regulations for consideration and formal approval by the Office of Administrative Law concerning the statewide dispute resolution program. The final set of proposed regulations developed pursuant to the Dispute Resolution Programs Act (Business and Professions Code section 465 *et seq.*) is expected to be submitted in the next few months in final form. (See CRLR Vol. 9, No. 2 (Spring 1989) p. 40 for background information.)

LEGISLATION:

AB 1770 (Roos), as amended May 9, would prohibit a consumer credit report or investigative consumer report from containing the following information: (1) the fact that a consumer was represented or assisted by a legal aid, legal services program, or other governmental source; (2) the fact that a consumer was granted a waiver of court or other fees. Currently pending on the Assembly floor, this bill would permit consumers to delegate to any person pursuant to a power of attorney any right provided to consumer under the Consumer Credit Reporting Agencies or the Investigative Consumer Reporting Agencies Act.

AB 1523 (Hansen), as amended May 16, is pending in the Assembly Ways and Means Committee. Existing law provides that funds of one board within the DCA shall not be used to pay expenses of any other board when it will interfere with administrative duties imposed upon such boards. This bill would provide that those provisions shall not prohibit monies from being transferred for a release time bank of any board, commission, or bureau pursuant to memorandum of understanding.

AB 1272 (Eastin) would include among the enumerated powers and duties of the DCA Director the maintenance of contact and liaison with the consumer programs of each state agency. This bill is pending in the Assembly Committee on Governmental Efficiency and Consumer Protection.

AB 459 (Frizzelle), also pending in the Assembly Committee on Governmental Efficiency and Consumer Protection, would provide that any business license issued by a licensing agency within the DCA may be renewed at any time, regardless of length of delinquency, without meeting reexamination requirements if continuing education requirements have been met and all applicable dues are paid.

AB 1578 (Murray) would authorize a landlord to evict a tenant in unlawful detainer proceedings for any controlled substance violation on the rental premises, if the rental agreement prohibits violations of law on the rental premises. Under the bill, the tenant would also forfeit any security deposit to the landlord in such cases. This bill is pending in the Assembly Judiciary Committee.

AB 1526 (Bentley) is pending in the Assembly Committee on Public Safety. Existing law requires employers of peace officers in the state to establish a procedure to investigate citizen complaints against their personnel and to make a written description of the procedures available to the public. This bill would authorize those investigative procedures to provide for the disclosure to the complainant as to the disposition of those complaints.

AB 1729 (Chandler) is pending in the Assembly Ways and Means Committee. Existing law provides that a board regulating a business or profession may deny, suspend, revoke, or restrict a license on the ground that an applicant or licensee has subverted or attempted to subvert any licensing examination. This bill would make it a misdemeanor for any person to subvert or attempt to subvert any examination, in addition to any disciplinary action that may be authorized. Such person would be held liable for costs incurred by an agency in an amount not to exceed $10,000 and for the costs incurred for the prosecution, in addition to any other penalties.

AB 1529 (Lancaster), DCA's omnibus legislation which would make numerous technical changes in statutory law affecting specified DCA agencies, is pending in the Assembly Ways and Means Committee.

SB 1078 (Dills) is pending in the Senate Judiciary Committee. Existing law provides that anyone who violates provisions pertaining to unlawful, unfair, or fraudulent business practices is liable for civil penalties not to exceed $2,500 for each violation recovered in a civil action. This bill would provide that a penalty shall not be assessed against the person if the person has paid fines or penalties or has otherwise settled charges pursuant to a violation of any other civil or criminal law which is based on the same underlying conduct constituting the unfair competition.

The following is a status update of bills discussed in detail in CRLR Vol. 9, No. 2 (Spring 1989) at page 40:

AB 538 (Moore), as amended in April, no longer applies to DCA. The new version of the bill would require an electric or gas corporation proposing to establish a promotional rate, discount, or rebate program for the purpose of competing with another electric or gas corporation, or with a utility owned by a local governmental entity, to first obtain authorization from the Public Utilities Commission. Provisions appearing in the original version of the bill, which would have required DCA to comply with certain legislative reporting requirements regarding electronic commercial services operations, were deleted.

SB 787 (Rosenthal), pertaining to disclosure requirements in the sale of a used car, is still pending in the Senate Committee on Insurance, Claims and Corporations. This bill would prohibit the sale of a used car by a dealer unless accompanied by an express written warranty covering the full costs of both parts and labor necessary to repair any defect that impairs the motor vehicle's use or safety.

AB 552 (Moore), which would authorize the buyer of a motor vehicle, pursuant to a conditional sales contract or purchase order, to cancel the agreement within three days after signing the agreement, is still pending in the Assembly Committee on Governmental Efficiency and Consumer Protection.

AB 320 (Speier), which would permit the buyer of a dating service or weight loss contract to cancel the contract within three business days after signing, passed the Assembly and is pending in the Senate Judiciary Committee.

