Board of Podiatric Medicine, and the Athletic Commission are authorized to suspend licenses on an interim basis and issue other interim orders imposing drug testing, continuing education, supervision of procedures, or other license restrictions. *[A. CPGE&ED]*

AB 652 (Speier), as amended May 4, would require state agencies to conduct customer service programs as part of their regular staff training and development activities. *[A. W&M]*

AB 1287 (Moore), as amended May 4, would, until January 1, 1997, enact a comprehensive scheme for the regulation and registration of "self-help legal services providers" (also known as "legal technicians" or "independent paralegals") under the jurisdiction of DCA. *[A. Jud]*

AB 1392 (Speier), as amended April 14, would require every board, commission, examining committee, or other agency within DCA to notify DCA whenever any complaint has gone thirty days without any investigative action. The bill would also require DCA to determine when a backlog of complaints justifies the use of Department staff to assist in complaint investigation, and would authorize the DCA Director to review any complaint filed with a board, commission, examining committee, or other agency within DCA. *[A. Floor]*

AB 1067 (Baca), as introduced March 2, would repeal current provisions regarding the regulation of sellers of travel, defined to mean any person who in this state offers for sale, at wholesale or retail, transportation, or transportation-related services at a fee, commissions, or other valuable consideration. The bill would also create a State Travel Sellers Authority and a Travel Advisory Commission thereunder within DCA and specify registration requirements. *[A. CPGE&ED]*

AB 795 (Bowler), as amended March 29, would require all public entities that receive state funds to hold all meetings, retreats, and conferences in California, unless the public entity can establish a compelling reason for not doing so or the out-of-state meeting is sponsored by the National League of Cities or the National Association of Counties. *[A. LGov]*

SB 993 (Kelley), as introduced March 5, would state the intent of the legislature that all legislation becoming effective on or after January 1, 1995, which either provides for the creation of new categories of health professionals who were not required to be licensed on or before January 1, 1994, or revises the scope of practice of an existing category of health professional, be supported by expert data, facts, and studies, including prescribed information, and be presented to all legislative committees of the legislature that hear that legislation prior to its enactment. *[S. B&P]*

SB 500 (Hill), as amended May 18, would authorize the Department of Finance to develop a performance budgeting pilot project, in accordance with specified principles, involving four state departments, including DCA, to be implemented during the 1994–95 fiscal year. The bill, if passed, would take effect immediately as an urgency statute. *[S. Appr]*

SB 47 (Lockyer), as introduced December 17, would require specified retailers to specify the four-hour period within which service or repair of merchandise will commence prior to the date of service or repair. *[A. CPGE&ED]*

SB 1010 (Watson). Existing law provides that it is the policy of this state that the composition of state boards and commissions be broadly reflective of the general public, including ethnic minorities and women. As introduced March 5, this bill would require the Governor and every other appointing authority to annually publish, and make available to the public, a report containing the number of appointments made to any state body to which the above policy applies, indicating each appointee's gender and ethnic heritage. *[S. Rls]*

AB 1926 (Peace). Under existing law, it is unlawful to make a false or fraudulent representation in connection with the payment of motor vehicle or other specified insurance claims or to commit certain fraudulent acts with respect to automotive repair. As introduced March 5, this bill would require all DCA boards to revoke the licenses of any licensees found to have violated any of the specified insurance fraud laws. *[A. F&I]*

OFFICE OF THE LEGISLATIVE ANALYST

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Created in 1941, the Legislative Analyst's Office (LAO) is responsible for providing analysis and nonpartisan advice on fiscal and policy issues to the California legislature.

LAO meets this duty through four primary functions. First, the office prepares a detailed, written analysis of the Governor's budget each year. This analysis, which contains recommendations for program reductions, augmentations, legislative revisions, and organizational changes, serves as an agenda for legislative review of the budget. Second, LAO produces a companion document to the annual budget analysis which paints the overall expenditure and revenue picture of the state for the coming year. This document also identifies and analyzes a number of emerging policy issues confronting the legislature, and suggests policy options for addressing those issues. Third, the Office analyzes, for the Assembly Ways and Means Committee and the Senate Appropriations and Budget and Fiscal Review Committees, all proposed legislation that would affect state and local revenues or expenditures. The Office prepares approximately 3,700 bill analyses annually. Finally, LAO provides information and conducts special studies in response to legislative requests.

