state revenues to fund intercity rail projects."

Savings: \$267.924 million (SF), \$151.620 million (Fed)

2660. Privatize transportation planning functions of Caltrans

Comments: This program consumes \$56.426 million per year, compared to \$25.690 million in 1990. Thus, transportation planning costs have more than doubled in five years. Lamentably, transportation projects have not. In 1990, a study found that contracting out services for planning could save at least 10 percent per year. Applied to non-federal expenditures for statewide and regional planning in this year's budget, this reform would produce \$1.436 million in savings.

Savings: \$1.436 million (SF)

2660. Reduce Caltrans requests to restore \$28.6 million in legislative cuts

Comments: The LAO has recommended a cut of \$28.6 million, mainly for equipment and operating expenses to replace an unallocated cut made by the legislature last year. According to the LAO, "It was the intent of the Legislature that the \$41.5 million cut be a permanent reduction in expenditures."

Savings: \$28.600 million (SF)

2660. Revert \$2.9 million for expansion of intercity rail service that will not occur

Comments: The Legislative Analyst has recommended that \$2.9 million for expansion of intercity rail service be reverted to the Transportation, Planning and Development account because of delays in delivering specialized cars and track and signal improvements.

Savings: \$2.900 million (SF)

2660. Delete \$14.3 million from intercity rail service budget

Comments: The Legislative Analyst has recommended that \$14.3 million be deleted from the inter-city rail service program because of a lack of ridership.

Savings: \$14.3 million (SF)

2660. Reduce rideshare program

Comments: The Legislative Analyst has recommended that the department's rideshare program be reduced by \$3.2 million to reflect the actual requirements as outlined by Caltrans.

Savings: \$3.2 million (Fed)

2660. Reduce New Technology Research Program

Comments: The Legislative Analyst has identified \$500,000 in overbudgeting by Caltrans in its New Technology Research Program because of erroneous accounting by the Department.

Savings: \$0.500 million (SF)

2740. Privatize the Department of Motor Vehicles

Comments: In a 1993 Pacific Research Institute report, businessman Ken Royal documented annual cost savings of \$290 million by contracting out various functions of the Department of Motor Vehicles, a 55 percent cost savings. Royal also estimated \$550 million resulting from the sale of DMV assets. Applied to the FY 1995-96 budget, the

operational savings would amount to nearly \$300 million.
Savings: \$0.033 million (GF), \$299.119 million (SF), \$0.020 million (Fed)

2740. Abolish New Motor Vehicle Board

Comments: This board is specifically designed to erect obstacles to competition. Although the estimated beginning fund balance is zero, this reform will relieve the public from \$1,550,000 in licensing fees next year, in addition to unknown consumer savings from increased competition.

Savings: \$0

2780. Reduce budget of Teale Data Center

Comments: The Legislative Analyst has recommended this reduction because of proposed reductions in agencies serviced by the center.

Savings: \$5.400 million (SF)

TRADE AND COMMERCE

\$84,325,000 General Fund

\$1,148,000 Fees and Assessments

The Trade and Commerce agency was created in 1992, and like many functions of the Business, Transportation and Housing agency, is largely superfluous to the promotion of business, trade or commerce. It has been the object of many recommendations for outright abolition, most recently by Senator Ken Maddy in his January 6, 1995 letter to the Secretary of the Senate on behalf of the Senate Republican Caucus. According to Maddy, the agency "has simply not provided a justifiable return to the taxpayer."

2920. Abolish the following accounts and revert balances to the General Fund:

- Trade and Commerce Agency
- Rural Economic Development Fund
- Commerce Marketing Fund
- Competitive Technology Fund
- Dry Cleaning Fund
- Petroleum Underground Storage Tank Financing Account
- California Olympic Training Account
- California Main Street Program Account
- Petroleum Financing Collection Account
- Grant and Loan Collection Account
- Rural Economic Development Infrastructure Bond Fund
- California Export Finance Fund
- California Export Promotion Account
- Hazardous Waste Reduction Loan Account
- Small Business Expansion Fund
- Economic Development Grant and Loan Fund
- California State World Trade Commission Fund

Comments: This agency was created in 1992 and in three years has grown to consume \$74.7 million annually. Its functions should be absorbed by private business and trade associations such as the Chamber of Commerce and the Manufacturers Association. In addition to the savings noted below, this reform would also save the public \$1,148,000 in license and permit fees. The Legislative Analyst has proposed reductions in a large number of items in this agency because of unjustified expenditure requests and sloppy bookkeeping.

Savings: \$43.807 million (GF-appropriation), \$40.518 million (GF-reversions)

RESOURCES

\$214,038,000 General Fund

\$62,097,000 Special Funds

\$11,805,000 Federal Trust Fund

\$583,986,000 Fees and Assessments

The proposals in the Resources division amount to nearly \$900 million of cost savings through three basic reforms: withdrawal of state participation in regional or local land use affairs; abolition of obsolete or duplicative programs and, by far the largest proposal, abolition of California's Beverage Recycling Act which alone accounts for \$359 million in fee reductions for California consumers and \$85 million in General Fund savings.

The first set of reforms propose to withdraw state funding and participation in local or regional land use issues such as the conservancies and agencies serving Lake Tahoe, the Santa Monica Mountains, the Colorado River and the San Francisco Bay. These agencies serve essentially regional interests, and should be funded and governed regionally, not subsidized by the state's taxpayers as a whole. By the use of such agencies, including the Coastal Commission and Conservancy, the state has usurped and in some cases abolished local authority over land use issues. From a fiscal standpoint this is wasteful, and from a policy standpoint, it is questionable that the state government's wisdom over local land use is superior to that of local officials.

The second set of reforms involve unnecessary commissions, the California Energy Commission being the most expensive example. Even according to Resource Secretary Douglas Wheeler, the commission "has simply outlived its usefulness," yet instead of abolishing it, the proposed budget transfers 92.5 percent of its total annual budget to other departments. If the commission "has simply outlived its usefulness," then simply renaming it isn't going to help. It should be (simply) abolished.

The largest and most controversial recommendation in this division is abolition of the Beverage Container Recycling Program. The program, established in the late 1980s, now consumes nearly a half billion dollars annually in fees and General Fund support. The fees alone add \$45 to the grocery bill of an average family of four. The program was designed to accomplish two objectives: to decrease litter and to increase recycling. It is not clear that the first objective has been significantly addressed, since the measure took effect at the same time littering fines more than doubled. Clearly it has promoted additional recycling, but whether this is economically justified is questionable. By interfering with the market inducements for recycling, the act has caused gluts of recyclable material for which there is no market while unnecessarily impacting the supplies which would be recycled without this program. The savings from allowing market forces to work are substantial.

3110. Abolish the Tahoe Regional Planning Agency

Comments: This million-dollar agency duplicates the work of local agencies for local benefit. It should be funded by the local jurisdictions involved.

Savings: \$0.819 million (GF), \$0.799 million (SF)

3110. Eliminate Sea Grant Program

Comments: This program should be funded at the discretion of the University Board of Regents from their budget.

