

Memorandum 93-17

Administrative Matters - 1993-94 Budget Woes

Section 3.90 of the Governor's Budget for 1993-94 provides that budget act appropriations may be reduced to reflect a cumulative reduction of up to \$150 million, and instructs the Director of Finance to allocate the necessary reductions. This represents a reduction of approximately 15 percent for most state departments and agencies.

We have received a memorandum from the Director of Finance indicating that additional reductions in state operations must be made. Reductions allocated to the Law Revision Commission are a standard 15 percent, amounting to a reduction in the Commission's budget of \$71,000. We have been directed to provide the Department of Finance a budget reduction plan in this amount by February 19, 1993. According to the Director of Finance memorandum, "Reductions will be permanent and, therefore, should not include one-time savings such as deferring the purchase of equipment or one-time shifts from special funds."

Having just implemented a 15% cut for the current fiscal year, we know that there are no easy targets in our budget. In order to achieve the current savings we were forced to lay off our administrative assistant, reduce one of our lawyers to 3/5 time, reduce the Commission meeting schedule to 6 per year, eliminate consultant compensation, terminate maintenance on half our word processing system, defer printing expenses, forego law student checking and research assistance, and cancel most library subscriptions.

These economy measures are working. We're living within our reduced budget and still remain productive, though at the expense of overworking the staff. Numbers attached to this memorandum show that we project a surplus this year based on our economies, plus additional funds received by way of reimbursement for reproduction costs of Commission materials. The surplus cannot carry over to next fiscal

year, but there are many good uses for it, including completion of our switch from Wang to Macintosh word processing equipment, encumbrances for printing 1993 reports, contracts with research consultants, employment of law students, and replenishment of office supplies and postage stamps.

But the 1993-94 budget year is a different story. Where can we find another \$71,000 in savings? We believe we can rely on the following savings:

Temporary Help	\$20,000
Reimbursements	\$20,000
Postage	<u>5,000</u>
	\$45,000

This still leaves us \$26,000 short. What are the other possibilities?

Facilities Operation (\$24,000). This number is actually low. Rent is \$24,000, but there is also state administrative overhead for lease management and security. Legislative Counsel in the past has offered to make space available to the Commission. There are two problems with this option: (1) We would lose most or all of the Commission's employees, who would not relocate to Sacramento. (2) One of the key reasons the Commission has been able to retain its independence and its distinctive mission is its physical separation from the day-to-day political environment of the Legislature. We are looking into the possibility of space elsewhere in the Bay Area, particularly University of Santa Clara School of Law, but it is unlikely we will be able to save any substantial amount on rent.

Printing (\$11,000). We could discontinue publishing our reports. Law publishers would still print Commission Comments in the annotated codes, and might even be willing to print the reports themselves. There are two drawbacks to this approach: (1) The record of Commission proposals and supporting reasoning are an important part of the legal literature of the state and would be in jeopardy. (2) Commission publications are actually a money-maker; to discontinue publication would severely impact our anticipated annual reimbursements of \$20,000. We have asked the Department of Finance (again) for

reimbursement from bound volume sales. This would enable us to keep producing our bound volumes at no cost to either us or the state, since the volumes are priced to cover costs.

Consultants External (\$9,000). The staff would advise against eliminating consultant contracts. Important projects such as the administrative procedure study would be impossible without expert consultants. As the Commission's resources get squeezed down, consultants will be an ever more important means of remaining productive.

Commissioner Compensation (\$8,000). We can save \$3,500 per meeting in travel and Commissioner compensation, but we are already down to 6 meetings a year, and we do not believe the Commission can further reduce its meeting schedule and still remain reasonably productive. Commissioners in the past have raised the possibility of foregoing compensation, but any budget reductions we make will be permanent, and it may not be advisable for current Commissioners to bind future Commissioners in this way.

Travel Out-of-State (\$2,000). This is not a large item, but it could be eliminated. It is used to send the Executive Secretary to the annual Uniform Law Commission meeting where new uniform acts are drafted, debated, and adopted. The main advantage of this expenditure for the Commission is that it keeps us current on the status of the uniform acts and alerts us to problem areas in the acts. Again, as the Commission's resources dwindle, the Commission will be relying more heavily on the efforts of others, such as uniform and model statutes.

Donations. We have asked Department of Finance (again) that any donations to the Commission be credited to the Commission's account rather than to the state general fund. Even if Finance agrees, this will not solve our budget problem since: (1) No one has yet offered us donations and we have no plans to solicit them. (2) We cannot budget for or rely on donations as a regular source of income.

Staff Reductions. The only realistic way to achieve the additional \$26,000 in savings required without destroying critical aspects of the Commission's program is by further staff reductions. We cannot cut our administrative staff further, since we have laid off all administrative staff but one secretary, and that secretary is fully

employed. Our legal staff has also been reduced, and is now staffed at 3-3/5 positions; this is the only place we can cut further. We have asked Department of Finance (again) to eliminate the salary savings requirement for this agency (\$25,000), since we never have savings from vacant positions, but we have been informed that the chances Finance would grant this request are remote.

State seniority and layoff rules would require that the most junior attorney be laid off. The staff members have discussed this situation among themselves, and there would be some inclination of the employees voluntarily to further reduce their time bases or compensation to save the position, if this could be done on a short-term basis. However, the Commission budget reduction plan must be permanent, so this does not offer a viable solution. Our junior attorney, Pamela Mishey, has indicated that she might be interested in employment on a part-time basis, supplementing her income with part-time employment elsewhere. This would maintain her state benefits, which are significant.

In order to make it work, Bob Murphy has agreed to reduce his time base to 55%, saving us an additional \$3,500. Reducing Pamela's time base to 55% would save us \$18,000. This would leave \$4,500 yet to be accounted for. My approach would be to budget Pamela's position at 55% and to make up the additional \$4,500 out of a combination of printing, consultants, and out-of-state travel, the amounts from each category to vary from year to year depending on the Commission's work flow.

Respectfully submitted,

Nathaniel Sterling
Executive Secretary

CLRC Budget Information

(amounts in thousands and rounded)

	'91-'92 Actual	'92-'93 Budgeted	Jul-Dec '92 Actual	Jan-Jun '93 Projected	'92-'93 Actual-Proj.	'93-'94 Budgeted
Personnel						
Salaries	385	381	149	137	286	312
Benefits	88	87	37	34	71	73
Salary Savings	0	(27)				(25)
Subtotal	473	441			357	360
OE&E						
General Expenses	15	15	4	9	13	13
Printing	49	10	0	12	12	11
Communications	2	3	1	2	3	3
Postage	10	10	1	6	7	12
Travel In-State	12	12	6	6	12	12
Travel Out-of-State	0	2	0	0	0	2
Facilities Operation	19	20	13	13	26	24
Consultants Interdep	23	24	12	12	24	24
Consultants External	16	9	0	0	0	9
Data Processing	9	7	0	0	0	0
Subtotal	155	112			97	110
Total	628	553			454	470
Budget Reduction		(93)				(71)
End Total	628	460			454	399
Reimbursements	23		24	5	29	20
Liabilities					19	

Position	Salary	Benefits	Annual
Commissioners	8		8
Executive Secretary	86	17	103
Ass't Executive Sec.	71	18	89
Staff Counsel 3/5	38	13	51
Staff Counsel	39	7	46
Secretary	29	11	40
Temporary Help	20		20
Total	291	66	357