LAO staff is divided into nine operating areas: business and transportation, capital outlay, criminal justice, education, health, natural resources, social services, taxation and economy, and labor, housing and energy.

MAJOR PROJECTS

LAO Analyzes 1993–94 Governor's Budget. In January, LAO released *An Overview of the 1993–94 Governor's Budget*; this document was followed by the February release of *Analysis of the 1993–94 Budget Bill*, LAO's comprehensive examination of budget issues facing the state. LAO noted that, in light of the continuing state recession and the magnitude of actions already taken in recent years, resolving the state's fiscal crisis will require a fundamental rethinking of governmental responsibilities in California. According to LAO, although the Governor's proposed budget recognizes the magnitude of the crisis and proposes major changes in state fiscal policy, the budget as presented does not adequately address the problem and should not be adopted as proposed.

According to LAO, the state faces a budget gap of $8.6 billion for 1993–94; this consists of a carryover deficit from 1992–93 of $3.4 billion and a $5.2 billion operating shortfall between baseline spending and estimated revenue in 1993–94. The Governor's budget proposes to address the budget gap by shifting $4.3 billion of costs to other levels of government; reducing program funding by $2.4 billion; raising $.9 billion through cost deferrals and revenue accelerations; and increasing resources by $.9 billion through repealing the renters' credit and the small business health care tax credit.

LAO noted that the current year will be the third consecutive year in which the state budget has had an ending deficit of more than a billion dollars, despite the fact that each of these budgets appeared to be balanced when they were adopted. As a result, LAO estimated that the outlook for 1993–94 is essentially no different than in recent years, except that prior state actions have shortened the list of available options. According to LAO, the state's fiscal problems present the legislature with the following three questions to resolve during its budget negotiations: (1) How much can spending be cut? (2) Can the state afford to raise taxes? and (3) Can the state afford to roll the deficit over? LAO recommends that all available options must be considered if a workable solution is to be put in place.

In addition to its analysis of the Governor's proposed budget, LAO also released its companion document, *The 1993–94 Budget: Perspectives and Issues*, during February. Among other things, this publication provides an overall perspective on the serious fiscal problem currently facing the state; describes the current economic situation and the administration's forecast for the budget year; provides a review of the revenue projections in the budget and assesses their reliability; provides an overview of the state spending plan for 1993–94 and evaluates the major expenditure proposals in the budget; and discusses the issue of public sector restructuring.

LAO Again Proposes Major Restructuring Within DCA. In its *Analysis of the 1993–94 Budget Bill*, one of LAO's numerous recommendations for streamlining state government proposes that the legislature eliminate the separate agencies within the Department of Consumer Affairs (DCA); eliminate the state's regulatory role in thirteen currently-regulated areas; and consolidate the remaining regulatory functions under the DCA Director. LAO's recommendations regarding this consolidation are similar to those it made to no avail in its review of the 1992–93 Budget Bill. *[12:2&3 CRLR 53]* According to LAO, the following problems exist with the current structure:

• Most appointed board members are representatives and practitioners of the occupations and professions they license and regulate; this may create conflicts of interest and diminish public confidence in the effectiveness of the regulatory process.

• Most boards and bureaus have their own regulatory and administrative staff, management, and offices, even though many of those entities have extremely small staffs. As such, the state cannot take advantage of the economies of scale that would be realized if there were a pool of staff to perform the overall licensing and regulatory responsibilities.

• Boards maintain separate databases regarding their licensees' activities, such as complaints filed, enforcement actions, and dispositions; this makes it difficult for boards to cross-check licensees' records in order to prevent, where appropriate, licensees barred from one profession from becoming licensed in another similar profession.

• The fragmentation of licensing and regulatory activities makes it difficult for licensees as well as the general public to access the regulatory bodies for needed information.

According to LAO, eliminating the separate boards and bureaus is necessary to promote the effectiveness and responsiveness of the state's regulatory process, and would result in potential multimillion-dollar savings annually to special funds by reducing the cost of administration and management overhead.

