



INTERNAL GOVERNMENT REVIEW AGENCIES

costs on lease-payment bonds have increased by almost \$200 million over the last three years. For several reasons, total debt service costs for lease-payment bonds are significantly higher than general obligation bonds; accordingly, LAO recommended that the legislature minimize the use of lease-payment bonds in the future, and establish a multi-year plan to address its highest-priority capital outlay needs using less costly financing alternatives—either direct appropriations or general obligation bonds.

Personal Responsibility Act of 1995: Fiscal Effect on California (April 1995) reviews H.R. 4, federal legislation which would enact the so-called Personal Responsibility Act (PRA) of 1995; if enacted, the PRA would repeal or amend provisions of several major public assistance programs and replace them with block grants. LAO concluded that the PRA would result in an estimated loss of \$13 billion in federal funds for California over the first five years of implementation. The fiscal effect on state funds could range from a cost of about \$13 billion over five years, if the state chooses to backfill for the loss of federal funds in order to maintain current service levels, to a net state savings of roughly \$4 billion over five years if the state does not backfill and conforms its policy to proposed federal restrictions on the eligibility of legal aliens for federally-funded programs. LAO noted that by eliminating Aid to Families with Dependent Children as an entitlement, the PRA would “give the state flexibility to achieve additional major savings.” However, LAO observed that “much of these savings...could be offset by costs at both the state and local levels for general assistance and services such as emergency health care.”

The Impact of Federal Spending and Tax Proposals on California (May 1995) is a *California Update* report which discusses the impact that federal policies have on the state. According to LAO, the federal government spent about \$147 billion in California in 1992–93; about 80% of this spending occurred outside the state budget. Direct payments to individuals accounted for the largest single share of spending (44%); federal procurement spending for defense and other programs, plus pay and benefits for federal employees located in California, accounted for one-third of total federal spending in the state. LAO noted that the following three federal bills, which were recently passed by the U.S. House of Representatives, could have a significant fiscal impact on California if enacted:

- The “Personal Responsibility Act of 1995” (H.R. 4) would reduce federal

spending on public assistance programs in California by \$13 billion (*see above*); according to LAO, the impact on spending from state funds could range from a net savings of roughly \$2 billion (if the state conforms its policies to proposed federal changes) to a net cost of about \$13 billion (if the state backfills the reduced federal funds and maintains current program policies).

- The “Taking Back the Streets Act” (H.R. 3) would eliminate funding for various crime prevention programs provided in the federal crime bill signed by President Clinton in September 1994 [15:1 CRLR 29], and use the savings to augment funds for police, jails, and prisons. In California, the magnitude of this funding shift from prevention programs to law enforcement and incarceration programs could be several hundred million dollars over the next five years.

- The “Contract With America Tax Relief Act” (H.R. 1215) would reduce the federal taxes of Californians by a net of nearly \$24 billion over the next five years; according to LAO, if the state chooses to conform its tax laws to these proposed federal changes, there also would be significant reductions in state tax liabilities and corresponding revenue reductions to the state.

■ LEGISLATION

AB 921 (Friedman). Existing law authorizes the establishment of an administrator training and evaluation program to provide school administrators support and development activities designed to improve clinical supervision skills. As amended May 1, this bill would require LAO, in consultation with the Commission on Teacher Credentialing, to convene a School Administrator Evaluation Work Group to develop a set of criteria to assist school districts in assessing the competencies of school administrators, particularly school principals. The bill would require LAO to prepare and submit a report no later than July 1, 1996, to the legislature on the criteria developed and to distribute and make the report available to school districts upon request. [A. Rls]

AB 1390 (V. Brown). Under the State Government Strategic Planning and Performance Review Act, the Department of Finance (DOF), in consultation with the Controller, the Bureau of State Audits, and LAO, is required to develop a plan for conducting performance reviews of all state agencies, as specified. As introduced February 24, this bill would require DOF, by July 1, 1995, to consult with the Controller, the Bureau, and LAO to prepare a priority listing of the state agencies that

are appropriate for performance reviews to be conducted; report to the legislature on the number of performance reviews that may be accomplished in the 1995–96 fiscal year; and, along with the Controller, adopt a working plan to conduct the performance reviews. The bill would require that the performance reviews be completed by June 1, 1996. [S. GO, Rls]

