does not consolidate the State’s oversight of health plans into
the new department. Some Commissioners were concerned
about placing the new department within the Business, Trans­
portation and Housing Agency, rather than within the State
and Consumer Services Agency or the Health and Welfare
Agency. Other Commissioners believed the new entity should
be an agency unto itself or should be governed by a board.”

On July 2, the Senate rejected the Governor’s reorganiza­
tion plan on a straight party-line vote; 22 Democrats voted
against it, and 15 Republicans supported it.

Dissatisfied with LHC’s one-page rejection, Governor
Wilson subsequently asked the Commission to issue its own
recommendations regarding how the new regulator should
be constituted. The Commission agreed to convene to issue
recommendations, but declined to reconsider its 5–4 vote on
the reorganization plan. On July 31, LHC issued a ten-page
letter advising the Governor to create a new managed care
regulatory entity; although LHC did not reach a consensus
on whether the new entity should be a department or an
agency, it recommended that the new entity be governed by
a single gubernatorial appointee confirmed by the Senate Rules
Committee. According to LHC, the appointee should “have
an extensive background in managed care and proven leader-

ship skills....To enhance decisionmaking and increase legiti­
macy, public procedures should be established and the role
of the advisory committee should be expanded to provide for
meaningful public comment, review of proposed policies, and
scrutiny of the regulatory entity.”

Thus, when Governor Wilson subsequently received SB
406 (Rosenthal), a bill which would have created a multi­
member board to regulate managed care, he vetoed it—rely­
ing on the Commission’s July 31 letter. Wilson stated that SB
406 “fails to deliver the reform it promises. It would estab­
lish a weak and unaccountable regulatory bureaucracy with
dispersed enforcement authority. The Little Hoover Commis­
sion, an independent non-partisan advisory organization, has
rejected the key feature of this bill, establishing a board to
regulate health plans, because the burden of collective deci­
dion making will not provide consistent and responsive lead­
ership. The Commission instead concluded that health plans
should be regulated by a focused department or agency led
by a single gubernatorial appointee. The Commission found
that a single appointee would be more accountable and would
be in the best position to provide strong and decisive leader­
ship, particularly on difficult issues lacking broad political
consensus.”

Legislative Analyst’s Office

The Legislative Analyst’s Office (LAO) has been pro­
viding fiscal and policy advice to the Legislature for
more than 55 years. It is known for its fiscal and pro­
grammatic expertise and nonpartisan analyses of the state’s
budget. Overseen by the 16-member bipartisan Joint Legisla­tive
Budget Committee (JLBC), LAO currently has a staff
of 49 people. The analytical staff is divided into seven sub­
ject area groups of fiscal and policy experts.

The Office serves as the legislature’s “eyes and ears” to
ensure that the executive branch is implementing legislative
policy in a cost-efficient and effective manner. The Office car­
rries out this legislative oversight function by reviewing and
analyzing the operations and finances of state government.
Historically, one of the most important responsibilities of the
LAO has been to analyze the annual Governor’s Budget and
publish a detailed review at the end of February. This docu­
ment, the Analysis of the Budget Bill, includes individual de­
partment reviews and recommendations for legislative action.
A companion document, Perspectives and Issues, provides an
overview of the state’s fiscal picture and identifies some of the
major policy issues confronting the legislature. These docu­
m ents help set the agenda for the work of the legislature’s fis­
cal committees in developing a state budget. LAO staff works
with these committees throughout the budget process and pro­
vides public testimony on the Office’s recommendations.

LAO also reviews requests by the administration to make
changes to the budget after it is enacted; prepares special re­
ports on the state budget and topics of interest to the legislature; and prepares
fiscal analyses of all proposed initiatives
(prior to circulation) and measures that qualify for the state­wide ballot.

Major Projects

“Best Practices” on Information Technology Projects

According to LAO, the state’s efforts to deploy large
computer systems have resulted in a number of well-public­
ized costly failures which have not brought about promised
efficiencies. In 1994, three separate reports from LAO
[14:4 CRLR 24], the Bureau of State Audits (BSA) [15:1 CRLR
23], and the Governor’s Task Force on Government Technol­
ogy identified numerous problems with how the state pro­
cured and deployed information technology (IT). These re­
ports also recommended how to resolve these problems and
identified shortcomings in state IT policies, including insuf­
ficient planning, poor procurement practices, weak contract
terms, oversized projects, and lack of risk assessment and
experienced staff.

