things, required DCA to administer and enforce the provisions of the Filante Tanning Facility Act of 1988.

OFFICE OF THE LEGISLATIVE ANALYST

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 consists of approximately 75 analysts and 24 support staff. The 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

California's 1992–93 Budget Enacted. On September 2, following a period of more than two months during which the state government operated without a budget, Governor Wilson finally signed California's 1992–93 budget into law; the enactment of the budget ended the state's reliance on IOUs, or registered warrants, which the state had been issuing since the beginning of the fiscal year on July 1. In addition to the Budget Act itself, the budget package includes 23 "trailer bill" measures that make the statutory amendments necessary to achieve budgeted savings.

Although the $57.4 billion budget largely spares the public schools and the state prison system, it requires deep cuts into health and welfare services for the poor, higher education, and local governments; overall, the budget results in a 5.2% reduction from last year's spending, the first such decline in over fifty years. Although the budget contains no direct tax increases, it does increase general fund revenues through various indirect taxation methods, such as requiring the transfer of money from special-funded state regulatory agencies, boards, and commissions to the state's general fund (*see supra* COMMENTARY). Additionally, the budget eliminates 47 advisory boards, including advisory boards to the Bureau of Automotive Repair, the Bureau of Home Furnishings and Thermal Insulation, the Bureau of Electronic and Appliance Repair, the Tax Preparer Program, and the Bureau of Collection and Investigative Services.

Commencing on September 8, LAO released a series of reports analyzing major features of the 1992–93 California budget. Included among LAO's findings are the following:

• ***Local Government Funding.*** LAO noted that from a fiscal perspective, the primary feature affecting local governments is a $1.3 billion reduction in property tax funding for 1992–93 contained in SB 844 and SB 617. LAO noted that the local government funding reductions are primarily accomplished by reducing local governments' share of the local property tax revenues and simultaneously increasing the share that is allocated to local school districts; the increased school district property tax revenues then reduce the amount of funds that the state is required to provide to the school districts. Also, cities' and counties' share of the state's cigarette tax revenues are permanently reallocated to the general fund, and certain state-mandated local programs were made optional for the 1992–93 year, so that no state reimbursement will be provided to any local agencies which choose to continue compliance with such mandates. LAO concluded, "Local agencies will experience major funding reductions for 1992–93. It is likely that these funding reductions will result in service reductions as well as tax and fee increases locally."

• ***Health and Welfare Funding.*** LAO noted that the 1992–93 budget includes $12.8 billion from the general fund and $3 billion from state special funds for health and welfare funding; the general fund allocation to such programs constitutes a 7% decrease from estimated spending for these programs in 1991–92. For example, the maximum grants under the Aid to Families with Dependent Children (AFDC) program were reduced by 4.5% from their 1991–92 levels. Further, the Department of Social Services is directed to seek federal waivers in order to reduce AFDC grants by an additional 1.3%, for a total reduction of 5.8%. Similar cuts were also made to the Supplemental Security Income/State Supplementary Program, the General Assistance program, in-home supportive services, regional centers for the developmentally disabled, Medi-Cal, and public health programs. In addition to budget cuts, the state budget also calls for various cost-saving measures to be implemented by these programs. For example, the state anticipates that the largest savings in the Medi-Cal program will come from accelerated implementation of various "managed care" programs, in which Medi-Cal providers are paid a fixed amount per person to provide services; the usual "fee-for-service" system pays Medi-Cal providers for individual services they provide.

• ***Judiciary and Criminal Justice Funding.*** The 1992–93 budget for judiciary and criminal justice programs includes $3.6 billion from the general fund and $377 million from state special funds; the general fund amount represents a reduction of 6.2% below estimated spending for these programs in 1991–92. LAO noted that trial court programs received significant unallocated reductions while judiciary and correctional programs received small funding reductions—relative to their overall appropriation.

• ***General Government Spending.*** According to LAO, each fiscal year specified amounts are transferred from special funds to the general fund to finance certain state activities. In 1992–93, however, several additional transfers were required in order to address the general fund's revenue shortfall. As noted above, special-funded agencies must reduce their expenditures by 10% during 1992–93, and transfer that amount to the general fund on June 30, 1993. The 1992–93 Budget Act also eliminates funding for 47 advisory boards and commissions and restricts funding for most remaining advisory boards and commissions to six months. Additionally, the Wilson administration asked for and obtained legislative approval of Memoranda of Understanding (MOUs) for 19 state employee bargaining units; among other things, the MOUs will hold the state's contributions for the cost of premiums for health benefits constant to the 1991–92 level for the next three years.

• ***Higher Education Funding***. LAO noted that the 1992 Budget Act provides 11% less in general fund support for the University of California (UC) in 1992–93 than in 1991–92; 7% less for the California State University; and 2.5% less for California community colleges. Also, the budget calls for a 15% decrease in funding for Cal Grants offered through the Student Aid Commission.