SB 974 (Alquist, Johnston, Killea, Leonard, Mello, O’Connell), as amended May 15, would create the Performance Audit Joint Task Force, consisting of the Governor and the Controller, that would be required to periodically identify state executive branch agencies, programs, or practices that are likely to benefit from performance audits. The bill would provide that agencies, programs, or practices that are so identified would be in addition to those otherwise identified under the State Government Strategic Planning and Performance Review Act. [A. CPGE&ED]

SCR 26 (Hayden), as introduced March 29, would direct LAO to analyze each tax expenditure program, as specified, to determine if program objectives are being realized, whether each program’s benefits exceed its revenue cost, and whether there is a less costly way of providing the same benefits, and to report thereon to the legislature. [S. Rls]

ASSEMBLY OFFICE OF RESEARCH

Established in 1966, the Assembly Office of Research (AOR) brings together legislators, scholars, research experts, and interested parties from within and outside the legislature to conduct extensive studies regarding problems facing the state. AOR investigates current state issues and publishes reports which include long-term policy recommendations. Such investigative projects often result in legislative action, usually in the form of bills.

AOR also processes research requests from Assemblymembers. Results of these short-term research projects are confidential unless the requesting legislators authorize their release.

■ MAJOR PROJECTS

Partisan Split in Assembly Results in Dismantling of AOR. In the November 1994 elections, the Republican party gained control of 39 seats in the Assembly, bringing it even—at this writing—with the Democrats’ 39 seats for the first time in decades. As both parties wrestle for a majority of the 80-member house through



special elections and politically-motivated recall elections, they entered into a "power-sharing agreement" in January under which the Assembly's \$70 million budget and control of its committees have been split fairly evenly between the two party caucuses.

As part of the power-sharing agreement, the two parties decided on March 27 to dismantle AOR by splitting its \$1.25 million annual budget between the two parties. Then-AOR Director Jimmy Lewis was forced to serve 30-day notices on 22 AOR employees in April, and the Office formally dissolved in mid-May. Ten former AOR employees are now employed by the "Office of Democratic Services" (formerly the Speaker's Office of Majority Services), directed by Gale Kaufman. The Office of Democratic Services provides assistance and research to Democrats in the Assembly. At this writing, the Republicans have not established a counterpart to the Office of Democratic Services.

Findings of the Family Day Care Evaluation Required by AB 265 (Chapter 425, Statutes of 1993) (March 1995) presents the results and evaluation of a pilot study to test the feasibility of increasing the maximum enrollment of children in family day care homes. According to AOR, in January 1995, an estimated 31,000 active licensed family day care homes provided day care to more than 333,000 California children while their parents were at work; approximately 75% of the facilities are family day care homes, where a provider and helper may serve up to twelve children. However, the available supply of slots does not meet the need for child care for school-age children; AOR states that there has been a severe shortage of child care for school-age children in California. Although after-school programs have been established by schools and community organizations, relatively few family day care homes accept school-age children for part-time and before- and after-school care. A primary reason is economic: Many family day care providers cannot afford to reserve a part-time slot for an older child when they can serve a full-time, full-fee preschool child or infant.

In 1989, legislation established a two-year pilot program in Placer and Ventura counties to test the feasibility of increasing the maximum enrollment of children in family day care homes. Under the pilot program, two additional school-age children may be placed in family day care homes, raising maximum enrollment to eight children and one provider in a "small" home, and fourteen children with one provider and one helper in a "large" home. In 1993, AB

265 (O'Connell) extended the pilot project through 1995, and expanded it to include San Diego, San Luis Obispo, and Fresno counties.

The AOR report includes the following summary of pilot study findings, based upon surveys sent to provider participants, parent participants, local government officials, and child care resource and referral programs:

- The ethnicity of the providers participating in the pilot program, as well as the children in their care, was predominately white. Most live in suburban areas of the state; few live in rural or highly urban areas.

- About one-third of the active providers in the pilot counties registered for the program, and almost 90% enrolled additional children. Many of these providers either used the additional slots for their own children or took children only periodically or temporarily to accommodate their children's friends or siblings of younger children in their care.

