



INTERNAL GOVERNMENT REVIEW OF AGENCIES

outlines patient rights and options for reporting exploitation.

Also, DCA has released *California Tenants—Your Rights and Responsibilities*, a 49-page booklet answering questions about rental agreements, deposits, repairs, discrimination, moving out, and evictions.

LEGISLATION:

AB 168 (Eastin) proposes to create a new DCA board to regulate non-lawyer "legal technicians." (See CRLR Vol. 10, No. 4 (Fall 1990) p. 42 for background information.) Existing law provides that no person may practice law unless he/she is an active member of the State Bar. As introduced December 20, this bill would instead provide that no person may advertise or otherwise hold himself/herself out to be an attorney, or use a title that in any way implies that he/she is an active member of the State Bar, and that no person may appear, or advertise or hold himself/herself out as entitled to appear, on behalf of another, before any court or tribunal of this state unless that person is authorized to so appear pursuant to a rule adopted by the court or tribunal or pursuant to law. This bill would also create the Board of Legal Technicians within DCA, and would require every person who practices as a legal technician to be licensed or registered by the Board, which would determine which areas require licensure and which require registration. The bill would require various disclosures by legal technicians, and would provide for conciliation and arbitration of customer complaints. At this writing, this bill awaits committee assignment in the Assembly.

SB 2627 (Beverly) was sponsored by DCA and signed by Governor Deukmejian on September 24 (Chapter 1305, Statutes of 1990). Although the bill makes no changes in substantive law, it reorganizes existing statutes related to small claims court into a single act, and simplifies the language of the statutory provisions, making them more accessible to lay people using the small claims court system. The new Small Claims Act may be found at Code of Civil Procedure section 116.110 *et seq.*

OFFICE OF THE LEGISLATIVE ANALYST

Legislative Analyst: Elizabeth G. Hill (916) 445-4656

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:

LAO's Examination of the State's Budget Problems. As 1990 drew to a close, LAO declared that California is confronted with its most difficult budget dilemma ever. During fiscal year 1990-91, the state faces a deficit of nearly \$800 million if no corrective action is taken. LAO's estimate of the budget problem for the next three years indicates spending will exceed projected revenues by almost \$6 billion in 1991-92, and by comparable amounts in the subsequent two years.

The budget gap is due both to a short-term downturn in the economy and a longer-run, structural budgetary imbalance between expenditures and revenues, claims LAO. LAO believes the gap must be addressed by Governor Pete Wilson and the legislature during deliberations over the next several months.

The cause of California's troublesome budget deficit is in dispute. Former

Governor Deukmejian repeatedly claimed that the budget problem is primarily caused by automatic cost-of-living increases for beneficiaries of health and welfare programs. However, LAO faults the Deukmejian administration's overly optimistic budgeting practices, the state's approval of new programs without new revenues, and the increased need for child welfare services, education, and prisons.

In December, Legislative Analyst Elizabeth Hill called on Wilson and the legislature to seek a "long-term solution—an evaluation of our priorities and how best to pay for them." She also warned policymakers to keep the two components of the budgetary gap distinct: the cyclical component (the recent fall-off in revenues), and the structural component (spending is projected to grow faster than revenues). The two components require different methods of attack.

In describing the "structural imbalance," Hill noted several factors which are responsible for increasing expenditures for existing programs. Demographic forces cause many programs to expand at a rapid pace; for example, enrollments in K-12 schools are growing almost twice as fast as the state's general population. Thus, Proposition 98's allocation of 40% of the general fund to education absorbs much of the state's new revenue growth each year. Further, governmental policy choices are responsible for growth in some programs; for example, longer prison sentences have caused a dramatic increase in the Department of Corrections' budget. Finally, societal changes increase the need for some programs; the increase in the number of child abuse and neglect cases has caused child welfare services spending to increase 15% over the past five years.

Hill also noted several legal provisions which prevent the legislature from decreasing spending in certain areas (such as Proposition 98), and which prevent the legislature from modifying the amount of revenue spendable each year (such as the Gann limit).

The Legislative Analyst warned the legislature that if it does not take action soon, part of the budgetary gap will be closed by an automatic spending reduction provision enacted in 1990. This mechanism, known as "the trigger," would result in across-the-board spending reductions totaling about \$1 billion in 1991-92, without regard to the priority of individual programs.

