



frozen these funds. Thus, the Commission has postponed these hearings subject to reactivation of the funds. Instead, the Commission scheduled an April 25 public hearing on the coordination of drug education. On May 23 and June 27, the Commission is scheduled to hold hearings on the state's government reorganization plan.

DEPARTMENT OF CONSUMER AFFAIRS

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In addition to its functions relating to its 38 boards, bureaus, and commissions, the Department of Consumer Affairs (DCA) is charged with carrying out the Consumer Affairs Act of 1970. The Department educates consumers, assists them in complaint mediation, advocates their interests before the legislature, and represents them before the state's administrative agencies and courts.

On March 13, Governor Wilson named James Conran, a Pacific Bell executive from the San Francisco Bay area, to serve as DCA's Director. Conran, who is DCA's tenth director since 1970, formerly served as Manager for Consumer Affairs and Public Issues at Pacific Bell, and also sat on the Public Utilities Commission's Telecommunications Education Trust Fund.

MAJOR PROJECTS:

Annual Report Released. On March 4, DCA released its 1989-90 Annual Report, which covers fiscal year July 1, 1989 to June 30, 1990. The report contains summaries of the activities of each of the Department's various units; a brief report about each of the 38 boards, bureaus, and commissions under DCA's supervision; Department statistics; a list of licensed businesses and professions; and toll-free numbers of various California state agencies.

Vehicle Arbitration Program Expands. DCA has expanded California's first state-approved vehicle arbitration program to include Maserati, Sterling Motor Car, Peugeot, and Range Rover as participating automobile manufacturers. Applications from Chrysler and Rolls-Royce Motor Cars are currently pending with the Department. Auto manufacturers certified by the program now comprise 66% of the U.S. car market. (See

CRLR Vol. 11, No. 1 (Winter 1991) p. 43 for background information.)

LEGISLATION:

AB 168 (Eastin) would create the Board of Legal Technicians in 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. This bill would also amend existing law to provide that no person may 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. (See CRLR Vol. 11, No. 1 (Winter 1991) pp. 43-44 and 149 and Vol. 10, No. 4 (Fall 1990) pp. 42 and 185 for background information.) This bill is pending in the Assembly Committee on Consumer Protection, Governmental Efficiency and Economic Development.

AB 1893 (Lancaster), as introduced March 8, is DCA's omnibus bill which would make numerous changes to existing laws providing for the licensing and regulation of various businesses and professions pursuant to the provisions of the Business and Professions Code. Among other things, this bill would authorize various licensing boards to release a social security number to an examination or licensing entity, only for the purpose of verification of licensure or examination status; require the retention of records by certain persons contracting with the DCA or any board within the Department until an audit may be performed; revise existing law with respect to submission to the DCA of rules and regulations and fee changes promulgated by any of the boards or committees within the Department; and revise the definition of the term "license" for purposes of licensing provisions to include the performance of any activity or function in connection with a business or profession whose activity is regulated pursuant to those provisions. This bill, which is sponsored by DCA, is pending in the Assembly Consumer Protection Committee.

AB 1382 (Lancaster). Business and Professions Code section 143 currently prohibits a person who engages in any business for which a license is required under the Business and Professions Code from bringing an action for compensation for performance of any act for which a license is required without alleging and proving that he/she was licensed during the time of the performance of the act. Existing law also prohibits applica-

tion of the judicial doctrine of substantial compliance in these circumstances. As introduced March 7, this bill would delete the prohibition on the application of the judicial doctrine of substantial compliance in these circumstances. This bill is pending in the Assembly Consumer Protection Committee.

SB 961 (Boatwright). Existing law provides that the decisions of any of the boards within DCA with respect to setting standards, conducting examinations, passing candidates, and revoking licenses are final, except as specified, and are not subject to review by DCA's Director. As introduced March 8, this bill would create exceptions to this law by providing that the Director may initiate an investigation of any allegations of misconduct in the preparation, administration, or scoring of an examination which is administered by a board, or in the review of qualifications which are a part of the licensing process of any board. The bill would also allow the Director to intervene in any matter of any board where an investigation by DCA's Division of Investigation discloses probable cause to believe that the conduct or activity of a board, or its members or employees, constitutes a violation of criminal law. This bill is pending in the Senate Business and Professions Committee.

OFFICE OF THE 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 consists of approximately 75 analysts and 24 support staff. The 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:

Analysis of the 1991-92 Budget Bill. In February, LAO released its detailed examination of the Governor's proposed budget for 1991-92 with findings and recommendations on the budget's proposed funding levels. The analysis indicates an unprecedented two-year budget gap of \$9.9 billion; according to LAO, the proposed 1991-92 budget falls \$1.5 billion short of closing this gap.