Savings: \$0.354 million (GF), \$0.102 million (SF)

3125. Eliminate state support for the California Tahoe Conservancy

Comments: The Conservancy should be funded from local or private sources. General Fund support for this program is proposed to quadruple in a single year.

Savings: \$3.055 million (GF), \$1.149 million (SF)

3180. Abolish the Geothermal Resources Development program, abolish the Geothermal Resources Development Account and revert balance to General Fund; redirect dedicated revenues from federal lands and state lands royalties to the General Fund.

Comments: Development of geothermal resources should be financed by private sector investment. If investors are unwilling to risk their capital in such ventures, why should taxpayers?

Savings: \$0.029 million (GF-reversion), \$6.667 million (GF-redirect)

3210. Abolish California Environmental License Plate Fund, revert balance to General Fund, redirect

personalized license plate revenues to General Fund

Comments: This program has become a multi-million dollar pork barrel grab bag for such vital state projects as the Mariposa Mineral Exhibit, construction of a "flow-through seawater system at the Chula Vista Nature Center" and nearly a million dollars for "environmental education programs." If there are worthwhile programs funded through this source-and there are-they should compete for General Fund dollars.

Savings: \$1.000 million (GF-reversion), \$31.000 million (GF-redirection)

3210. Reduce Environmental Protection Program by \$1.2 million to reflect "loaned" employees to Secretary of Resources

Comments: According to the Legislative Analyst, "At least 36 employees will be loaned to the Secretary (for Environmental Protection) from other Cal-EPA boards and departments in 1994-95. This represents expenditures of \$1.2 million in 1994-95, in addition to the \$1.6 million of personal service expenditures reflected in the Secretary's budget." If these positions are justified, they should be forthrightly budgeted through the Secretary's office. They are demonstrably unnecessary in this item and should be removed.

Savings: \$1.200 million (SF)

3340. Delete New Energy Center Project of the California Conservation Corps

Comments: The LAO has withheld its recommendation on \$2.8 million requested by the CCC for a new Energy Center in Southern California. The purpose of this center primarily is to train CCC members in energy conservation measures-a function entirely duplicative of private sector efforts.

Savings: \$2.806 million (SF)

3360. Abolish Energy Commission and cancel plans to establish a Department of Energy and Conservation; abolish the following accounts and revert balances to the General Fund:

- State Energy Conservation and Assistance Account
- Diesel Emission Reduction Fund
- Local Jurisdiction Energy Assistance Account
- Energy Resources Program Account
- Energy Technologies Research
- Development and Demonstration Account
- Local Government Geothermal Resources Revolving Subaccount
- Katz Schoolbus Fund

Comments: The administration has formally called for abolition of this commission. As recently as February, Resource Agency Secretary Douglas Wheeler wrote: "The Energy Commission as presently constituted has simply outlived its usefulness. Created in 1974 at the height of the Arab oil boycott and the national energy crisis, the commission was designed for a time when energy policies were unsettled because of great economic uncertainty, utilities were proposing new rate increases and the prospect of more nuclear power plans bitterly divided the state." Regrettably, the proposed budget provides \$75.209 million for the Commission's final year, transferring \$34.792 million to the newly created Department of Energy and Conservation at mid-year. The mid-year transfer translates to a \$69.584 million annual budget, which is hardly an abolition. *It constitutes an effective decrease of just 7.5 percent.* In addition to the savings noted below, the public would be saved \$225,000 in annual fees and assessments.

Savings: \$20.140 million (GF-reversions), \$46.577 million (GF-redirections), \$4.940 million (SF), \$7.334 million (Fed)

3370. Abolish Renewable Resources Investment Program; Abolish Renewable Resources Investment Fund and revert balance to General Fund

Comments: To the extent that worthwhile programs are funded through this program, they should compete with other programs in the General Fund.

Savings: \$0.305 million (GF)

3460. Withdraw from Colorado River Board of California; redirect reimbursements to affected water agencies

Comments: This agency should be supported by the water agencies and ratepayers involved, not by the state's

taxpayers.

Savings: \$0.209 million (GF)

3480. Reduce General Fund support to Division of Mines and Geology to reflect workload requirements

Comments: The Legislative Analyst has recommended a reduction of \$579,000 of six positions because "the proposed workload for these positions exceeds the workload required under current law."

Savings: \$0.579 million (SF)

3480. Abolish the Beverage Container Recycling Program, abolish the Beverage Container Recycling Fund and the Glass Processing Fee Account and revert balances to the General Fund

Comments: The Beverage Container Recycling Program is an economic failure. Economic recycling programs do not need to be mandated and uneconomical ones should not be. In addition to the savings noted below, this reform would save \$358,986,000 in annual taxes and fees.

Savings: \$84.932 million (GF)

3540. Reduce positions for four land use coordinators in Department of Forestry

Comments: The LAO has recommended a reduction of \$401,000 "for four land use coordinators because the efficacy of these positions will be limited by the lack of a clear policy regarding the department's appropriate role and objectives in shaping federal and local land use decisions."

Savings: \$0.401 million (SF)

3600. Abolish Natural Community Conservation Planning Program

Comments: The Legislative Analyst withheld recommendation on making the Natural Community Conservation Planning Pilot Program permanent, in part due to the department's failure "to provide information requested by the Legislature that would enable an evaluation of the success of the pilot program." This program, however, represents an intrusion of the state into local land use planning decisions. This questionable foundation, argues for its abolition. Savings: \$0.075 million (GF), \$0.761 million (SF), \$0.178 million (Fed)

3640. Abolish the following programs:

- Wildlife Conservation Board
- Habitat Conservation Fund
- Wetlands Conservation Fund
- Wildlife Restoration Fund
- Fish and Wildlife Enhancement Fund
- Wildlife and Natural Areas Conservation Fund

Revert balances to General Fund and redirect special fund revenues to Fish and Game Preservation Fund

Comments: This board is duplicative of functions performed by the Department of Fish and Game and the federal government. It is proposed to triple in size in one year. This reform would redirect revenues from the abolished funds to the Fish and Game Preservation Fund.

Savings: \$5.055 million (GF)

3720. Abolish the California Coastal Commission

Comments: The Commission long ago completed its original mission, and is now simply duplicative of local land use planning agencies. Due to political pressure, it survived numerous attempts by the Deukmejian administration to abolish it in the mid-1980's. It is now ten years older and ten years more obsolete.

Savings: \$6.233 million (GF), \$0.739 million (SF), \$2.089 million (Fed)

3760. Abolish State Coastal Conservancy; abolish State Coastal Conservancy Funds of 1976 and 1984 and redirect balance to retire bonds

Comments: Administrative costs of this agency have grown 43.9 percent in two years. The conservancy duplicates the work done by a variety of private land conservancies and foundations.

Savings: \$6.841 million (SF-redirection), \$1.081 million (SF-other)

3790. Roll back budget for Park Stewardship Program of the Department of Parks and Recreation to last year's level

Comments: This component of the Parks Department is slated to grow 15 percent in two years.