In State Should Employ “Best Practices” on Information Technology Projects (December 1998), LAO examines
twelve specific business practices frequently used by the pri­
ate sector to develop, acquire, and implement IT. The term
“best practices” is used to describe generally agreed upon processes and policies that should be undertaken when purchasing and deploying IT projects in order to decrease operational and financial risk. They are strategies derived from experienced industry experts who have, through trial and error, discovered methods for design, development, and operation of computer systems which increase the chances of success and decrease risk. Although a relatively new concept to the state, best practices have been used in industry for some time. A number of these best practices were identified in the three 1994 reports.

The twelve best practices referenced in the LAO report are divided into four basic categories. In the area of procurement, the best practices are to (1) base procurement on best value, not lowest cost; and (2) outline business problems and allow the vendor to propose solutions. In the area of project development, the best practices are to (3) develop smaller projects with milestones; (4) prioritize project elements (budget, schedule, functionality) up front; (5) establish measurable objectives for the project; and (6) avoid decisions based primarily on opportunities to enhance federal funding. In the area of project oversight, the best practices are to (7) require the use of project management methodology; (8) require a letter of credit from vendors on larger projects; (9) heed advice of oversight consultants or explain why not applicable; and (10) pay vendor only upon acceptance of tested project deliverables. Finally, in the area of contract management, the best practices are to (11) write stronger contracts to better protect the state; and (12) enforce the terms of those contracts.

According to LAO, the most frequent reason given by state agencies for ignoring a particular best practice is that time will not permit its use. LAO notes, however, that the state’s experience has shown that ignoring best practices contributes to the failure of projects. In order to reduce the risk of project failure, LAO believes that the state should consistently use best practices when implementing IT projects unless a strong case can be made for an exception.

In conclusion, LAO recommends that best practices be used on state IT projects, unless a project has unique characteristics that warrant exceptions. Specifically, LAO recommends that the legislature (1) require the Department of Information Technology (DOIT) to develop and issue policies which use best practices for new information technology projects, but allow for exceptions to be made with justification; (2) require DOIT to review existing information technology projects and require departments to enhance current projects, to the extent possible, by employing the appropriate best practices; and hold DOIT accountable for implementing the use of these twelve best practices through budgetary and legislative oversight hearings.

Major Features of the 1998–99 California Budget

This August 1998 LAO report analyzes the most significant aspects of California’s 1998–99 Budget Act, signed by Governor Wilson on August 21, 1998, and various implementing measures known as “trailer bills.” The total state spending plan of $72 billion includes $57.3 billion from the general fund and $14.7 billion from special funds.

According to LAO, the budget package contains approximately $1.4 billion in tax relief in 1998–99 and thereafter, including a 25% reduction in the vehicle license fee (potentially growing to a 67% reduction in future years if revenues significantly exceed current projections); a one-time increase in the personal income tax dependent credit; the restoration of an income-limited, nonrefundable renters’ credit; an increase in the senior citizen tax credit; and various targeted business tax reductions.

LAO next noted that the budget increases the $2.5 billion increase in K–12 education funding in 1998–99 relative to the levels appropriated in the 1997–98 Budget Act; the increase consists of $1.5 billion for inflation and enrollment increases, and about $1 billion for new or expanded initiatives, including a “buy-out” of three staff development days for teachers, funds for new textbooks, and funds for library and science laboratory materials. The budget also includes one-time funding for school district block grants, deferred maintenance, and school libraries.

According to LAO, the 1998–99 budget also includes funding increases for the University of California and California State University systems for enrollment growth, faculty and nonfaculty cost-of-living adjustments (COLA), deferred maintenance, instructional equipment, computer upgrades, and capital outlay. The budget also includes funding for the California Community Colleges’ “Partnership for Excellence” and economic development programs.

In the area of health and welfare, LAO noted that the budget includes funds to restore a previous 4.9% grant reduction in the California Work Opportunity and Responsibility to Kids (CalWORKs) program, and provides a 2.84% COLA for grants, as well as spending increases for CalWORKs-related services. With regard to the Supplemental Security Income/State Supplementary Program (SSI/SSP), the budget allows for a 2.84% COLA plus an additional 1% increase to grant levels in 1998–99. Other provisions include monies to fund a new foster care initiative, expand the Adult Protective Services program, and provide state-only SSI/SSP and food stamp benefits for certain legal noncitizens. However, $3 million included in the legislatively-approved budget to expand eligibility for children’s health coverage under the Healthy Families program was eliminated by Governor Wilson.