Others are also concerned about California's budget crisis. In November, the staff of the Joint Legislative Budget Committee recommended the creation of



a citizens' commission to draft sweeping changes in California's budget process. The proposal urges the establishment of a panel to review and modify the various restrictions which affect the way revenue is raised and allocated. The panel would not be able to impose any changes on its own, but would make recommendations to the legislature. The panel may provide a mechanism to build a broad public consensus for budget reform recommendations to be submitted to the legislature and ultimately the electorate.

In December, Assembly Speaker Willie Brown proposed that budget process constraints and complexities be addressed through revising the state constitution. At this writing, Senator Alquist and Assemblymember Isenberg are reportedly preparing legislation for a constitutional revision commission to reform the budget process.

LAO's next major report is expected in February, when it releases its analysis of Governor Wilson's proposed 1991-92 budget.

ASSEMBLY OFFICE OF RESEARCH

Director: Steve Thompson
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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 has issued no reports since June 1990.

SENATE OFFICE OF RESEARCH

Director: Elisabeth Kersten
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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 plan-

ning 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:

California's Tax Burden: Who Pays? (Part I—September 1990) presents an analysis of the personal income tax (PIT), bank and corporation tax, and property tax, describing the allocation of tax burden for different categories of taxpayers. Each of the three sections contains an historical account of the particular tax, an overview of the tax, an analysis of the proportional burden of the given tax, and findings and recommendations.

-Personal Income Tax. PIT revenues constitute the largest source of state monies. Through 1990-91 PIT, Californians will generate over \$18 billion to the state's general fund, which is 44% of the total. Since tax reform in 1987, PIT has declined most for low-income taxpayers, with more moderate declines in taxes for middle- and upper-income taxpayers. In 1988, approximately 54% of total PIT came from married taxpayers with incomes over \$100,000. To provide more tax equity, the report recommends reducing tax exclusions, exemptions, credits, and preferential rates.

-Bank and Corporation Tax. Corporate taxpayers are the third largest source of revenue for the general fund, providing over \$4.26 billion in taxes in 1988. Corporate taxpayers are actually subject to three different taxes, depending on the amount and type of business conducted in California. Banks and corporations may be subject to franchise tax (a tax on doing business in California), corporate income tax (imposed on out-of-state companies doing minimal business in California), and/or an additional tax on banks and similar institutions in lieu of personal property tax and local business tax. Almost 500,000 corporate taxpayers filed returns in 1988. However, adjusting for inflation, tax revenues collected from banks and corporations have declined in the last five years. When this tax is increased, corporate stockholders bear the immediate burden; over time, however, corporations have the ability to pass the tax increase on to consumers or employees.

-Property Tax. Property taxes are assessed and collected locally. In 1978, Proposition 13 cut property taxes by

57% and reduced local revenues by 52%. Generally, Proposition 13 limited the increase in the assessed value of property to 2% annually until the property is sold or undergoes new construction. The tax is a 1% levy on the assessed value of the taxpayer's real property, and is the largest source of revenue for local governments. In 1990-91, property tax will generate approximately \$14.5 billion for counties, cities, schools, and special districts.

Because of Proposition 13, disparities between market value and assessed value may be as high as 13 to 1. The owners of similar properties may be paying extremely different amounts of property taxes while receiving the same local services. Three cases challenging the constitutionality of Proposition 13 are currently moving toward the California Supreme Court. (See *infra* LITIGATION for further information on these cases.)

Part II of this SOR report—which will review the sales tax and special taxes on tobacco, alcoholic beverages, and gasoline—is scheduled for fall 1991 release.

Tackling California's Demand for Foster Care: A Strategy for Change (December 1990). This report focuses on the expanding need for and problems in the provision of foster care. The report notes that the number of foster children in California is increasing nearly four times faster than the general population. In 1983, California reported 39,000 children in foster care; in 1988, over 65,000 were in foster care; and in August 1990, the number reached 79,247. The proportion of children under six and African-American children in the total number of foster care children is increasing. The changing picture of foster care is complicated by the significant number of drug-exposed babies. (See CRLR Vol. 10, No. 4 (Fall 1990) p. 49 for a summary of SOR's July 1990 report entitled *California's Drug-Exposed Babies: Undiscovered, Unreported, Underserved*.) Additionally, the report indicates that California's 1990-91 budget will not sustain the level of Child Welfare Services, including foster care support, provided during 1989-90.

While other reports focus on methods of preventing the family dysfunctions that lead to foster care placement, this SOR report looks at ways in which the lives of the large number of foster children in California may be immediately improved. SOR urges the state to investigate incentives to encourage more upper middle class and middle class families to provide foster care. To counteract the dramatic increase in the number of infants in group homes, and