Savings: \$6.100 million (GF), \$16.789 million (SF), \$0.142 million (Fed)

3810. Abolish the Santa Monica Mountains Conservancy; abolish the Santa Monica Mountains Conservancy Fund and redirect operating revenues to General Fund

Comments: This agency has become a bureaucratic rogue elephant, involving itself in land acquisition as far as the Santa Clarita Valley. It duplicates the functions of a variety of local, state and federal programs and private conservancy foundations.

Savings: \$0.100 million (GF-appropriation), \$0.478 million (GF-redirection)

3810. Eliminate General Fund support for Santa Monica Mountains Conservancy

Comments: Failing its outright abolition, General Fund support should be eliminated, as recommended by the Legislative Analyst and mandated by the legislature.

Savings: \$0.100 million (GF)

3820. Abolish the San Francisco Bay Conservation and Development Commission

Comments: The administration has proposed abolishing this commission effective January 1, 1996. Implementation of this recommendation on July 1 would save an additional \$1.182 million.

Savings: \$0.810 million (GF), \$0.297 million (SF), \$0.075 million (Fed)

3840. Abolish the Delta Protection Commission

Comments: This regional planning mechanism should be funded by the affected local jurisdictions-not by the state.

Savings: \$0.268 million (SF)

3860. Abolish the Continuing Formulation of the California Water Plan

Comments: The simple mechanism of the marketplace could replace the function of this program far more efficiently at no cost.

Savings: \$23.345 million (SF), \$1.987 million (Fed)

ENVIRONMENTAL PROTECTION

\$12,441,000 General Fund

\$34,466,000 Special Funds

\$568,000 Federal Trust Fund

\$74,527,000 Fees and Assessments

The spending reductions recommended in this division amount to \$122 million in fees and expenditures. The affected sections have two things in common: the agencies are generally of recent origin, and they are experiencing exponential increases in administrative overhead and budget. Increases range from the 23 percent two-year growth in administration of the State Water

Resources Control Board to 72 percent expansion at the six-year old California Integrated Waste Management Board (due to mid-year transfer of administration of the Beverage Container Recycling Program).

The largest recommendation is for abolition of the California Integrated Waste Management Board, which, exclusive of the transferred recycling program, now consumes \$75 million in annual permitting fees and assessments which are ultimately paid by California families. Its principal responsibility is oversight of siting and administration of local land fills, a function entirely duplicative of local land use planning authorities. State usurpation of this local land use function might be justifiable as a means to overcome predictable local opposition to siting, but this should then replace and not merely duplicate local jurisdictions. This six-year old bureaucracy could be dissolved without any adverse effect upon disposal of solid waste.

3900. Roll back Mobile Source Program of the Air Resources Board to last year's level

Comments: This program is slated to expand 47 percent in two years. It has caused serious economic damage to the economy, and should be rolled back to last year's level.

Savings: \$24.978 million (SF), \$0.401 million (Fed)

3910. Abolish California Integrated Waste Management Board; abolish California Used Oil Recycling Fund, Tire Recycling Management Fund, Recycling Market Development Revolving Loan Account, Solid Waste Disposal Site Cleanup Trust Fund, Integrated Waste Management Account, and revert balances to the General Fund

Comments: This board was established in 1989 and is duplicative of local government oversight of waste management. Its budget is slated to grow 72 percent in two years. The best thing it can do to control "waste" is to eliminate itself. In addition to the savings noted below, this reform would save the public \$74,527,000 in annual permitting and license fees.

Savings: \$4.251 million (GF-reversions), \$0.167 million (Fed), \$0.492 million (SF)

3930. Roll back overhead at Department of Pesticide Regulation to last year's level

Comments: Since last year, administrative overhead at this department has ballooned 66 percent.

Savings: \$1.700 million (GF)

3940. Roll back administrative budget of the State Water Resources Control Board to last year's level

Comments: This component of the budget is slated to increase 23 percent in two years.

Savings: \$2.337 million (GF)

3980. Eliminate Office of Environmental Health Hazard Assessment

Comments: This 10-year old agency continues to expand almost exponentially. In 1993, it proposed a 74 percent two-year expansion. This year, it proposes a comparatively modest 32 percent increase. It is entirely duplicative of services which could be performed by the University of California or private laboratories.

Savings: \$4.153 (GF), \$8.8996 (SF)

HEALTH AND WELFARE

\$791,851,000 General Fund

\$253,015,000 Special Funds

\$131,197,000 Federal Trust Fund

The administration has made tremendous progress in holding down, and in some cases reversing, the growth of California's run-away health and welfare programs. Department of Health Services costs, for example, have actually declined \$340 million over the past year. In 1994, two-year growth in that department's budget came to nearly \$3.3 billion from all funds. This year, two-year growth comes to just \$363 million-more than a ten-fold reduction in the expansion of this bureaucracy. The adoption of a large number of cost-cutting proposals on Medi-Cal optional services, eligibility and administration have had a dramatic effect on this division of state expenditures. Similarly, the administration's welfare proposals move California away from welfare statism and toward a more rational and realistic approach to chronic welfare dependency.

The \$750 million in additional expenditure reductions contained in this division represent a small fraction of total funds for these programs, and are mainly comprised of the abolition of several ancillary offices such as the Commission on Aging and the Office of Statewide Health Planning, and a number of relatively small organizational and bookkeeping reforms.

The largest individual proposal is an additional \$25 per month reduction in AFDC grants below the cut contained in the Governor's budget. This reform would cap AFDC cash grants at a rate 10 percent below net earnings at the minimum wage, thus providing a significant differential between welfare dependency and full time entry-level employment. Extrapolating the administration's estimates on cost savings, this would result in an additional \$180 million in savings from the state General Fund and the federal trust fund.

4130. Roll back budget of Health and Welfare Agency Data Center to last year's level

Comments: Total spending for this agency will grow 53 percent since 1993-94.
Savings: \$36.012 million (SF)

4130. Reduce funding for Health and Welfare Agency Data Center

Comments: The Legislative Analyst's office recommends deletion of 13 positions "requested to continue computer-based information kiosk programs because continuation of these programs as currently designed is inconsistent with prior legislative action."

Savings: \$6.700 million (SF)

4130. Delete two requested positions for Internet activity

Comments: The Legislative Analyst's office recommends deletion of two positions "because the case for additional resources has not been made."

Savings: \$0.236 million (SF)

4140. Eliminate the Office of Statewide Health Planning and Development

Comments: This bureaucracy duplicates the functions performed by private and public health systems, private and public colleges and universities, local planning departments and various professional associations.
Savings: \$3.764 (GF), \$34.435 (SF), \$1.026 (Fed)

4170. Eliminate General Fund overmatch for congregate and home-delivered meals

Comments: The Legislative Analyst estimates \$7 million in savings from this reform, arguing that "additional donations could offset a portion of the reduction."