• ***Proposition 98 Education Funding***. According to LAO, the Proposition 98 portion of the 1992 budget package includes a "recapture" of funds appropriated above the minimum funding level for 1991–92; a downward revision of the minimum funding guarantee for 1992–93; loans to schools and community colleges; and a $1.3 billion shift of property taxes from cities, counties, redevelopment agencies, and special districts to school and community college districts.

Californians Address Fiscal Matters on November Ballot. Proposition 165, which is known as the Governmental Accountability and Taxpayer Protection Act of 1992 and qualified for the November ballot, is Governor Wilson's attempt to increase the power of the Governor in the budget process and to reduce welfare payments. Among other things, the initiative would:

–require the Governor to submit his proposed budget to the legislature on March 1 each year, instead of January 10;

–suspend the salaries, travel, and living expenses of legislators and the Governor if the legislature fails to submit a budget bill to the Governor by the constitutional deadline of June 15;

–permit the Governor to declare a fiscal emergency and reinstate the prior year's budget, with some increases, when a new budget has not been signed by the start of the fiscal year on July 1. The Governor could make budget-balancing cuts that take effect in thirty days, unless a new budget is signed;

–permit the Governor to declare a fiscal emergency if revenues, costs, or both are off by 3% after the new fiscal year begins. Budget-balancing cuts identified by the Governor would take effect in thirty days, unless the legislature, by a two-thirds vote, passes an alternative plan which the Governor signs; and

–permit the Governor, during a fiscal emergency, to issue an executive order to furlough or cut the salaries of state employees who are not covered by union-negotiated contracts to save up to 5% of their pay.

Proposition 165 also includes substantial changes in the state's AFDC program. Among other things, Governor Wilson's initiative would:

–reduce AFDC's maximum aid payment (MAP) by 10%, and by an additional 15% after a family (1) has been on aid for more than six months, or (2) went off aid after six months and returned to the program within 24 months;

–entirely eliminate the three pregnancy-related AFDC benefits currently extant;

–provide that during their first twelve months of residence in California, AFDC applicants from other states are eligible for a grant based on the lesser of the grant they would receive using California's eligibility requirements or the MAP in their former state;

–require parents under a specified age to remain in the home of their parent, guardian, or adult relative, or in certain other living arrangements, in order to receive AFDC; and

–eliminate automatic cost of living adjustments for most AFDC programs.

According to LAO, Proposition 165 would result in annual savings of about $680 million to the general fund and $35 million to counties, due primarily to the substantial reductions in the AFDC program. In support of his initiative, Governor Wilson contends that Proposition 165 is necessary to protect education and the future of California's children; however, the measure is opposed by child advocate organizations statewide, including the Children's Advocacy Institute, Children Now, and the California Child, Youth & Family Coalition.

Another measure appearing on the November ballot, Proposition 167, would increase state tax rates for maximum personal income taxpayers, corporations, banks, insurance companies, and oil companies; reduce the statewide sales tax rate to 5.75% on January 1, 1993, and to 5.25% on July 1, 1993; exempt specified snack foods and newspapers from sales tax; extend the renters' credit to all renters; and require county tax assessors to reassess property whenever 50% of the interest in a business is sold, and to presume this occurs once in every three-year period, unless it is proven not to have been sold.

According to LAO, Proposition 167 would increase state tax revenues by roughly $340 million in 1992–93, and $210 million annually through 1995–96; provide additional annual revenue increases of roughly $1 billion beginning in 1996–97; replace state expenditures on schools with increased local property tax revenue of $350 million to $700 million annually beginning in 1993–94; increase property tax revenue to local governments by $750 million to $1.4 billion annually, beginning in 1993–94; and reduce sales tax revenue to local governments by about $95 million in 1992–93 and $200 million annually thereafter. However, LAO also noted that the actual fiscal impact could differ significantly from these estimates, depending on how individuals and businesses respond to the measure's tax changes.

Fate of LAO Also Riding on November Ballot. Also on November's ballot is Proposition 158, which would create the Office of California Analyst to replace LAO, and establish the Office in the state constitution. Spending for the office would not be included as a legislative expenditure for purposes of Proposition 140, which imposed a 38% budget cut on the legislature; in the wake of Proposition 140, legislators cut LAO's budget by 55% in order to comply with the required spending limits. If Proposition 158 is successful, the Office would not face future threats of significant funding decrease or elimination as a result of the legislature's need to limit its spending.

LEGISLATION

SB 1475 (Kopp) would have required the state ballot pamphlet to contain a section near the front of the pamphlet providing a concise summary of the general meaning and effect of "yes" and "no" votes on each measure; the bill would have required the summary statement to be prepared by LAO or, under specified circumstances, the Legislative Counsel. This bill was vetoed by the Governor on September 27.

SB 458 (Killea) would have created the California Constitution Revision Commission, prescribed its membership, specified its powers and duties, and required it to submit a report to the Governor and the legislature no later than July 1, 1993, setting forth its findings with respect to the formulation and enactment of a state budget and recommendations for the improvement of that process. This bill was vetoed by the Governor on September 30.