The proposed budget will decrease the current level of service in some areas. Proposed funding for health programs—such as Medi-Cal, mental health, and public health—will suffer a 5.5% decrease from the current service level. Proposed funding for social services will create a 12% decrease in the current level of services. LAO's analysis reports that the Governor's proposed budget underestimates the number of families eligible for public support and proposes some legislative changes to shift funding. The report also indicates that the budget proposes a 10% reduction in education programs compared to 1990-91 service levels.

Expenditure reductions provide over \$5 billion to bridge the funding gap. In addition, the Governor's budget contains \$3.1 billion in revenue enhancements and shifts the responsibility of funding some programs to other levels of government or to fees (to the tune of \$1.2 billion).

The Governor's budget predicts slow growth in 1991 followed by a \$1.2 billion "economic recovery adjustment" in 1992. Describing this revenue forecast as overly optimistic, LAO reports the budget has a "significant amount of downward potential." LAO recommends that the legislature disregard the predicted economic recovery adjustment in budget planning. LAO believes that the additional information available from tax returns will permit a revised revenue forecast.

The 1991-92 Budget: Perspectives and Issues. This report, a companion to the *Analysis* (above), presents a broad fiscal overview and discusses significant fiscal issues. This document is divided into four parts:

(1) Part I, "State Fiscal Picture," urges the Governor and legislature to realistically address the budget gap, and to consider modifying some of the structural impediments which simultaneously cause budget problems and prevent government from resolving them (see CRLR Vol. 11, No. 1 (Winter 1991) p. 44 for background information on the "structural" causes of California's budget crisis, as previously identified by the Legislative Analyst). LAO believes the Governor's budget understates the funding gap and expressed concern about the budget impact on health and welfare program users, schools, and other affected groups. Both the Governor's budget and alternative plans will raise difficult public policy issues and require hard choices.

(2) Part II, "Perspectives on the 1991-92 Budget," provides a brief overview of the economic and demographic forces which will help shape the budget, a review of the budget revenue projections and an assessment of their reliability, and a description of the budget's spending plan. The major findings of Part II include the following:

-Although the Governor predicts a mild economic downturn with a late 1991 recovery, LAO describes the economic outlook as characterized by considerable uncertainty.

-The state's rapid population growth, characterized by strong immigration and shifts in ethnic and age distributions, will have a variety of implications for the state's spending programs.

-The legislature should not rely on the administration's forecast of \$1.2 billion in economic recovery adjustment revenues. LAO asserts that the budget's standard economic forecast already assumes an economic recovery, and the revenue forecast has unusually large error margins.

-The Governor's proposed 3.7% expenditure increase in 1991-92 is significantly below the amount needed to maintain current service levels and reflects several major proposals to reduce spending. These include suspension of Proposition 98 (which protects the education budget), reductions in welfare grant levels, and reduced renters' tax credits. In addition, the Governor also proposes a major shift of responsibility for health services and local mental health programs to the counties ("realignment").

(3) Part III, "Strategies for Addressing the State's Budgetary Imbalance," offers examples of the various strategies available to the legislature in addressing the deficit to supplement the Governor's proposed budget. LAO's strategies fall into two main categories: strategies to increase revenues—by modifying or eliminating tax loopholes (such as preferential tax rates, credits, and exemptions), expanding the tax base, and increasing tax rates; and strategies to reduce expenditures—through service reductions, program investments, improved efficiencies, funding shifts to local governments and the private sector, and one-time adjustments and deferrals. This part also lists some considerations on how each type of strategy should be used.

(4) Part IV, "Major Issues Facing the Legislature," discusses some of the broader issues currently confronting the legislature. Given the state's current fiscal problems, LAO has included several analyses in key fiscal areas: Proposition 98 and its proposed suspension, county-state relations and the impact of the Governor's "realignment" proposal to reduce welfare grant levels, and the community corrections alternative and how it might relieve prison overcrowding and reduce state prison spending. Part IV also contains overview pieces on state infrastructure, the uses of bond proceeds, school restructuring, and the state rail transportation program.

Child Abuse and Neglect in California. In January, LAO released this report evaluating the state Child Welfare Services Program (CWSP) and the extent to which it has achieved the goals of federal (Public Law 96-272) and state (Chapter 978, Statutes of 1982) statutes which reformed the child welfare system.

Administered by county welfare departments and supervised by the state Department of Social Services (DSS), CWSP investigates allegations of child abuse, provides services to families to prevent abuse and neglect, petitions for foster care placement of children when appropriate, and supervises children in foster care. The goals of the federal and state reform legislation were to provide family services to prevent the unnecessary placement of children in foster care, safely reunite more foster children with their families, increase the stability of foster care placements, and place more adoptable foster children with adoptive families.