Savings: \$7.000 million (GF)

4180. Abolish the Commission on Aging, abolish California Seniors Special Fund and California Seniors Fund and revert balances to General Fund

Comments: This commission is entirely duplicative of the work of many private organizations and the Department of Aging.
Savings: \$0.343 million (GF), \$0.279 million (Fed)

4220. Abolish the Child Development Programs Advisory Committee

Comments: This committee provides no services to the public and is duplicative of the work of a broad range of private advocacy groups.
Savings: \$0.237 million (GF), \$0.001 million (SF)

4260. Roll back administrative overhead at Department of Health Services to last year's level

Comments: The administrative overhead at this department has tripled in two years.
Savings: \$43.649 million (GF)

4260. Roll back Public and Environmental Health program to last year's level

Comments: This section provides no direct services to the public.
Savings: \$18.572 million (GF), \$17.337 million (SF), \$13.484 million (Fed)

4260. Adopt Legislative Analyst's modification of Administration's beneficiary co-payments proposal

Comments: The LAO has recommended an earlier implementation date for the administration's co-payment requirement, along with full conformity of the Medi-Cal pharmacy dispensing fee to the level paid by other payers such as the Public Employee's Retirement System.
Savings: \$13.2 million (GF)

4260. Abolish Battered Women Program of DHS

Comments: This program was enacted in 1994, and according to the Legislative Analyst is duplicative of the Sexual Assault and Domestic Violence Branch of the Office of Criminal Justice Planning, a program which has been in existence since 1985. The LAO suggests that merging the programs would save \$450,000 in administrative costs.
Savings: \$15.000 million (GF)

4260. Lower reimbursement rate ceiling for prescription drug ingredient costs

Comments: The Legislative Analyst recommends "that the Legislature lower the reimbursement rate ceiling for prescription drug ingredient costs from Average Wholesale Price (AWP) minus 5 percent to AWP minus 10 percent, for a General Fund savings of \$14.9 million, because the existing reimbursement level exceeds rates paid by other high-volume purchasers of drugs." The LAO points out that PERS, for example, reimburses pharmacists at AWP minus 10 percent.
Savings: \$14.900 million (GF)

4260. Reimburse hospital inpatient services on "per discharge" rather than "per diem" basis

Comments: The Legislative Analyst estimates that between \$10 million and \$20 million can be saved by reducing the incentives for hospitals to keep Medi-Cal patients longer than necessary.
Savings: \$10.000 million (GF)

4260. Reduce Medi-Cal inpatient services by seven percent

Comments: The Legislative Analyst estimates that \$111 million could be saved with this reform. According to the LAO, "Given excess hospital bed capacity, the state could take advantage of a 'buyer's market' for hospital services."

Savings: \$111.000 million (GF)

4260. Include new SSI/SSP beneficiaries in managed care and reduce managed care payments to 97 percent of the fee-for-service equivalent

Comments: The LAO estimates savings of \$20 million to \$30 million from this proposal: This option would be "consistent with current policy for existing pre-paid health plan contractors. Managed care is designed to give local providers, including counties, an incentive to provide care more efficiently." The LAO projects savings of \$50 million to \$100 million by 1996-97.
Savings: \$20.000 million (GF)

4260. Integrate IHSS and Medi-Cal long term care with county share of cost

Comments: The Legislative Analyst estimates \$15 million in savings through this reform, arguing that "giving counties a share of costs provides an incentive for them to divert patients from institutionalized care to IHSS when appropriate."

Savings: \$15.000 million (GF)

4260. Eliminate "asset waiver" for services for pregnant women

Comments: The Legislative Analyst estimates \$8 million in savings from this reform, arguing that "[This action] would target available state funding to persons with the least resources."

Savings: \$8.000 million (GF)

4260. Reduce eligibility for California Children's Services Program to 200 percent of federal poverty level

Comments: The Legislative Analyst estimates \$3 million in savings, arguing that this reform would "(target) services to the most needy," reducing caseload 5 percent by reducing the income level from \$40,000 to \$30,000 for a family of four.

Savings: \$3.000 million (GF)

4260. Freeze Medi-Cal county administration Cost of Living Adjustment

Comments: The LAO estimates \$5 million in savings, and argues that such action would be "consistent with budget's policy of requiring state departments to absorb salary COLAs."

Savings: \$5.000 million (GF)

4260. Use County Medi-Cal Services Program surplus to replace General Fund expenditures

Comments: The Legislative Analyst estimates \$20 million in one-time savings by using the surplus balance to fund program expenditures.

Savings: \$20.000 million (GF)

4260. Delete proposed augmentations for REACH and Teen Pregnancy programs

Comments: The Legislative Analyst has proposed these reductions because "These are new initiatives or program enhancements which lack sufficient budget detail.

Savings: \$56.100 million (GF-REACH), \$12.000 million (GF-Teen Pregnancy)

4280. Freeze budget of Managed Risk Medi-Cal Insurance Board at current year's level

Comments: This program, started in 1991, is slated to grow 61 percent, largely due to an exponential increase in the Access for Infants and Mothers program. AIM is designed to provide health services to pregnant women and infants.

Savings: \$5.412 million (GF), \$68.423 million (SF)

4280. Increase family contribution to AIM Program to 4 or 5 percent of family income

Comments: The LAO has recommended rejecting the administration's proposal to expand AIM eligibility from 250 percent to 300 percent of the federal poverty level.

Savings: \$14.000 million (GF)

4300. Reduce Medi-Cal optional benefits to reflect accounting error

Comments: The LAO has recommended a reduction in Medi-Cal optional benefits to reflect an accounting error in the budget.

Savings: \$4.274 million (GF)

4300. Reduce budget of Department of Developmental Services Developmental Centers Program to reflect reduction in patient population

Comments: Two years ago, this department was spending \$107,000 per patient. It is now spending \$123,000. Since FY 93-94, this program is expected to have lost 18 percent of its population.

Savings: \$31.372 million (GF), \$55.719 million (SF), \$9.142 million (Fed)

4300. Reduce General Fund support for DDS to reflect savings from federal reimbursement

Comments: The Legislative Analyst has identified net General Fund savings of \$6.3 million not reflected in the budget from a recent federal Medicaid waiver.

Savings: \$6.335 million (GF)

4300. Reduce General Fund support for Day Training Activity Center to account for savings from federal cost shift

Comments: The Legislative Analyst's office recommends reducing General Fund support for "the Day Training Activity Center (DTAC) Program of the Department of Developmental Services (DDS) to account for anticipates state savings due to the increase in federal funds resulting from the transfer of clients from the DDS to Department of Rehabilitation (DR) programs."

Savings: \$11.364 million (GF), \$8.226 million (Fed)

4400. Terminate Sex Offender Treatment and Evaluation Pilot Project

Comments: The administration is already phasing out this program, but is continuing out-patient treatment for one more year. The LAO has pointed out that "recent data show a comparable recidivism rate among treated and untreated felons." In other words, "This hound don't hunt."

Savings: \$0.386 million (GF), \$0.232 million (SF)

5180. Roll back overhead of the Department of Social Services to last year's level

Comments: Administrative overhead is slated to expand 80.1 percent in two years.

