

of public officials' duties and responsibilities, and the reorganization and or restructuring of state entities and programs.

MAJOR PROJECTS:

Review of the Organization, Operation, and Performance of the State Lottery. In January, the Commission issued a report which concluded that "the lottery's rapid growth and meteoric sales have placed tremendous demands on the lottery's staff in conducting its business operations." The Commission found an absence of certain necessary business controls and systems, resulting in little assurance that lottery operations are efficient or that education funding is being maximized.

The study enumerated specific concerns, including the following:

- The lottery has not provided timely or complete monthly financial reports required by law to provide public accountability for the lottery's activities.

- Because the lottery is exempt from an independent budget review by the legislature, legislators do not have the same level of assurance that the lottery is operating in an economical manner as they have with other state agencies.

- Because the lottery does not have an independent review and appeals process in place to review vendor bid proposals, the current bid protest process lacks an appearance of independence and objectivity.

- The lottery has not established an adequate contract management system to monitor contract performance and payments, which has resulted in contract payments which exceed allowable limits in some cases.

- An estimated \$13.8 million to \$34.6 million has been lost to the state's educational system during the lottery's first nine instant ticket games because the lottery does not have a system in place to identify and recover unclaimed low-tier prizes paid by lottery ticket retailers.

- The lottery has relied too heavily on sole-source contracts to purchase goods and services.

The Commission concluded that while "the lottery has unprecedented flexibility as a state agency in how it conducts its business operations," it has "an ethical obligation to meet or exceed the state's operating guidelines" to protect its integrity.

The lottery report listed numerous recommendations to improve the organization, operation, and performance of the lottery, including the following:

- The lottery should be required to utilize competitive bidding for purchases of goods and services of \$10,000 or more, and it should establish a centrally-administered contracts management system.

- It should develop and maintain consistent and comprehensive contracting procedures and should be required to use an independent review and appeals process to resolve contract disputes.

- The Governor and legislature should require the lottery to provide more timely and complete financial reports.

- All lottery funds should be subject to legislative review through the state's usual budget process.

The Commission's report also noted that Scientific Games, Inc. (the current instant game ticket contractor) and its parent company, Bally Manufacturing, Inc., apparently have made conflicting statements to the legislature and the Little Hoover Commission regarding business involvement in South Africa. The Commission recommended that the Lottery Commission review these inconsistencies.

Pending Fiscal Crisis in the K-12 Public School System. On December 5, the Little Hoover Commission sent a letter to the Governor and legislative leaders expressing its extreme distress at the failure of public officials to recognize the pending fiscal crisis in the state's K-12 public school system. The Commission claimed this crisis is the result of (1) a continuing lack of financial accountability and responsibility in the system; and (2) the "drastic impact that the Gann spending limitation may have on the level of school funding in the upcoming year."

The Commission's letter elaborated upon shortcomings in the K-12 school system's financial management systems and offered numerous recommendations for an immediate campaign to "overhaul and improve...financial accountability, reporting, and control..."

PUBLIC HEARINGS:

Access of the Disabled to Drug and Alcohol Abuse Programs. On January 29, the Commission heard testimony on whether the disabled population has adequate access to drug and alcohol abuse treatment programs. Topics of discussion included the availability and extent of drug and alcohol treatment programs, the barriers experienced by the disabled, and possible solutions to these problems.

Quality of Care Provided in California's Nursing Homes. On February 18, the Commission held a hearing to receive testimony on four topics: whether the voluntary decertification of skilled nursing facilities from the Medi-Cal program has caused the forced eviction of Medi-Cal patients; the effect of the Nursing Home Patients Protection Act on the enforcement of nursing home regulations; suggestions for methods to prevent theft and loss of private possessions of nursing home residents; and methods of tracking the performance of nursing home administrators.

The hearing is part of a third Little Hoover investigation into the state's nursing homes. (See CRLR Vol. 7, No. 1 (Winter 1987) p. 29 for more information on this investigation.)

DEPARTMENT OF CONSUMER AFFAIRS

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In addition to its functions relating to its forty boards, bureaus and commissions, the Department is charged with the responsibility of carrying out the provisions of the Consumer Affairs Act of 1970. In this regard, the Department educates consumers, assists them in complaint mediation, advocates their interests in the legislature, and represents them before the state's administrative agencies and courts.

MAJOR PROJECTS:

Sunrise Model. The DCA has completed a document for regulation proposal review called the "Sunrise Model." The Sunrise Model provides a means of objectively weighing benefits and detriments of occupational licensure. The model contains nine criteria used to judge the need for proposed regulation and a questionnaire for the requesting group which allows a presentation of arguments on the merits of regulation.

