SB 2823 (Garamendi) would delete the January 1, 1992 sunset date in the statute which authorizes DCA's dispute resolution advisory council and for dispute resolution programs to be operated pursuant to contract by counties who desire to participate under specified circumstances. This bill passed the Senate on June 1, and is awaiting committee assignment in the Assembly at this writing.

AB 3345 (Floyd), as amended May 15, would expand the list of agencies subject to the California Public Records Act, thereby requiring those state agencies to establish guidelines for accessibility of public records. This bill is pending in the Senate Governmental Organization Committee.

AB 2757 (Moore), as amended May 15, would require the directors of specified state agencies to each conduct a study on the operational changes which would be needed to facilitate the operation of its offices on an extended hours basis, as defined. This bill passed the Assembly on May 21 and is pending in the Senate Governmental Organization Committee.

AB 3167 (Speier), as amended June 12, would require all state agencies (with specified exceptions) and offices maintained by the legislature which provide over-the-counter information and services directly to the public to provide those services during specified lunch hours. At this writing, this bill is pending in the Senate Governmental Organization Committee.

The following bills is a status update on bills reported in detail in CRLR Vol. 10, No. 1 (Winter 1990) at page 41:

AB 1272 (Eastin), which would have provided for contact between DCA and the consumer programs of each state agency, failed passage in the Assembly on January 24.

AB 718 (Frazee), which would have expanded disclosure rights of consumers who lease motor vehicles; *SB 1078 (Dills)*, which would have prevented the imposition of fines for violations of unfair business practices statutes where the violator has paid other penalties for the same conduct; *SB 787 (Rosenthal)*, which would have altered disclosure requirements in the sale of a used car; *AB 552 (Moore)*, which would have expanded buyers' rights of cancellation for motor vehicle purchase contracts; and *AB 1578 (Murray)*, which would have broadened landlord rights to evict tenants engaged in unlawful conduct, all died in committee.

LITIGATION:

In *J.J. & J. Porter, Inc., dba Check-X-Change v. Municipal Court of Sacramento County, Small Claims Division*, No. 362792 (Sacramento County Superior Court), DCA filed an *amicus curiae* brief supporting the policy of many small claims divisions which prevents check-cashing companies from filing in small claims court. The issue in *Check-X-Change* is whether check-cashing companies are assignees who are prohibited from collecting in the small claims division by section 117.5 of the Code of Civil Procedure. The Sacramento Municipal Court's policy is endorsed by the Attorney General's Office and DCA.

Mary Alice Coleman, staff counsel for DCA's Legal Services Unit, argued in the brief that allowing check-cashers access to small claims court would clog a forum reserved for legally unsophisticated litigants who have disputes of $2,000 or less. DCA is concerned that individual claimants may be unable to file because the number of cases filed by check-cashing companies will clog the small claims court's docket. The brief also raises the issue of whether it is fair to allow a more sophisticated claimant who has charged a fee to cash a check to use a resource developed for one-on-one disputes.

The Sacramento County Superior Court granted Check-X-Change's petition for writ of mandamus. The Municipal Court appealed the decision to the Third District Court of Appeal, where it is pending at this writing (No. 3 CIV C008320). DCA intends to file an *amicus curiae* brief in support of the appellant small claims court.

LEGISLATIVE ANALYST'S OFFICE

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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 consists of 76 professionally trained analysts and 26 support staff. The staff is divided into ten operating sections, each of which is responsible for a specific subject area. These areas are health, welfare and employment, taxation and economic research, agriculture and natural resources, business and transportation, criminal justice, employee compensation and general service agencies, education, capital outlay, and long-term policy issues.

MAJOR PROJECTS:

Analysis of the 1990-91 Budget (January 1990). As is usual every year, LAO has published an analysis of the Governor's Budget for 1990-91. The analysis contains findings and recommendations on the funding levels proposed in the budget. To enhance legislative oversight of the proposed budget, LAO has separately highlighted major issues facing the legislature. The recommendations are offered to assist the legislature in its efforts to fashion a budget which reflects legislative priorities.

LAO notes that the Governor's Budget assumes that the state's economy will continue to expand at a moderate pace during 1990 and 1991, and that overall revenues will increase by 8.4%. However, general fund revenues for 1989-90 are considerably lower (by approximately $875 million) than forecast by the Governor's administration last year; that deficit is currently being made up with funds from state's reserve fund, which must be replenished in 1990-91 to the usual 3%-of-expenditures level. LAO estimates that, if the legislature were to approve the Governor's Budget as proposed, the state would be left with a $1.9 billion "funding gap" relative to the amount of resources that would be needed to maintain existing service levels.

LAO's analysis is accompanied by a companion document entitled *The 1990-91 Budget: Perspectives and Issues.* The purpose of this document is to assist the legislature in setting its priorities in the 1990-91 Budget Act, by providing perspectives on the state's fiscal condition and identifying some of the major issues now facing the legislature. This document is divided into four parts:

(1) "State Fiscal Picture" provides an overall perspective on the fiscal dilemma the legislature faces in the coming year.