Savings: \$20.009 million (GF)

5180. Adopt a case management/capitation delivery and funding mode for provision of In-Home Supportive Services

Comments: Noting widespread abuse and inefficiency in the provision of In-Home Supportive Services, Robert H. Lucas, President of Health Resources Management, Inc. in San Francisco, proposed "expanding the state's involvement in contracting and . . . adopting a case management delivery and funding mode." In a PRI paper released in January, 1993, he estimated that \$80 million out of system-wide costs of \$731 million could be realized - about 11 percent.

Savings: \$27.977 million (GF), \$33.920 million (SF), \$19.042 million (Fed)

5180. Cap AFDC payments 10 percent below the minimum wage

Comments: Full-time employment at the minimum wage for 241 days per year would provide an annual gross income of \$8,194. Assuming payroll deductions of 15 percent, net income becomes \$6,964.90, or \$580 per month. The basic AFDC cash grant for a family of three is currently \$607 per month. It is a quite rational and realistic economic decision for welfare recipients not to seek entry-level jobs. A welfare career has several other significant attractions: guaranteed job security, 365 days off each year and full medical coverage. And you are your own boss. Add to these factors the comparative income advantage and the incentives to remain on welfare are decisive.

To correct this incentive, the administration has proposed a grant reduction for a family of three from \$607 per month to \$547 per month, and an increase in allowable earnings from \$311 per month to \$400 per month for a savings of \$219.5 million in General Fund expenditures. We propose an additional \$25 per month reduction, bringing the AFDC grant level ten percent below what could be earned with a full time job at the minimum wage. This would produce \$90 million in savings beyond the administration's proposal in General Fund savings.

Savings: \$91.450 million (GF)

5180. Reduce AFDC-FG funding to reflect caseload

Comments: The LAO recommends reducing AFDC-FG budget to reflect actual caseload growth. According to the LAO: "Our analysis indicates that the department's caseload projections for the current year are overstated by about 1.2 percent. . . . General Fund expenditures are overstated by \$24.7 million."

Savings: \$24.700 million (GF)

5180. Reduce state-only component of child care for Greater Avenues for Independence and Cal Learn Programs

Comments: The Legislative Analyst has recommended reducing this item "because (1) the federally-supported child care allocation should be sufficient, and (2) this would allocate child care benefits to all AFDC recipients on the same basis."

Savings: \$5.899 million (GF)

5180. Abolish state Family Preservation Program

Comments: The Legislative Analyst has recommended eliminating this program if the Governor's realignment proposal is adopted, because the realignment makes it inoperable.

Savings: \$9.024 million (GF)

5180. Reduce General Fund support to county administration of AFDC to reflect caseload

Comments: The Legislative Analyst recommends deletion of the "offset to savings" in the administration budget, "Because this amount is in excess of projected county spending in 1995-96, based on past trends adjusted for caseload growth, inflation and policy changes."

Savings: \$14.295 million (GF)

5180. Reduce state payment to Options for Recovery Program to reflect availability of federal funds

Comments: The Legislative Analyst recommends reducing state payments to counties for the Options for Recovery Program and to claim federal funding instead.

Savings: \$0.589 million (GF)

5180. Eliminate "advance pay" option of IHSS

Comments: The Legislative Analyst recommends eliminating this option "because this would secure additional federal funds without reducing the level of services to recipients."

Savings: \$4.000 (GF)

5180. Limit AFDC-Unemployment grants by deleting the adult portion of grant after 6 months

Comments: The Legislative Analyst has made this recommendation for modifying the program which supports AFDC-U recipients. The LAO argues that "AFDC-U recipients, by definition, are two-parent families who have had an attachment to the labor force and would therefore be likely to focus on finding employment during their spell on aid."

Savings: \$102.000 million (GF)

5180. Delete COLA for county administration of welfare

Comments: The Legislative Analyst estimates a \$9 million savings and argues that it is "consistent with [the administration's] policy requiring state departments to absorb salary (COLA's)."

Savings: \$9.000 million (GF)

5180. Include IHSS "income eligibles" in Personal Care Services Program caseload

Comments: The Legislative Analyst estimates \$19 million in General Fund savings by maximizing the use of federal funds.

Savings: \$19.000 million (GF)

5180. Substitute IHSS individual provider mode for contract mode in providing services

Comments: The Legislative Analyst estimates \$14 million in savings by this reform.

Savings: \$14.000 million (GF)

YOUTH AND ADULTY CORRECTIONS

\$370,774,000 General Fund

\$19,698,000 Special Funds

Ironically, while political sentiment has finally hardened in favor of longer sentences for violent criminals and habitual felons, out-of-control prison costs are threatening the ability of the state to act on this consensus and house additional prisoners.

Costs in the Department of Corrections are simply out of control. Between 1993/94 and 1995/96, the average daily population of adult inmates is expected to grow 15.3 percent while the incarceration cost is expected to grow 26.2 percent. The cost per inmate has increased from \$21,659 to \$23,684 per prisoner. Part of this increase is due to circumvention of Article XVI of the Constitution, which requires voter approval of bonded indebtedness. In recent years, this requirement has been evaded by the use of revenue bonds, and the repayment of those bonds has been made directly out of the Department's operating budget:

Institution

Program Average Cost YEAR Budget Population Per Inmate

92/93 \$2,139,679 104,364 \$20,502

93/94 \$2,502,326 115,534 \$21,659

94/95 \$2,744,405 121,663 \$22,557

95/96 \$3,157,089 133,295 \$23,684

Even after this budgeting gimmick and Prison Industries overhead (discussed below) is factored out, *per prisoner* costs have still increased 8.6 percent over the two year period, from \$20,153 to \$21,885 per prisoner. Some of this increase has been due to reductions in the inmate to staff ratio and to continuing increases in labor costs. In recommending a \$30.5 million reduction in operating fund increases proposed by the administration, the Legislative Analyst wrote: "we can find no analytical basis for granting such an inflation adjustment to the CDC at a time when other departments and agencies must forego similar increases."

The largest single proposal in this division is freezing the per-prisoner funding level at last year's level (\$20,153). Although this does not account for inflation, it could be accomplished by restoring inmate to staff ratios to the 1993/94 level and other operational changes. This level would still be well above the \$16,000 annual per prisoner cost commonly cited for the Texas Department of Corrections, which practices a number of cost saving innovations from an extensive prison work program to privatizing minimum security operations. Indeed, Texas maintains some 14,100 inmates in private facilities, at a substantial cost savings.

5240. Freeze per prisoner funding at 1993/94 level (exclusive of bond repayments) of \$20,153

Comments: Excluding the revenue bond repayments and Prison Industries expenditures, capping prison expenditures at the 1993/94 per prisoner level of \$20,153 would save \$1,732 per inmate, or \$231 million and would still provide significantly more than states such as Texas.

Savings: \$230.861 million (GF)

5240. Abolish the Civil Addict Program

Comments: In 1993, the Legislative Analyst concluded that the Civil Addict Program had failed to achieve its goals and called for its abolition. The LAO recommends deletion of a \$1 million augmentation in the current budget.