LAO found that, despite substantial funding increases, CWSP has had only limited success in achieving its goals. Specifically, LAO reported that some child welfare agencies fail to investigate



a substantial proportion of cases of child abuse and neglect, and that CWSP has not been successful in minimizing the use of foster care or in preventing reabuse.

According to LAO, the data suggest that county child protective staffing levels alone cannot explain the poor performance of CWSP. However, the veto of \$55 million for CWSP in 1990-91 is likely to increase substantially the average caseloads of child welfare services social workers and decrease the time in which social workers have to manage each case. Further, the veto will reduce the availability of services such as drug treatment programs, and transform the social worker into the sole provider of treatment and support services for the majority of clients. Former Governor Deukmejian also vetoed \$40 million in community mental health services, decreasing the availability of mental health counseling to abusive families.

LAO concluded that CWSP is at a crossroads, and that the major CWSP issue facing the legislature over the next several years is the level of service that will be provided to needy families. LAO suggested three options:

- permanently reducing services to abused children;

- providing the same level of service available to children since the program was restructured in 1982, by returning to the funding approach used throughout most of the 1980s; or

- enhancing the level of services by increasing the availability of treatment services for children and families.

LAO stressed that a CWSP which provides effective services to treat abusive families while minimizing the use of foster care could prove both less costly and more effective than the current program. However, LAO recognized that, in the short run, it is probably not possible to reduce costs of the program and improve its effectiveness. Thus, if a service reduction is required due to a state funding shortfall, LAO also suggested several options to effect an ongoing reduction in service levels, such as requiring counties to increase the use of telephone screening of child abuse referrals; limiting family maintenance services to those families which have been ordered by the Juvenile Court to receive them; and shortening the length of time that families are permitted to receive child welfare services.

The report offers several recommendations to improve the efficiency and effectiveness of current services. Legislation could be enacted to require counties to screen clients for existing health

insurance that would pay for services, and charge clients for services on a sliding-scale basis. LAO also recommends that DSS identify those counties with the most efficient and effective use of social worker time and make statewide use of their methods. Recognizing the wide variation in child abuse telephone screening, LAO recommends legislative requirement of statewide standards.

Despite strict requirements on certain people (such as teachers and health practitioners) to report suspected child abuse, LAO found a large number of unreported cases and recommended a review of current training programs on child abuse reporting. LAO also found that new pilot projects established by Chapter 105, Statutes of 1988, and expanded by Chapter 188, Statutes of 1990, may improve CWSP performance, by allowing counties to use foster care funds to provide additional treatment and support services to some children and families.

If additional funds become available, LAO suggests the legislature increase community resources (such as drug treatment and mental health services), and provide counties with more funds to hire additional social workers and enable them to purchase additional treatment services.

LEGISLATION:

SB 1179 (Alquist), as introduced March 8, would amend existing law which authorizes the Joint Legislative Budget Committee to appoint a Legislative Analyst, and formally establish the Office of the Legislative Analyst in state government. The bill would provide that the Legislative Analyst is a civil executive officer selected by concurrent resolution of the legislature who shall serve until a successor is selected and qualified. This bill is pending in the Senate Rules Committee.

SB 986 (Alquist), as introduced March 8, would delete obsolete provisions and revise others relating to the duties of the Legislative Analyst; and transfer various annual report duties of the Legislative Analyst to specified state agencies. This bill is pending in the Senate Rules Committee.

AB 1258 (Polanco), as introduced March 6, would require the Legislative Analyst to study the efficiency of the state's permitting process as it relates to various environmental protection laws and permit requirements on industrial facilities. This bill is pending in the Assembly Natural Resources Committee.

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:

Inner City Business Loan Funds in California: Results and Lessons for the 1990s (January 1991) addresses the issue of financial assistance to new or existing businesses in inner city areas. The report examines the network of existing inner city business financing mechanisms in California: community-based loan funds, state small business loan guarantees, and federal Small Business Administration loan guarantees. The report also examines the new federal Community Reinvestment Act (CRA) guidelines and their initial impact on inner city business lending.

The report reviews the history and performance records of six major northern California community-based funds. These loan funds were created to supplement small business lending by banks and other private institutions. The performance records available show generally superior repayment rates. Although a valuable layer of business lending, community-based funds have very limited capital and reach. Community-based funds in southern California were not reviewed by AOR.

California has operated a small business loan guarantee program since 1968 that now has a trust fund of more than \$33 million. Loans are made by a bank or other lending institution and guaranteed (up to 90%) by a state regional corporation. Eight regional lending corporations operate under the supervision of the Office of Small Business in the state Department of Commerce. To qualify, a business must meet five general criteria (Corporations Code section 14071).