- Participants enrolled an average of one additional child; between 1,900 and 3,800 children were added over the life of the program.

- About 90% of the pilot providers expressed support for the program and plan to continue serving additional children if the pilot is continued. Fewer than 5% of the providers noted problems with their programs, children, or parents. Only 1% of providers encountered problems with neighbors or local planning or licensing officials.

- The remaining 10% of providers were opposed to expansion of the program to all providers. They indicated concerns about inadequate space, inexperience, and lack of training about school-age care.

- Providers identified a disparity between small day care providers in the pilot, who are permitted to care for eight children without an assistant, and large providers who are required to have an assistant for more than six children.

- Virtually all parent respondents stated that the program had either no effect or positive effects on the care received by their children.

- Among the five pilot counties, San Luis Obispo County recorded the highest complaint rate, and Fresno County recorded the lowest. No significant differences were found among large and small pilot and non-pilot providers.

- Pilot providers registered a higher complaint rate for only one type of complaint: lack of supervision/neglect. But further analysis showed that these complaints were probably not linked to the pilot program because additional children were not present in the pilot family day

care homes when complaints were investigated.

- Most city and county planning officials were either uninformed about the pilot program or said that it had little impact on their policies and procedures. They were either uncertain as to future changes or anticipate no changes if the pilot becomes permanent.

- Fire departments unanimously reported that the pilot program had no effect on their programs; many were unaware of the program, and most anticipate no changes if the program becomes permanent.

- Several child care agencies in the five pilot counties, particularly child care resource and referral programs and child care food programs, reported start-up problems that were subsequently resolved. The agencies believed that the program was addressing the need for school-age care, and that providers and most parents strongly support the program.

- Agency representatives noted two issues causing confusion among providers: Many were unsure which age groups of children were technically eligible to be added to enrollment, and the pilot program created a disparity among large and small providers regarding requirements for helpers in large homes.

- Although most agency representatives recommended continuation and expansion of the program, they noted several concerns—a need for increased training of all providers serving school-age children, inadequate space in some homes for additional children, concerns that inexperienced providers were serving additional children, and fears that older children might be inappropriately used to supervise younger children.

The final part of the report includes an evaluation of the pilot family day care project by Carollee Howes, Ph.D. and Deborah Norris, both of UCLA. The objectives of the evaluation were to determine the effect of increased enrollment of school-age children in family day care homes on the quality of care offered in the home, and to determine the effects of training, education, and experience on the ability of family day care providers to care for additional children. Among other things, the researchers concluded that the AB 265 pilot program increased access to care for school-age children; also, the experience was less positive for younger children and more positive for older children after family day care homes increased the number of children in their children in their care.

Should Joint Labor Management Trusts Be Required To Be Licensed as Knox-Keene Health Care Service Plans?



(April 1995) is AOR's report to the legislature required by SB 902 (Rogers) (Chapter 760, Statutes of 1993), which granted a temporary, two-year exemption to joint labor management trusts operated by public agencies from the Knox-Keene Health Care Service Plan Act; the bill required AOR to perform a study and make recommendations on the future exemption and/or regulatory status of joint labor management trusts. Approximately 12% of public agencies elect to combine to administer health benefits through joint labor management trusts, which are governed by boards composed equally of management and employee organization representatives. According to AOR, other than a 1993 provision granting the trusts a two-year exemption from Knox-Keene, the trusts are nowhere expressly referred to in California law; however, since 1982, school districts and community college districts have been expressly authorized to join with other districts in providing for the payment of health and welfare benefits.

AOR concluded that no public purpose would be achieved by requiring the trusts to be regulated under Knox-Keene, as long as trusts make health benefits available only to the employees of their member school districts. However, AOR noted that an appropriate statutory framework should be enacted to provide regulatory oversight of the trusts, to assure solvency of the trust arrangements, and to safeguard the rights of employees of school districts who obtain health and welfare benefits for themselves and their dependents through the trusts. AOR also recommended that meetings and records of public agency health and welfare trusts be open to the public; health benefits provided by the trusts be limited to employees and other persons closely related to public agencies, and their dependents; trusts be prohibited from selling health coverage to private individuals and groups unrelated to public agencies; trust enrollees should have the benefit of the same minimum standards and consumer protections as the law currently imposes on regulated health benefits plans; to assure their financial solvency and public accountability, joint labor management trusts should be specifically defined in law as public agency health and welfare trusts; and the trusts should either be expressly recognized in the Insurance Code and be appropriately regulated by the Department of Insurance, or be required to file an annual report of financial transactions with the State Controller, and the Controller should be given the statutory duty to audit and review the financial solvency of trusts.