Savings: \$1.000 million (GF)

5240. Roll back administrative overhead of Department of Corrections to last year's level

Comments: Overhead of the Department of Corrections has grown 31.8 percent over the last two years.
Savings: \$37.897 (GF)

5240. Cease paying salaries to inmates in Prison Industries and eliminate civil service status for Prison Industries employees

Comments: Senator Rob Hurtt's office estimated cost savings in excess of \$7 million from these reforms for FY 1993/94. Hurtt's office noted that "In 1993, the Texas prison industry program employed 75 percent of its inmates and generated net savings to the Department of Criminal Justice of \$6 million while our state employed only 6 percent of total inmates and generated a net loss of \$5 million. . . ." The Director of Prison Industries, Texas Department of Criminal Justice, makes this case very plainly: "The reason California loses money is because you pay your inmates. If I had to do that we'd be broke in a week." His office also estimated 10 percent savings from allowing PIA management to adjust positions based on workload.
Savings: \$7.300 million (SF)

5240. Deport Illegal Aliens upon prison release

Comments: According to the Assembly Republican Working Group/Draft Report, \$9.7 million was spent in FY 1993/94 for parole supervision of 4,600 illegal aliens allowed to remain in the U.S.
Savings: \$9.706 million (GF)

5240. Eliminate Leisure Time Activities for Prisoners

Comments: According to the 1993 Assembly Republican Working Group, "Televisions and athletic uniforms should be paid for by the inmates, not the taxpayers."

Savings: \$12.398 million (SF)

5240. Privatize Department of Corrections management and operations

Comments: Many states, including Florida, Tennessee, Kentucky, and Texas, already contract out management of prison operations for substantial cost savings. In a report for the Howard Jarvis Taxpayers Association in 1990, the Reason Foundation estimated \$212 million in operational savings from such reforms. In 1993, the Office of Senator Rob Hurtt estimated cost savings of \$2,800 per prisoner, or \$327.7 million. If ten percent of the prison population were placed under such management, \$37.323 million could be expected in savings.
Savings: \$37.323 million (GF)

5430. Abolish the Board of Corrections

Comments: The Board of Corrections duplicates the functions of local law enforcement agencies for jail planning and officer training. Its remaining functions could be absorbed by the Department of Corrections.
Savings: \$50.840 million (GF)

5450. Abolish the Youthful Offender Parole Board

Comments: The Legislative Analyst has suggested abolishing the board and instead to rely on the Youth Authority for parole determinations, since "the YOPB relies on Youth Authority staff recommendations over 85 percent of the time for parole determinations."

Savings: \$3.147 million (GF)

EDUCATION

\$2,292,860,000 General Fund

\$17,405,000 Special Fund

\$9,375,000 Federal Trust Fund

\$4,917,000 Fees and Assessments

Education expenditures in the 1995-96 budget vary widely: \$3,294 per student for the Community Colleges; \$5,593 for K-12 public schools; \$12,065 for the California State University; and a breathtaking \$69,244 per year for every student attending the University of California. What is particularly amazing is the fact that while enrollment has declined since 1992-93 at all three post-secondary systems, their budgets have continued to increase.

Most of the savings proposed in this division come from freezing per student expenditures for the post-secondary institutions at their 1992/93 levels, saving \$1.28 billion at the three university systems. This freeze of per pupil expenditures at 1992/93 levels does not account for inflation rates during the intervening period, but rather assumes cost saving adjustments which have been recommended to the universities and colleges for years, including slight increases in the student/instructor ratios or in the course teaching requirements for professors.

6110. Roll back administrative costs of the Department of Education to last year's level

Comments: Administrative costs of the Department of Education are proposed to increase 28.7 percent since 1993-94, despite instructional increases of just 10.6 percent.

Savings: \$9.544 million (GF)

6110. Abolish Voluntary Desegregation Programs

Comments: Current law provides for 80 percent reimbursement of costs to school districts for implementing voluntary desegregation programs or programs that "alleviate the harmful effects of racial segregation." However, according to the Legislative Analyst, the state has no method for assessing the outcome of the various programs, nor is it clear any are needed to meet constitutional requirements. Indeed, the absence of specific court findings of discrimination suggest that these expenditures are not necessary for meeting legal mandates. Abolishing these programs would result in savings of approximately \$460 per classroom.

Savings: \$86.249 million (GF)

6110. Reduce reimbursement to school districts for Public Employees Retirement System benefits costs

Comments: The Legislative Analyst has recommended this reduction "because the employer PERS contributions required by the statute have been fully funded."

Savings: \$1.400 million (GF)

6110. Defer Administration Policy Initiatives

Comments: The Legislative Analyst identifies nine policy initiatives proposed by the Wilson administration, none of which provides direct classroom instruction. The LAO suggests these initiatives be postponed.

1. \$20 million to expand child development programs beginning January 1996.
2. \$20 million for the Healthy Start Program.
3. \$7.7 million to increase the state's assessment program.
4. \$5 million to augment local technology assistance centers.
5. \$2 million to increase support for programs to increase minority college attendance.
6. \$2 million to create 20 pilot programs to increase number of bilingual teachers recruited from high schools and colleges.
7. \$2 million increase in support for Early Mental Health Program.
8. \$1.1 million increase for the Partnership Academy Program.
9. \$0.5 million to supplement county DOE fiscal review capability.

Savings: \$133.900 million (GF)

6110. Suspend Proposition 98 minimum funding guarantee for K-12 education for 1994-95 and 1995-96

Comments: The Legislative Analyst has proposed three alternative approaches to suspending the Proposition 98 minimum guarantee, with savings ranging from \$200 million (suspending the minimum funding guarantee in 1994, but holding harmless the 1995-96 guarantee) to \$597 million by suspending the guarantee for both years. The LAO states that for 1994-95, "this option would not eliminate any funding already appropriated in 1994-95 or drop them below the per-pupil funding level envisioned in the 1994 Budget Act." For 1995-96, the proposal would simply eliminate the scheduled cost-of-living adjustment.
Savings: \$597.000 million (GF)

6255. Abolish California State Summer School for the Arts

Comments: This program is duplicative of programs which should be provided by local school districts and private organizations.
Savings: \$0.638 million (GF), \$0.571 million (SF)

6320. Abolish California State Council on Vocational Education

Comments: This program is entirely duplicative of local school district programs.
Savings: \$0.094 million (GF), \$0.232 million (Fed)

6360. Abolish Commission on Teacher Credentialing

Comments: Prior to 1970, teacher Credentialing was the province of individual school districts, deciding for themselves their own standards based on their own needs. There is no evidence that statewide credentialing has improved the quality of teaching or of students' academic performance.
Savings: \$4.225 million (GF), \$16.818 million (SF)

6420. Abolish California Postsecondary-Education Commission

Comments: This program duplicates functions of the state universities.
Savings: \$2.521 million (GF), \$0.016 million (SF), \$8.163 million (Fed)

6440. Freeze per student budgeted program costs of the University of California at \$35,790

Comments: Assuming enrollment trends last year continue this year, the University of California is proposing to spend an average of \$40,426 per student on budgeted programs. Between 1992/93 and 1994/95, UC full time equivalent student enrollment declined 3.1 percent while expenditures grew by 4.3 percent. Between 1993/94 and 1994/95, enrollment declined 1.8 percent, while total university spending grew 4.5 percent. The University still has not made available its enrollment estimates for 1995/96. If per FTE university costs were capped at their 1992/93 level of \$35,790, and we use 1994/95 enrollment minus 1.8 percent, savings would exceed \$680 million.
Savings: \$680.555 million (GF)

6440. Redirect funds from teaching hospitals

Comments: The Legislative Analyst has proposed redirecting these funds for support of the campuses, freeing up \$9 million.
Savings: \$9 million (GF)

6440. Reduce University research budget

Comments: In its budget analysis, the LAO recommends a reduction of \$24.8 million, opining that "We believe the UC can adjust to a lower level of General Fund support for research by setting priorities among research activities to ensure that the highest priorities are addressed and by relying to a greater degree on systemwide competition for research grants."

