



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

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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

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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



to answer increasing demands for skills in handling drug-exposed babies and other youngsters with special needs, SOR suggests that the status of some foster parents be elevated to a professional level with appropriate compensation.

Also, SOR stresses that new thought be given to more quickly terminating young children's ties to their natural families who have shown no interest in them, paving the way for earlier permanent adoption (and earlier cut-off of transitional foster care). In this regard, SOR urged the legislature to revisit SB 14 (Presley), a 1982 legislative package designed to encourage termination of natural parents' rights after the child has been in foster care for six months, if the parents have made no progress toward reunification. The report criticizes the current practice of social workers to recommend and courts to grant virtually automatic twelve- and eighteen-month postponements of the decision regarding permanent placement of foster children.

The report makes several other recommendations, including health care and legal incentives to encourage the adoption of foster children, increased recruitment of middle class foster parents, a "G.I. Bill" for adolescent foster youth (providing them with funding for college and living expenses if they complete high school and gain acceptance into college), and removal of the restrictive limits on a foster youth's accumulation of savings. Although some of these reforms require funding, the report notes that in the long run, costs would be offset in savings by reducing the number of infants placed in group homes, decreasing the time spent in foster care, and encouraging adoption.

Analysis of November 1990 Ballot Propositions: Conflicting Choices, Far-Reaching Consequences (August 1990) provides a comprehensive review of each of the 28 propositions which appeared on the November 1990 ballot. The report compares similar-subject propositions and presents a ballot analysis of each proposition. This report provides an excellent resource tool and historical guide to a very complex and lengthy ballot.

After the Election: Analysis of Successful Propositions on the November 1990 Ballot (November 1990) analyzes the six successful ballot propositions:

-Proposition 127, which exempts seismic safety improvements from provisions of Proposition 13 requiring property reassessment;

-Proposition 132, effective January 1, 1994, which prohibits the use of gill nets along the California coast;

-Proposition 139, which amends the California Constitution to allow state and local prisoners to perform work for private industry;

-Proposition 140, which limits terms of state officeholders, curbs legislative pensions, and mandates reductions in the legislature's operating budget;

-Proposition 142, which authorizes \$400 million in general obligation bonds for continuing low-cost home mortgages for veterans; and

-Proposition 146, which authorizes \$800 million in general obligation bonds for construction and rehabilitation of elementary and secondary schools.

The first section of the report presents graphic displays of county and state election results. The second section discusses each of the six successful measures in resume format, including key provisions, analyses of policy and fiscal impact, and support and opposition arguments.