With regard to judicial and criminal justice programs, LAO explained that the budget provides funding for inmate and parole growth for corrections programs. As approved by the legislature, the budget also included new funding to target female juvenile offenders, develop out-of-home placements for delinquents, and supplement various inmate and parolee programs; however, Governor Wilson deleted most
of these funds. The budget also includes funds for construction of local juvenile detention facilities.

According to LAO, the budget also includes $50 million for the California Infrastructure Bank (which provides loans and grants for local technology and infrastructure projects) and contains a significant increase in resources-related spending, including funds for forestry and habitat acquisition, fire protection, and State Water Project design, construction, and maintenance.

In its Supplemental Report of the 1998 Budget Act, 1998–99 Fiscal Year (August 1998), LAO outlined a comprehensive list of statements of intent or requests for studies adopted by the legislature, including the following:

• LAO must complete an analysis of the Department of Forestry and Fire Protection's report to the chairs of the budget and policy committees of both houses (required to be submitted no later than February 15, 1999) on activities the Department has undertaken with regard to developing a method for funding timber harvest review plans.

• The California Community Colleges' Chancellor's Office, in conjunction with the Department of Finance and LAO, must undertake an assessment of its existing guidelines and policies for funding equipment for capital outlay projects that include construction or renovation of science laboratories. The assessment shall determine whether the existing guidelines and policies are appropriate or whether modifications are warranted.

• In its 1999–2000 Analysis of the Budget Bill, LAO must provide the chairs of the fiscal committees with an analysis of a specific Department of Parks and Recreation report, and a proposal for providing long-term funding for the Department, specifically detailing the role enterprise activities should play in financing departmental activities and discussing how to balance the Department's stewardship responsibilities with its enterprise activities.

• The Department of Consumer Affairs (DCA) must provide a status report to the appropriate fiscal and policy committees of the legislature and the Chair of the JLBC by February 8, 1999, regarding its progress in expanding the number of Smog Check II "Gold Shield" stations that can test, repair, and certify vehicles. The legislature stated its intent that DCA adopt regulations specifying criteria for designation as a Gold Shield station; revoke Gold Shield designations from stations unable to meet the specified minimum criteria; and expand the network of Gold Shield stations so that the maximum number of stations certified to test, repair, and certify vehicles. The legislature stated its intent that DCA adopt regulations specifying criteria for designation as a Gold Shield station; revoke Gold Shield designations from stations unable to meet the specified minimum criteria; and expand the network of Gold Shield stations so that the maximum number of stations certified to test, repair, and certify vehicles.

• DCA must report to the appropriate fiscal and policy committees of the legislature and the JLBC by February 8, 1999 on the level of fraud at test and repair shops participating in Smog Check II. This report shall include recommendations on measures the legislature may consider to deter fraud, including but not limited to increased enforcement and changes in licensing and certification.

• During subcommittee hearings on the 1999–2000 budget, DCA must report to the appropriate fiscal and policy committees of the legislature and the JLBC on liability issues associated with the use of dynamometers in the Smog Check II program. As part of this report, DCA must provide any available information on instances of malfunctioning or unsafe use of this equipment which could result in liability exposure for Smog Check facilities and/or the State of California.

• DCA must submit Voluntary Vehicle Retirement Quarterly Reports, beginning November 1, 1998, to the fiscal and policy committees of the legislature and the JLBC. At minimum, these reports must include information on timelines for implementation; total dollars expended on vehicle buyback; number of vehicles retired; emission reductions the program will accrue for Smog Check II; and the level of fraud in the program.

• The Medical Board of California must report to the chair of the fiscal committee in each house and the Chair of the JLBC by December 1, 1998 identifying any cost savings associated with the elimination of the research psychoanalyists and drugless practitioners license categories; a plan to maintain a balance in the Contingent Fund of the Medical Board of California equal to approximately three months of operating costs (the report shall include alternatives the Board has considered in order to reduce its overall operating costs); and steps the Board is taking to reduce the vacancy rate of investigator positions in Los Angeles and other areas.

• The Board of Podiatric Medicine must report to the chair of the fiscal committee in each house and the Chair of the JLBC by December 1, 1998 identifying cost savings associated with the elimination of specialty license categories for residents and ankle surgery.