Savings: \$33.8 million (GF)

6610. Freeze per student expenditures of the California State University at \$11,100 per student

Comments: Between 1992/93 and 1994/95, CSU full time equivalent student enrollment decreased by 3.4 percent,

while expenditures grew by 6.9 percent. Between 1993/94 and 1994/95, enrollment grew 1.1 percent, while total university spending grew 8.0 percent. The university has still not made available its enrollment estimates for 1995/96. If per FTE university costs were capped at their 1992/93 level of \$11,100 per student, and we use 1994/95 enrollment plus 1.6 percent, it would save \$121.066 million from the University's budget request, which could be accomplished by reducing the General Fund appropriation by that amount.
Savings: \$121.066 million (GF)

6610. Freeze general purpose expenditures at CSU

Comments: The Legislative Analyst has identified this as a potential budget balancing option, stating the "System would have to live with current-year funding level."

Savings: \$31.000 million (GF)

6870. Freeze per student expenditures of the California Community Colleges at \$2,762 per student

Comments: From 1992/93 to 1995/96, the Community Colleges anticipate an enrollment decline of 2.8 percent, but increased expenditures of 15.9 percent. If the per student cost were capped at the 1992/93 rate of \$2,762 per student, savings of nearly half a billion dollars would result.

Savings: \$478.965 million (GF)

6870. Suspend Proposition 98 minimum funding guarantee for community colleges for 1994-95 and 1995-96

Comments: The Legislative Analyst has proposed three alternative approaches to suspending the Proposition 98 minimum guarantee, with savings ranging from \$47 million (suspending the minimum funding guarantee in 1994, but holding harmless the 1995-96 guarantee) to \$99 million by suspending the guarantee for both years. The LAO states that for 1994-95, "this option would not eliminate any funding already appropriated in 1994-95 or drop them below the per-pupil funding level envisioned in the 1994 Budget Act." For 1995-96, the proposal would simply eliminate the scheduled cost-of-living adjustment.

Savings: \$99.000 million (GF)

6880. Abolish Council for Private Postsecondary and Vocational Education; abolish Private Postsecondary and Vocational Education Administration Fund and Student Tuition Recovery Fund and revert balances to General Fund

Comments: This bureaucracy was transferred from the State Department of Consumer Affairs in 1991, where it prospers today with an increase of 11.8 percent over the current year. The Council's functions could be provided entirely through private accrediting associations. In addition to the savings noted below, this reform would save the public \$4,917,000 in annual licensing fees.

Savings: \$3.903 million (GF), \$0.980 million (Fed)

GENERAL GOVERNMENT

\$175,227,000 General Fund

\$73,716,000 Special Funds

\$23,568,000 Federal Trust Fund

\$38,536,000 Fees and Assessments

This division of the budget funds such "indispensable" public services as the California Arts Council, the Native American Heritage Commission, the Commission on the Status of Women and a relatively large number of other agencies in search of a purpose for existing.

Some, such as the Agricultural Labor Relations Board and the Public Employment Relations Board, duplicate judicial and administrative functions. Others, such as the California Horse Racing Board, regulate activities with no bearing on public health and safety. Still others, such as the State Fair and assistance to local fair districts, place the state in the business of running amusement parks and trade shows.

Together, they constitute a grab bag of special interest agendas and bureaucratic bloat that are simply unnecessary to the administration of sound government.

8180. Eliminate payment to counties for costs of homicide trials

Comments: Prior to 1991, counties paid for the cost of all trials within their jurisdictions.
Savings: \$6.000 million (GF)

8260. Abolish the California Arts Council; abolish Graphic Design License Plate Account and revert balance to General Fund; redirect revenues from personalized license plates to General Fund

Comments: There is absolutely no reason taxpayers should continue to subsidize the arts. That is what art patrons do.
Savings: \$12.416 million (GF-appropriation), \$0.100 million (GF-reversion), \$0.193 million (GF-redirection), \$1.105 million (Fed)

8280. Abolish the Native American Heritage Commission

Comments: This bureaucracy duplicates the services offered through the private sector.
Savings: \$0.240 million (GF)

8300. Abolish the Agricultural Labor Relations Board

Comments: This board is a vestige of the Jerry Brown administration, and duplicates the work of a myriad of other agencies and the judiciary. The LAO has also called for its abolition.
Savings: \$4.284 million (GF), \$0.109 million (SF)

8320. Abolish the Public Employment Relations Board

Comments: This board duplicates the normal function of the courts.
Savings: \$4.030 million (GF), \$0.007 million (SF)

8350. Roll back overhead at the Department of Industrial Relations to last year's level

Comments: This budget is proposed to grow 21.9 percent in two years.
Savings: \$2.800 million (GF)

8350. Abolish Cal-OSHA; abolish Cal-OSHA Targeted Inspection and Consultation Fund, Asbestos Consultation Certification Account, Asbestos Training Approval Account, Elevator Safety Inspection Account, Pressure Vessel Inspection Account and revert balances to the General Fund

Comments: Gov. Deukmejian abolished Cal-OSHA in the 1980's, only to have it reimposed by initiative. The collective wisdom of the electorate notwithstanding, this program is entirely duplicative of the federal OSHA and has grown nearly 25 percent in two years. In addition to the savings noted below, abolition of this program will save the public \$20,314,000 in fees and assessments.
Savings: \$19.097 million (GF-appropriation), \$2.392 million (GF-reversions), \$22.018 million (Fed)

8350. Abolish the Enforcement and Promulgation of Laws Relating to Wages, Hours, and Conditions of Employment and Licensing and Adjudication activities of the Department of Industrial Relations; abolish Industrial Relations Construction Industry Enforcement Fund and Industrial Relations Unpaid Wage Fund and revert balances to General Fund

Comments: These activities are duplicative of services provided through other avenues, including small claims courts. This reform would also relieve the public of \$51,000 in annual assessments.
Savings: \$20.260 million (GF-appropriation), \$0.200 million (GF-reversion), \$2.502 million (SF), \$0.233 million (Fed)

8350. Abolish the Promotion, Development, and Administration of Apprenticeship and other On the Job Training Programs of the Department of Industrial Relations

Comments: These services are provided through other public and private sector sources.
Savings: \$1.186 million (GF), \$2.800 million (SF), \$0.099 million (Fed)

8350. Reduce managed care program of Workers Compensation Administration

Comments: The LAO has recommended that 12 positions be deleted "because of existing workload, and the unlikely prospect of significant workload growth in the future."

