



quiring insulation material to be certified by the manufacturer prior to sale, as specified, and authorizing an annual license fee for an insulation manufacturing license. [S. B&P]

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 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 Releases Paper on Performance Budgeting. On October 25, LAO released *Performance Budgeting: Reshaping the State's Budget Process*, the first in an occasional series of papers discussing opportunities to make California government work better. LAO noted that the Governor's 1993-94 budget proposed to change the state's budgeting process by pilot testing "performance budgeting" in four state departments—the Departments

of Consumer Affairs, General Services, and Parks and Recreation, and the Stephen P. Teale Data Center—because the state's traditional budget process "has become seriously dysfunctional." Performance budgeting is the allocation of resources based on an expectation of performance levels, where performance is measured in specific, meaningful terms; it differs from the traditional approach to budgeting in that it focuses on outcomes rather than inputs or processes when deciding how to allocate resources. The Governor's proposal was enacted in SB 500 (Hill) (Chapter 641, Statutes of 1993). [13:4 CRLR 21]

LAO noted that performance budgeting has been implemented in other states, and that the federal General Accounting Office (GAO) has reviewed the results of performance budgeting in Connecticut, Hawaii, Iowa, Louisiana, and North Carolina. GAO's review indicated that states experienced mixed results from performance budgeting, in that it provided helpful budgetary decisionmaking information, but did not fundamentally change the budget process; it was not the "final arbiter" of funding decisions given the political nature of the budget process; and it gave managers greater decisionmaking flexibility. Specific reasons why performance budgeting did not fundamentally change the budget process in those five states include the fact that time, resources, and data constraints limited the use of performance information by the legislative and executive branches; legislative and executive budget decisionmakers were dissatisfied with and questioned the reliability of performance measures; and performance budgeting complicated the budget process by highlighting trade-offs among programs competing for limited resources.

According to LAO, the Wilson administration claims that its performance budgeting proposal has the following seven elements: annual budgetary contracts between legislative budget writers and the administration; operational flexibility, which could include relief from statutory requirements; incentives for performance and efficiency, including the ability to reinvest 50% of any savings into discretionary activities; an emphasis on long-term strategic planning; development of performance measures; benchmarks for measuring operational efficiency; and a commitment to quality improvement. However, LAO's assessment of the pilot project indicates that the legislature has not been provided with sufficient details regarding the administration's performance budgeting project; the pilot project lacks sufficient definition; despite project schedule slippage, the implementation should not be rushed; participating departments are

only partially representative of the range of departments in state government; implementation costs will occur, and should be budgeted for; performance needs to be verified independently; sanctions for poor performance should be considered; and departments may need additional motivation to ensure a fair test of performance budgeting.

However, LAO concluded its review by noting that, despite the limited progress to date and the important issues which still must be addressed, performance budgeting has merit and is worth pilot testing. LAO further opined that performance budgeting will require a change in the legislature's perspective toward the budget process, in that it must be willing to relinquish some control over departments and programs; it must focus on program mission, goals, and outcomes, not on inputs and processes; and it must be willing to accept a longer-term view of implementation and results. LAO recommended that the legislature establish a joint legislative committee, including representation from the fiscal committees and relevant policy committees of both houses, to oversee the pilot project, review the budgets of the pilot project departments, and review and approve the performance measures for those departments, among other things; according to LAO, the joint committee would be acting in lieu of the normal budgeting process, thus marking a significant departure from current budget practice.

Voters Decide Budget Issues. At the November 1993 special election, California voters approved Proposition 172, which makes permanent a special half-cent sales tax. The measure, which was approved by 58% of the electorate, states that the proceeds of the tax "shall be allocated for use exclusively for public safety services of local agencies." Local governments are expected to receive about \$1.5 billion annually from the tax. [13:4 CRLR 25]

Also at the November election, California voters rejected Proposition 169, which would have allowed all of the "trailer bills" that follow the state budget—bills that change substantive statutory provisions needed to implement the budget—to be put into one bill. Under existing law, each trailer bill must be voted on separately by the legislature. Under the defeated measure, the Governor would have been able to veto individual provisions of the bill, and the legislature could have overridden the vetoes separately.

LEGISLATION

ACA 2 (Hannigan), as introduced in December 1992, 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). Under the California Constitution, appropriations from the general fund, except appropriations for the public schools, require the approval of two-thirds of the membership of each house of the legislature. As amended August 16, this measure would additionally exempt appropriations in the budget bill from that two-thirds vote requirement, and specify that statutes enacting a budget bill go into effect immediately upon their enactment. This measure 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. This measure would also require that the total of all expenditures, as defined, that are authorized to be made under the Budget Act enacted for any fiscal year, combined with the total of all reserves that are authorized to be established by the state for that fiscal year, shall not exceed the total of all revenues and other resources, as defined, that are available to the state for that fiscal year. [A. ER&CA]

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 non-partisan 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]

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 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

Defense Conversion Resource Guide (October 1993) was prepared by AOR specifically to assist the bipartisan Assembly Task Force on Defense Conversion, which was created in March 1993 to maximize federal defense conversion funding for California and assist communities in the defense conversion process. The *Resource Guide* seeks to assist the Task Force in its mission by providing the names, addresses, and contact persons of the various local, state, and federal agencies responsible for overseeing defense industry conversion and base closures. The *Guide* also describes federal and state grants available for defense conversion purposes and summarizes recent federal and state legislation affecting defense conversion.

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

Highlights of the Legislative Accomplishments of 1993 (November 1993) summarizes the first year of the 1993-94 legislative session, which ended on September 11. According to SOR, the California legislature reached long-sought reforms on a wide range of issues, including environmental regulation and workers' compensation. SOR noted that many bills sent to Governor Wilson were aimed at promoting California's infrastructure to facilitate the state's economic development and streamlining regulations that affect business expansion. Among other things, SOR described the following legislative accomplishments:

-Reforms in the state's workers' compensation system are expected to cut costs, increase benefits to injured workers, and save employers a projected \$1.5 billion. [13:4 CRLR 115-16]

-California's presidential primary election will be moved on a one-time basis from June, at the end of the nation's primary season, to March, in an attempt to increase California's political clout.

-New California motorists will be required to prove they are in the country legally before they may obtain drivers' licenses.

-Bicyclists under the age of 18 will be required to wear helmets when riding [13:4 CRLR 229]; passengers in the back of pick-up trucks will be required to wear safety belts.

-An additional \$0.02-per-pack tax on cigarettes will fund breast cancer prevention and detection programs.

-The state will provide \$4 million in grants to match federal grants to assist California businesses converting from military to civilian work.

-Legislation revising the California Environmental Quality Act will reduce the need for businesses to provide duplicate information on the environmental impact of their projects, tighten requirements for bringing lawsuits against projects, shift some of the burden of performing environmental impact studies from businesses to regulatory agencies, and require regulatory agencies to weigh a project's impact on the environment against the impact on high-skilled jobs. [13:4 CRLR 178-79]

-Californians who access Internet, a public computer bulletin board that provides access to federal government data, will be privy to the legislature's electronic file of bills, committee analyses, and votes. [13:4 CRLR 229-30]

-Legislation expanded 1990 reforms to the state's physician discipline system by expediting the hearing of disciplinary cases, monitoring the Medical Board of