The Sunrise Model is being used by the Department's boards and bureaus to assess requests for new or expanded programs and is also available to legislators and administrators to assist them in their decisionmaking.

Choosing A Long Distance Carrier. The Department has published a booklet which assists consumers in comparing the services provided and fees charged by the various long distance



telephone companies. *Choosing a Long Distance Carrier Under Equal Access* suggests several points to consider when making this choice and includes a worksheet to help consumers make comparisons.

LEGISLATION:

SB 2064 (*Garamendi*) expands the availability and use of alternative dispute resolution (ADR) programs, including arbitration, mediation, and conciliation.

SB 2064 also establishes a Dispute Resolution Advisory Council within the Department of Consumer Affairs. The council will develop guidelines for the establishment, operation, and evaluation of ADR programs. It is hoped that these guidelines will encourage uniformity among programs throughout the state. Supported by DCA, this bill became effective January 1.

ASSEMBLY OFFICE OF RESEARCH

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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 direction 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:

California 2000: Paradise in Peril (January 1987) continues an AOR series focusing on state resources. (See CRLR Vol. 7, No. 1 (Winter 1987) pp. 30-31.) The January report concentrates on "three related natural resource issues that most clearly illustrate the human impact on natural resources as we enter the 21st century." Some of the report's highlights include the following:

-The debate over water in California has shifted from developing more water to protecting the quality of existing

water supply. Three major water quality issues focus on (1) the threat to the integrity of the Sacramento-San Joaquin Delta, created by an ever-growing danger of levee failure; (2) the degradation of water pumped south from the Delta, caused by pesticides, industrial effluent, and salts; and (3) the serious damage to freshwater fisheries, resulting from both declining water quality and the mechanical operation of California's water delivery system.

-California has a "dismal, toxic-contaminated future," created by an inability to clean up the increasing number of toxic sites being discovered; declining toxic disposal capacity; inadequate alternative treatment capacity.

-Ocean waters, containing many nonrenewable resources, "continue to receive every form of human waste." Government response to coastal problems has been piecemeal at both state and federal levels, and management objectives are confused.

The AOR report enumerates a large number of recommendations, including the following:

-The Department of Water Resources and the state Water Resources Control Board must jointly prepare a new state master water plan, placing primary emphasis on water quality.

-The legislature should establish and enforce San Joaquin River water quality standards for target contaminants, including pesticides.

-The state should build an isolated water transfer facility to carry water in the State Water Project and the Central Valley Project around the Delta.

-California should create state/regional partnerships with local governments and private businesses to ensure that each region has a comprehensive waste management system (collection, transfer, treatment, and disposal).

-The Governor should appoint a "toxics czar" with responsibility for increasing the rate of clean-up at the State Superfund sites; transforming abandoned toxic sites into waste treatment demonstration projects; and helping local governments establish regional hazardous waste management systems.

-Local collection programs for household hazardous wastes should be established to ensure that such materials are not disposed of in sewage systems or municipal landfills.

-The legislature should create a Department of Ocean Resources to unify fragmented coastal and marine

efforts currently divided among numerous state agencies.

-The national territorial sea boundary should be extended from three to twelve miles.

Sexual Abuse: A Lifelong Legacy (December 1986) focuses on adults who were sexually abused as children. The report identifies four significant issues in the treatment of such individuals, including the following:

-Outreach to and identification of victims can help them understand that serious problems in their lives may stem from childhood abuse and will inform them of whatever help may be available.

-Current treatment for adults molested as children is inadequate, although a limited amount of such treatment is available through county child welfare services, community child abuse programs, county mental health services, community counseling programs, private therapists, and therapy or support groups.

-Most physicians, therapists, and other health care professionals are inadequately trained in the identification and treatment of adults sexually abused as children.

-The cost of long-term counseling needed by adults sexually abused as children is often prohibitive, especially for those who have trouble maintaining jobs due to severe depression, low self-esteem, or self-destructive tendencies.

Article XIII B: Government Spending Limitation (October 1986) explores some of the impacts on state government which have resulted from the implementation of Article XIII B, added to the California Constitution by Proposition 4 in 1979.

The report offers some background information on the constitutional initiative which led to Article XIII B's limit on state and local government spending; describes the implementation of the limit; and details some policy options for dealing with anticipated impacts of the spending limit.

The AOR study found that beginning in fiscal year 1987-88, implementation of the article will reduce state appropriations to less than the amount required to fund a workload budget and significantly less than available revenues. It concludes that "in the longer term, amendment or repeal of article XIII B may be appropriate."