(2) "Perspectives on the 1990-91 Budget: Expenditures" presents data on the state's spending plan, focusing on proposed general fund and special fund expenditures. It provides an overview of state spending in each program area over the last decade, the factors which contributed to this trend, the priorities reflected in the Governor's Budget, and the major program changes proposed for 1990-91.

(3) "Perspectives on the 1990-91 Budget: Revenues" describes the state's major funding sources and evaluates the administration's economic and revenue forecasts.

(4) "Major Issues Facing the Legislature" discusses some of the broader issues currently facing the legislature. Wherever possible, LAO analysis identifies options that the legislature may wish to consider in addressing these issues. The issues are divided into five general categories: drug-related, infrastructure, resources, health, and oversight.

A Review of the Governor's Housing Initiative (March 1990). In January 1990, the Governor announced a $2 billion home loan initiative to increase homeownership opportunities for first-time homebuyers. The initiative is comprised of two programs that will be administered by the California Housing Finance Agency (CHFA). The first part of the Governor's initiative is a five-year, $1 billion expansion of the CHFA's existing single-family home loan program. The second part is a new $1 billion loan program which would provide both below-market-rate mortgages and low-interest deferred-payment second mortgages. The administration proposes to finance this program by selling $1 billion in federally taxable, state tax-exempt bonds.

At this writing, part of the Governor's initiative is encompassed in two bills pending in the legislature: AB 4236 (Nolan) and SB 2870 (Maddy). LAO conducted this review of the initiative to facilitate legislative consideration of these and related bills. The review examines the proposal's characteristics, identifies the likely beneficiaries, and reviews the fiscal effects associated with implementing the proposal. It also identifies five key policy choices that this initiative presents to the legislature.

LAO found that the initiative is likely to benefit small (one- to three-member) households of moderate and above-moderate incomes. Because the initiative does not propose any changes to the existing program's eligibility criteria, LAO expects that future beneficiaries will resemble current beneficiaries.

While there would be no direct cost to the state to expand CHFA's existing housing program, the new program would directly cost the state a total of $400 million to pay principal and interest on the $200 million of state general obligation bonds.

Another issue which must be considered is the "federal bond cap"—a predetermined cap under federal law on the volume of private activity bonds which state and local governments may issue on a tax-exempt basis each year. The Governor proposes to statutorily reserve $400 million of this amount for expansion of CHFA's single-family home loan program. Approval of this reservation might preclude other programs from competing for private activity bond allocations, which must be approved by the California Debt Limit Allocation Committee.

LAO concludes by stating that the legislature has significant policy decisions to make in the coming months regarding the Governor's Housing Initiative. These decisions involve whether the initiative should focus on homeownership (as opposed to renters, the homeless, seniors, and migrant farmworkers); who should benefit from the initiative; how much assistance should be provided; and the role the legislature should play in establishing the housing initiative and making allocations under the federal bond cap.

California's Low-Income Housing Tax Credit (May 1990). SB 726 (L. Greene), enacted in 1989, required LAO to evaluate the effectiveness of the state low-income housing tax credit program. In response to this legislative mandate, LAO provided an evaluation and recommendation for changes to improve the program's effectiveness.

The state's low-income housing tax credit is intended to increase the number of affordable rental housing units available to low-income households in California. It provides developers and investors with a financial incentive—in the form of a credit against their state tax liability—to produce such units. The state tax credit program complements a federal tax credit program which also works to promote the development of low-income housing. Both programs are administered by the state's Mortgage Bond and Tax Credit Allocation Committee. LAO reports that, according to 1987-89 statistics, the average total credit given under the program has been about $61,000 per unit ($44,000 under the federal tax credit plus $16,000 from the state tax credit).

LAO evaluated the effectiveness of the tax credit program in providing additional affordable housing to low-income individuals by examining the impact of both federal and state credits together. LAO surveyed sixty potential low-income housing projects which were denied both federal and state credits in 1989, due only to the timing of their applications. The main finding of LAO's survey was that only four of the developers surveyed were still planning to rent units at "low-income" rates. These four projects were committed to renting at reduced rates because of other public financing they had received. The developers of the other 56 projects that were not locked in to providing low-income rents were planning either to sell their projects or to rent the units at market rates.

Thus, LAO concluded that the combined federal and state tax credits are effective in producing low-income housing units for projects not bound by contractual obligations arising from other forms of public financing.

LAO acknowledged that the state credit plays a role in extending the useful life of low-income projects. Those projects which received state credit awards in addition to federal credits are committed to providing low-income rents for thirty years rather than the fifteen-year commitment required by the federal program.

LAO concluded by recommending that a reorientation of the state tax credit program is needed. Because the federal tax credit program as significantly modified in 1989, LAO recommended that the legislature bring the state program into compliance with the new federal requirements. LAO's recommendations are as follows:

-limit tax credit awards to the amount needed for financial feasibility;

-provide incentives for smaller subsidy requests;

-allow the Committee more flexibility in awarding state credits;

-eliminate the priority for projects with high concentrations of low-income units;

-modify the rural set-aside provisions; and

-require project managers to report annually on project use.