Savings: \$0.750 million (SF)

8350. Delete 91 positions from Claims Adjudication Unit

Comments: The LAO recommends that 91 positions be deleted.
Savings: \$4.250 million (SF)

8350. Delete positions currently funding operating expenses

Comments: According to the Legislative Analyst, "The [Division of Workers' Compensation] budget includes \$4.5 million and 93 positions [in addition to the 91 positions for the Claims Adjudication Unit discussed above] that the DWC is keeping vacant. These positions are spread throughout the division. . . . By purposely keeping the positions vacant, however, it appears that the program need originally cited to justify the positions does not exist."

Savings: \$4.5 million (SF)

8380. Roll back budget of the Department of Personnel Administration to last year's level

Comments: This budget is proposed to increase 48 percent in two years.
Savings: \$1.728 million (GF), \$4.867 million (SF)

8385. Abolish the California Citizen's Compensation Commission

Comments: This commission was designed to curb legislative salary abuses, yet its first act was to increase legislators' salaries. Last year, it ignited a firestorm of protest when it granted legislators a 40 percent pay increase. It should be abolished and legislators' pay reduced.
Savings: \$0.025 million (GF)

8530. Abolish Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun; abolish Board of Pilot Commissioners' Special Fund and revert balance to General Fund

Comments: If retained at all, this board should be funded and governed locally. In addition to the savings noted below, this reform would save the public \$1,623,000 in annual fees and assessments.
Savings: \$0.367 million (GF)

8550. Privatize the California Horse Racing Board; abolish Racetrack Security Account Special Deposit Fund and revert balance to General Fund

Comments: Private recreational activity should be privately regulated.
Savings: \$7.874 million (SF)

8560. Privatize California Exposition and State Fair; abolish California Exposition and State Fair Enterprise Fund and revert balance to General Fund

Comments: In addition to the savings noted below, the state would realize unknown revenues from liquidation of asset.
Savings: \$2.546 million (GF), \$1.227 million (SF)

8570. Abolish Agricultural Marketing Services Program; abolish California Agriculture Export Promotion Account and revert balance to General Fund

Comments: This program interferes with the normal operations of the market and artificially inflates the price of commodities to California consumers.

Savings: \$1.624 million (GF-appropriation), \$0.064 million (GF-reversion), \$14.475 million (SF), \$0.113 million (federal)

8570. Abolish the Assistance to Fairs and County Agricultural Activities Program; abolish Fairs and Exposition Fund, abolish Satellite Wagering Account and revert balances to General Fund

Comments: These fairs should be self-supporting or eliminated, and the state shouldn't be subsidizing them. In addition to the savings below, this reform would save the public \$36,862,000 in annual fees, permits and assessments.

Savings: \$0.383 million (GF-appropriation), \$0.295 million (GF-reversions), \$16.795 million (SF)

8660. Delete 67 positions from the Public Utilities Commission because of federal preemption of trucking regulation

Comments: The Legislative Analyst recommends deleting 67 positions from the PUC "because the federal government has preempted the PUC's responsibility for economic regulation of intrastate trucking."

Savings: \$12.700 million (SF)

8700. Cease state payments for special election costs

Comments: The Legislative Analyst makes this recommendation, arguing that "Elections are county responsibilities."

Savings: \$1.700 million (GF)

8700. Eliminate General Fund support for Victims of Crime program

Comments: The Legislative Analyst argues that this program was supposed to be funded with special funds and federal funds, without General Fund support.

Savings: \$31.000 million (GF)

8700. Require restitution for criminals sent to diversion programs

Comments: The Legislative Analyst points out that offenders who are sentenced to diversion programs are not required to pay restitution. According to the LAO, such a requirement could be used to replace \$20 million in General Fund expenditures.

Savings: \$20.000 million (GF)

8800. Reduce Memberships in Interstate Organizations

Comments: California is the largest state in the nation and has vast resources to provide for itself the policy-making chores that the various interstate organizations perform. For small states, membership in interstate organizations may be cost effective. For the largest state, it seldom is. Membership fees are proposed to increase 31 percent in one year. Cut 50 percent of proposed \$.763 million.

Savings: \$0.382 million (GF)

8820. Abolish the Commission on the Status of Women

Comments: This commission provides no services and duplicates the activities of a myriad of private organizations.

Savings: \$0.416 million (GF), \$0.003 million (SF)

8860. Roll back budget of the Department of Finance to last year's level

Comments: This is the Department that creates the state budget, and that bears substantial responsibility for the budget deficits of the last five years. It is growing at the rate of more than a million dollars a year.

Savings: \$1.699 million (GF), \$0.522 million (SF)

OTHER PROPOSALS

\$4,410,000,000 General and Special Funds

This final division involves three broad-based cost reduction proposals which affect a large number of individual budget sections and special funds:

- a five percent across-the-board rollback of state employee salaries, partially offsetting the eight percent salary increase granted to them during the past two years;
- conformity of the state's prevailing wage regulations with federal standards;
- and implementation of Proposition 187, which comprises the single largest cost saving option in this report.

A. Implement a 5 percent across-the-board salary rollback

Comments: State employees have received an 8 percent across-the-board salary increase over the last two years, despite a statewide economic recession and despite studies indicating 40 percent overall higher wages than paid for comparable work in the private sector. For 99 percent of all employees who are not already at the highest pay scale in their category, *the practical effect of this reform would be to freeze their current income*. And at the end of this three year period, the state employees would be likely still to be paid more than their private sector counterparts. This is not an unreasonable request, particularly when the practical effect is a wage freeze-not a wage reduction-for all but those at the very top of their pay scale. The state's system-wide payroll is \$11.8 billion; a 5 percent salary rollback would save taxpayers more than a half billion dollars.

Savings: \$590 million (GF & SF)

B. Conform state prevailing wage to federal Davis-Bacon Act

Comments: The state's bloated prevailing wage is now routinely paying unskilled labor on taxpayer-financed projects in excess of \$26 per hour in wages and benefits. According to a 1993 PRI report by former Assemblyman Robert Cline, simple conformity with federal requirements would have saved an estimated 20 percent on wages, saving the state at least \$170 million annually and perhaps as high as \$340 million.

Savings: \$170.000 million (GF & SF)

C. Implement Proposition 187

Comments: It should be noted that the largest single cost saving reform available to the state has already been mandated by the voters through their adoption of Proposition 187 in November of 1994. This mandate, now stayed pending judicial review, would save public schools \$1.7 billion according to the Department of Finance (adding about \$10,000 to every classroom in the state or conversely saving every taxpaying family more than \$200 per year), and a total of \$3.65 billion in overall costs, or \$456 for every family of four in California.

Savings: \$3,650.000 million (GF & SF)