SB 986 (Alquist) deletes obsolete provisions and revises others relating to the duties of the Legislative Analyst, and transfers various annual report duties of the Legislative Analyst to specified state agencies. This bill was signed by the Governor on September 30 (Chapter 1296, Statutes of 1992).

The following bills died in committee: **SCA 35 (Lockyer)**, which would have enacted the Balanced Budget Act of 1992 and expressed legislative findings in that connection; **AB 2893 (Andal)**, which would have restored the 5% salary reduction for specified state employee managers and supervisors ordered by the Wilson administration in the 1991–92 budget; **ACA 53 (Mountjoy)**, which would have required the Governor to submit a budget to the legislature by March 1 of each calendar year, and required the Governor and members of the legislature to forfeit all salary, travel, and living expenses if the legislature fails to pass a budget bill by June 15 of each year; **AB 2288 (Isenberg)**, which would have established a twelve-member Commission on California Fiscal Affairs; and **AB 34 (Wyman)**, which would have required LAO or the Legislative Counsel to prepare a condensed version or digest of each impartial analysis which the Office is required to prepare for each measure appearing in the official ballot pamphlet.

■ LITIGATION

On June 18, the California Supreme Court denied review of ***Claypool v. Wilson***, 4 Cal. App. 4th 646 (1992), in which the Third District Court of Appeal rejected a petition for writ of mandate filed by members of the Public Employees' Retirement System (PERS) and their employee organizations challenging the constitutionality of two parts of AB 702 (Frizzelle) (Chapter 83, Statutes of 1991). AB 702 repealed previous supplemental cost of living (COLA) programs, transferring the funds to be used to offset contribution otherwise due from PERS employers, thus lowering the amount the state would have to contribute. Petitioners contended that the repeal violated the contracts clause of the California Constitution. *[12:2&3 CRLR 55]*

On June 25, the California Supreme Court denied review of ***Department of Personnel Administration v. Superior Court, Cecil Green, et al., Real Parties in Interest***, 5 Cal. App. 4th 155 (1992), in which the Third District Court of Appeal upheld a trial court determination that the California Department of Personnel Administration did not have the authority to impose its last, best offer on wages after bargaining to impasse. *[12:2&3 CRLR 55]*

ASSEMBLY OFFICE OF RESEARCH

Director: Sam Yockey
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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 extensive studies regarding problems facing the state.

Under the director of the Assembly's bipartisan Committee on Policy Research, 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

AOR released no reports between May 15–September 25, 1992.

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

An Overview of the Budget Solution for 1992–93 (September 1992) analyzes key provisions of the 1992–93 budget compromise signed by Governor Pete Wilson on September 2, a record 63 days into the new fiscal year. Among other things, the $57 billion package reduces funding in virtually all areas of government, despite the state's steady population growth; reduces state welfare grants for a second consecutive year; and significantly increases fees at public universities. According to SOR, the budget's deep cuts were required to reduce an $8 million deficit aggravated by the continuing economic recession. The fiscal problems follow a record $14.3 billion revenue shortfall last year, ultimately addressed by a combination of tax increases and budget cuts.

The 1992–93 budget includes overall cuts in general fund spending from 1991–92 levels of 10.6% for the University of California (UC) and 7.5% for the California State University (CSU) system. The final budget increased the student fees at CSU by 40% and at UC by 24% over 1991–92 levels. Under SB 1972 (Hart), tuition will be charged to CSU and UC students who have obtained degrees and are taking courses toward duplicate or lesser degrees. The budget does not include additional money for the Student Aid Commission to help students who experience financial hardship because of the UC and CSU fee increases; instead, the Commission's budget will be cut by about 15%.

Regarding K–12 education, schools will receive as much per student as they did in 1991–92, although no new money will be built into their base for future spending calculations. Funding for K–12 education will remain at $4,185 per average daily attendance; maintaining the same level of per-student spending will require a loan of $732 million for the K–12 schools.

Health and welfare programs will face major reductions in funding. Although the Governor's proposed permanent elimination of a number of Medi-Cal benefits was rejected in the final budget compromise, many other cuts in vocational rehabilitation, mental health services, developmental services, social services, and health services were accomplished by the health and welfare trailer bills. In the area of social services, a savings of $394 million is projected from an average 5.8% reduction in monthly benefits for those who receive Aid to Families with Dependent Children (AFDC); the precise cuts will vary by region, with the consent of the federal government. Although significant, these benefit reductions are less than the 10% cut proposed by Wilson in Proposition 165, which qualified for the November ballot; Wilson's initiative also would impose an additional 15% cut in benefits for AFDC families who receive aid more than six months. The 1992–93 budget package also permits counties to scale back their general assistance (GA) welfare grants by adjusting the "cap" levels on GA grants, reducing grants to reflect differences in the cost of housing in various parts