Next, LAO recommended that the state stop regulating several consumer-related business activities. In determining whether the state should continue to regulate a particular area, LAO recommended that the state consider whether the board or bureau protects the public from a potential health or safety risk that could result in death or serious injury; whether the board or bureau protects the consumer from severe financial harm; and whether there are federal mandates that require the state to regulate certain activities. Based on its criteria, LAO recommends that the state remove its regulatory authority over activities currently licensed by the following agencies: the Board of Accountancy, the Athletic Commission, the Board of Barbering and Cosmetology, the Board of Guide Dogs for the Blind, the Cemetery Board, the Bureau of Investigative and Collection Services, the Bureau of Electronic and Appliance Repair, the Board of Funeral Directors and Embalmers, the Bureau of Home Furnishings and Thermal Insulation, the Board of Landscape Architects, the Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun, the Certified Shorthand Reporters Board, and the Tax Preparers Program.

Finally, LAO recommended that the remaining DCA boards, along with the Osteopathic Medical Board of California and the Board of Chiropractic Examiners, be consolidated within DCA. LAO also noted that the legislature should ensure that any regulatory function that is sustained as a state responsibility is addressing adequately the legislature's goals and objectives regarding the particular activity; thus, for any state regulatory function that the legislature decides to continue, the boards or bureaus responsible for the specific functions should be required to demonstrate to the legislature how they meet these goals and objectives and why continuation is necessary. Specifically, LAO recommended that the boards and bureaus inform the legislature of the following: the process used to ensure competency of licensees; the frequency of onsite investigations and the results of those investigations; types of complaints filed and how complaints are processed and resolved; and types of disciplinary actions initiated against violators and the outcome of those actions.

LAO's Advice to Legislature: Make Government Make Sense. In a component of its *Perspectives and Issues* document entitled *Making Government Make Sense*, LAO recommended a major overhaul in the assignment of program responsibilities and revenue allocations among state and local government which, taken together, LAO contends would serve to improve the overall effectiveness of California's system of government. According to LAO, state and local governments do not work together to achieve the public's goals. Rather, LAO contends that the component parts of the state's system have no common conception of mission, and often work at cross-purposes with each other. According to LAO, the following problems exist in California's state-local relationships:

• ***Counterproductive Fiscal Incentives.*** Fiscal incentives are present which encourage decisionmakers to choose the least costly option from their perspective, even when this option is the least effective or most costly option from a statewide or overall program perspective.

• ***Inappropriate Assignment of Responsibilities.*** Existing assignments do not recognize constraints on the ability of the state or local government to carry out program responsibilities.

• ***Failure to Avoid Duplication and Realize Scale Economies.*** The existing system requires extensive duplication of efforts by local agencies and the state in the administration of programs, and precludes the realization of scale economies that might be achieved through consolidation of these efforts.

• ***Inappropriate Exercise of Administrative Oversight.*** Existing program reporting and monitoring requirements serve little useful purpose, and divert scarce resources from more productive uses.

• ***Unproductive Competition for Resources.*** The existing system pits local agencies against each other in competition for taxpayer resources. This competition sacrifices good land use practices, job development, and interagency cooperation in the process.

• ***Lack of Accountability for Program Outcomes.*** The system fails to adequately link program spending control and funding responsibility, so that decisionmakers are not accountable for program outcomes.

• ***Erosion of Local Control.*** The system has eroded local fiscal capacity by redirecting local resources to pay for increasing costs of state-required programs.

In developing its proposed reorganization model, LAO relied on four basic principles of reform: maximize separation of state and local government duties through appropriate alignments of control and funding responsibilities; match redistributive programs with redistributive revenue sources at the highest level of government; recognize program linkages by restructuring to promote coordination of service delivery mechanisms, removing barriers to innovation; and rely on financial incentives to promote prevention and coordination.

In choosing which duties should be assigned to the state, LAO first determined which duties represent truly statewide functions, in that state control is needed to ensure adequate service levels. Specifically, LAO looked at whether the costs or benefits of a program are restricted geographically; whether service level variation will create adverse incentives for migration; and whether uniformity is needed to achieve statewide objectives. Responsibilities which LAO recommends be delegated to the state include administering cash grant programs (*e.g.*, Aid to Families with Dependent Children (AFDC)), basic health care (*e.g.*, Medi-Cal), public health, welfare administration, child support enforcement, unemployment insurance and disability insurance administration, higher education, long-term custody, trial courts, appeals courts, state parks, and K–12 school funding.