• The Respiratory Care Board must report to the chair of the fiscal committee in each house and the Chair of the JLBC by December 1, 1998 detailing a plan to maintain a reserve in the Respiratory Care Fund equal to approximately three months of operating costs. The plan must address a possible fee increase and identify possible re-
The legislature also stated its intent that the Fair Political Practices Commission (FPPC) implement the recommendations in BSA’s May 1998 report to improve FPPC enforcement and technical assistance operations. The legislature stated that the FPPC should develop a plan to implement the recommendations, including (but not limited to) efforts to (a) establish an improved system to prioritize investigatory cases, assign investigatory staff, and ensure that all cases are assigned on the basis of their relative merit rather than available resources; (b) develop clear criteria to target Franchise Tax Board audits toward cases warranting enforcement action; (c) seek customer input that could simplify its forms and reduce inquiries for technical assistance; (d) establish quantifiable goals and performance standards for its operations; and (e) establish a system to provide oversight of Statements of Economic Interests filing officers. The legislature further stated that the FPPC should estimate what additional funding or staffing, if any, are necessary to implement each of BSA’s recommendations, as well as its progress to date in implementing each of the recommendations, and that this information be provided by December 1, 1998, to the JLBC and the fiscal committees of both houses of the legislature.

Legislation

SB 1866 (Hughes), among other things, authorizes the Compton Unified School District—commencing in the 1998–99 school year—to identify low performing schools in the district and makes K–12 pupils in those schools eligible for extended school year instruction. The bill also requires LAO to evaluate, or contract for an independent evaluation of, the effectiveness of the extended school year. This bill was signed by the Governor on September 28 (Chapter 943, Statutes of 1998).

AB 2460 (Leach). Existing law requires the Superintendent of Public Instruction to compute an inflation adjustment each fiscal year equal to the product of certain numbers. Part of that calculation requires the use of the statewide average base revenue limit per unit of average daily attendance for the prior fiscal year for districts of similar type. This bill requires LAO to examine the revenue limits for the 1998–99 fiscal year, develop several options regarding a sliding scale formula, based on the distribution of the 1998–99 fiscal year revenue limits, and present these options and corresponding recommendations, in writing, to the legislature, the Governor, the Director of Finance, and the Superintendent of Public Instruction by March 1, 1999. This bill was signed by the Governor on July 17 (Chapter 156, Statutes of 1998).

SB 1729 (M. Thompson) reaffirms that college campus law enforcement agencies have the primary authority for providing police and security services (including the investigation of criminal activity) on their campuses, but requires the governing board of each community college district, the Trustees of the California State University, the Board of Directors of the Hastings College of the Law, the Regents of the University of California, and the governing board of any postsecondary institution receiving public funds for student financial assistance enter into written agreements, by September 1, 1999, with local law enforcement agencies regarding the coordination and responsibilities for investigating violent crimes which occur on campus. The bill also requires each written agreement be transmitted to LAO so that LAO can include this material in its analysis of the program by March 1, 2000. This provision is known as the Kristin Smart Campus Safety Act of 1998. This bill was signed by the Governor on August 11 (Chapter 284, Statutes of 1998).

SCR 44 (Calderon) directs LAO to investigate and report to the legislature on or before December 15, 1998, regarding the treatment of sales of tangible personal property to the United States government differently from sales to all other parties in the state for purposes of a specified franchise tax apportionment formula. This measure was filed with the Secretary of State on September 3 (Chapter 157, Resolutions of 1998).

SB 1415 (Burton) appropriates from the general fund a sum not to exceed $5 million to fund the completion of a new Chabot Observatory and Science Center facility and its science education programs, and a sum not to exceed $2 million to the town of Apple Valley for a grant to purchase land and build the new Lewis Center for Earth Science. The bill also requires LAO to review and report to the legislature on the use of those funds upon completion of the facilities. This bill was signed by the Governor on September 28 (Chapter 950, Statutes of 1998).

AB 544 (Lempert). The Charter Schools Act of 1992, permits teachers, parents, pupils, and community members to petition a school district governing board to approve a charter school to operate independently from the existing school district structure as a method of accomplishing, among other things, improved pupil learning. The bill requires LAO to contract for an evaluation and to report to the legislature and the Governor by July 1, 2003, regarding the effectiveness of the charter school approach. This bill was signed by the Governor on May 7 (Chapter 34, Statutes of 1998).