Stopping the Violence: Creating Safe Passages for Youth (April 1995), part of AOR's *California Children, California Families* series [13:2&3 CRLR 40; 10:2&3 CRLR 59], examines the causes of youth violence and programs aimed at reducing or eliminating youth violence. According to AOR, 24,697 reports of child abuse of youth between ages 10-15 were filed in 1992; youth homicides rose from 492 in 1988 to 828 in 1991; juvenile arrests for violent crime increased 64% between 1987 and 1992; and middle and high school officials reported 69,191 assaults at schools and confiscated 5,107 guns and knives during the 1988-89 school year. AOR noted that during the past two years, the federal government, the California legislature, and local governments have increased penalties and re-drafted sentencing guidelines for juvenile crimes; however, less attention has been focused on strategies to prevent juvenile violence and stop troublesome pre-delinquent behavior from escalating into violent crimes. AOR further stated that although additional public funding has been provided for very young children, the state has neglected older children and young adolescents between the ages of 9-15.

According to AOR, the causes of youth violence include victimization and child abuse, domestic violence, unstable and violent neighborhoods, poverty and high unemployment, substance abuse, easy access to guns, and television violence. AOR contended that the few state or federal programs aimed at troubled youth aged 9-15 are generally spread thinly throughout the state, crisis- rather than prevention-oriented, client-specific (offering services only to eligible children and not their families), fragmented, and not held accountable for the results of their services. However, AOR found that two state programs—Healthy Start and the Juvenile Crime Prevention Program—hold promise to prevent high-risk behavior among older children and young adolescents.

AOR also noted that in order to identify the most effective strategies to address youth problems, a focus group of professionals from law enforcement, juvenile justice, education, and community youth programs recently met and formulated five diverse approaches related to schools and state agencies which could help prevent children with troublesome behavior from slipping into violence and delinquency. Specifically, the focus group recommended that the state, local government, and community agencies encourage the creation of community schools with integrated services; provide more individualized attention to troubled children and

adolescents; encourage schools, as well as programs serving youth, to implement values and decisionmaking curricula; ensure that schools are safe places for children; and coordinate youth programs among state agencies.

SENATE OFFICE OF RESEARCH

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Established and directed by the Senate Committee on Rules, the Senate Office of Research (SOR) serves as the bipartisan, strategic research and planning unit for the Senate. SOR produces major policy reports, issue briefs, background information on legislation and, occasionally, sponsors symposia and conferences.

Any Senator or Senate committee may request SOR's research, briefing, and consulting services. Resulting reports are not always released to the public.

MAJOR PROJECTS

Health Care Reform in California: Options for Further Reform (February 1995) is a briefing report for the Senate Insurance Committee, chaired by Senator Herschel Rosenthal. The report examines the problems associated with health care reform in California, summarizes health care reforms enacted to date in California (as well as those adopted in other states and under consideration at the federal level), and presents options for further reform for the legislature's consideration during the 1995-96 session.

The SOR report discusses California's problems of declining insurance coverage, rising insurance costs, and increasing cost shifting. The number of Californians covered by job-based insurance or other coverage declined from 73% in 1979 to 63% in 1993. During the same time period, the number of Californians who are uninsured increased from 15% to 20%, and the number of Californians covered by Medi-Cal increased from 12% to 16%. According to SOR, many factors are responsible for the rapid rise in the uninsured population, including shifts in the job base from high-insuring sectors (such as manufacturing) to traditionally low-insuring sectors (such as services and small businesses); shifts in the job base from full-time employment to part-time and seasonal employment; and the economic recession. Additionally, health care costs over the last decade have risen at roughly double the rate of general inflation, causing many employers to shift the responsi-