LAO assigned all community-based service programs to local governments, such as the administration of mental health programs, child welfare services, foster care, adult protective services, substance abuse services, job training and employment, Greater Avenues for Independence (GAIN), district attorney and public defender duties, probation/parole, jails/corrections, and police. Although the changes in program responsibility would have the net effect of shifting program costs from the state to the local government level, the model would offset the cost shifts by allocating a higher share of the local property tax to cities and counties.

LAO acknowledged that some of its proposed changes would require the elimination or addition of provisions in the state Constitution, and others may not be permitted under existing federal laws or regulations, or would require the creation of new oversight mechanisms at the state level. LAO also conceded that the changes it has proposed are potentially disruptive to both the citizens and institutions of this state. Notwithstanding that fact, LAO contended that continued reliance upon the existing system of state and local government entails a far larger risk to the public—the failure to move forward in resolving the social and economic problems of the state. Finding no alternative to such a reorganization in the long run, LAO concluded by recommending that the legislature set in motion a process for implementing a major restructuring of state and local government responsibilities.

In a May 4 follow-up report entitled *Making Government Make Sense: Applying the Concept in 1993–94*, LAO stated that certain budget proposals currently under consideration, such as the proposed shift of local property tax revenues to school districts, would make it more difficult to implement the *Making Government Make Sense* concept in the future. Contending that the legislature needs to consider proposals that not only avoid increasing the dysfunctionality of the current system, but also make progress toward the type of fundamental restructuring of responsibilities it previously proposed, LAO presented an alternative budget proposal for the legislature's consideration.

Specifically, LAO's proposal involves what it calls "the most likely revenue alternative"—an extension of the state's temporary half-cent sales tax. LAO recommended that the tax be used to support a transitional mechanism to begin the process of restructuring, by allocating the sales tax revenues to county governments to offset costs associated with program transfers and cost-sharing ratio changes. In return for the sales tax revenue, the program would transfer from the state to the counties program and funding responsibility for three components of the criminal justice system (juvenile justice, adult parole/supervision, and adult parole/return-to-custody) and for substance abuse programs; the proposal would also require counties to assume 100% of the non-federal costs for the following programs: AFDC-Foster Care, Child Welfare Services, GAIN, Adoption Assistance, and County Services Block Grant.

According to LAO, this proposal would reduce the state's general fund expenditures by approximately $1.4 billion and shift a like amount of sales tax revenue to the counties to cover their increased costs; according to LAO, this approach makes progress toward the goal of a more rational system of government in California.

LEGISLATION

ACA 2 (Hannigan), as introduced December 7, would provide that statutes enacting budget bills shall go into effect immediately upon their enactment and eliminate the two-thirds vote requirement for the passage of appropriations from the general fund. *[A. Inactive File]*

ACA 3 (Richter), as introduced February 1, would amend the California Constitution to require, in any year in which a budget bill is not passed by the legislature before midnight on June 30, that each member of the legislature forfeit all salary and reimbursement for living expenses from July 1 until the date that the budget bill is passed by the legislature and, in addition, pay the sum of $100 per day from July 1 until the date of the passage. *[A. Rls]*

ACA 21 (Areias), as introduced March 5, would provide that if the Governor fails to sign a budget bill on or before June 30, then on July 1 an annual budget that is the same amount as that which was enacted for the immediately preceding fiscal year shall become the state's interim budget for the new fiscal year and the balance of each item of that interim budget shall be reduced 10% each month, commencing August 1, until a new budget bill has been signed by the Governor. *[A. Rls]*

SB 1171 (Alquist), as introduced March 5, would eliminate the requirement that the Legislative Analyst prepare a judicial impact analysis on selected measures referred to specified legislative committees, and require LAO to conduct its work in a strictly nonpartisan manner. *[S. Rls]*

SB 1172 (Alquist), as introduced March 5, would eliminate the requirement that the Legislative Analyst evaluate the workload of the State Bar Court and submit a final written report of his/her findings and conclusions to specified committees. *[S. Rls]*

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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 ex-