AB 718 (Frazee), which would expand the disclosure rights of consumers who lease vehicles, passed the Assembly on June 7 and is pending in the Senate Judiciary 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 direction 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:

California Children, California Families is a series of publications undertaken at the request of Assembly Speaker Willie Brown, Jr. The series is designed to heighten public and legislative awareness of recent demographic trends and their effects on families; establish a system for tracking bills impacting families; and spotlight trends and policies which are adversely affecting families and which need legislative attention.

In March 1989, AOR published the first of the series, entitled *More Than Babysitting: Rethinking Childcare and Preschool Policies*. The report examines the history of childcare development in California and analyzes the current programs which cost the state one-half billion dollars per year. Suggesting broad approaches for reconciling conflicting policies, the report discusses the need to establish better priorities for the care and education of young children and includes some specific recommendations for implementing such policies.

The state of California supports more than twenty childcare and education programs in five different departments. These programs run the gamut from daycare centers licensed by the Department of Social Services; Department of Education-subsidized preschool and childcare programs; community childcare programs targeting specific populations; programs which provide childcare to families in need of welfare assistance; programs which subsidize childcare for welfare recipients in work or training programs; and consumer and technical assistance programs for parents and caregivers.

The report criticizes the state for having no coherent policy and no agreed-upon set of priorities to govern state spending for childcare. Citing studies which demonstrate that low-income children who attend preschool programs tend to be more successful in their later lives than children who do not attend such programs, the report states that only 25% of children aged three and four who qualify for subsidized preschool programs are actually being served. Despite the increased need for services and the demonstrated success, in order to provide half-day preschool programs to those currently not served, it would cost approximately $591 million (almost $100 million more than the state currently spends on all preschool and childcare programs for children up to age fourteen).

For many California families, childcare is expensive and difficult to find. Moreover, although the supply of licensed childcare spaces has grown substantially over the past ten years, it remains inadequate to meet a growing demand, especially of families with infants under two years of age and school-aged children six to thirteen years old.

The report recommends several ways to approach these problems while recognizing limited available resources. First, it recommends that licensing regulations be changed so that all childcare facilities would be required to provide a preschool curriculum. Second, it recommends a vast expansion of the Department of Education's part- and full-day preschool programs, or in the alternative, that the state encourage development of state/local, public/private coalitions which can share in the costs of providing and paying for childcare services to families. Finally, the report urges that care and education of California's young children become a top priority for policymakers at every level of government.

In April, AOR published the second report of the series, entitled *Foster Care: Fraught With Data Gaps and Inadequate Services*. The prevailing belief underlying both federal and state intervention to dysfunctional families is that only under extreme circumstances should a child be removed from his/her home. The goals of intervention are to prevent displacement from the home or return a child to his/her home with the least destructive intervention; and, if these are unsuccessful, to ultimately prevent multiple foster home placement. However, a variety of obstacles continues to undermine the state's success in reducing the population of children in out-of-home care.

Several kinds of foster care are available in California. The first is emergency shelter care (initial, short-term placement for children in dire need). The second is the private family home, which may consist of county-licensed homes; certified homes (under the jurisdiction of private, licensed home-finding agencies); or residences of the child's relatives, which are usually not licensed. Third is the group home—a more structured, confined setting; and finally, the large institutional-type setting.

The report selected eleven counties for preliminary investigation, focusing on the foster family home (county-licensed homes). The counties investigated were Alameda, Amador, Calaveras, Contra Costa, El Dorado, Los Angeles, Orange, Sacramento, San Diego, Santa Clara, and Yolo.

The report centers on four principal concerns: (1) the process of deciding to remove a child from his/her home; (2) the abuse of children in foster care; (3) the growing interest in foster care "professionalization" and training; and (4) the services available to children in foster homes. The report also notes that the data available to analyze foster care in California are "abysmal" and "fundamentally limit the State Legislature's ability to frame informed policy choices for serious consideration."

The report identifies several problems related to making the decision to remove a child. The greatest pressure is the unavailability of early intervention programs to high-risk families. Although these programs are costly, in the long-run, early intervention programs would result in greater financial savings in the child welfare system. In addition, there are enormous pressures on individual social workers who cannot do an adequate job with the huge caseloads they are expected to carry.

With very few options available, once the decision to remove a child has been made, the sole criterion for placement becomes the location of an empty bed. As a result of these practices, many foster placements unsurprisingly result in failure. For instance, the emergency shelter in Los Angeles uses 50% of its beds for failed placements.

Analyzing data collected by the Foster Care Information System (FCIS), the AOR study notes that the most reported reason for removing children from the home statewide is the caretaker's absence or incapacitation. The data system contains a specific code which defines absence or incapacitation very broadly as "the absence of the caretaker due to hospitalization, incarceration, or death; incapacity of the caretaker to provide adequate care for the child due to physical or emotional illness, disabling condition, or compulsive use of alcohol or narcotics."

In its report, AOR is extremely critical of the FCIS, stating it is confusing and misleading. The data is to be used to determine what services are needed and in what priority, and to determine appropriate funding levels. However, using the category described above as an example, policymakers will have no way of knowing whether parents are dying at alarming rates, being frequently incarcerated, or whether removal of children statewide is attributable to an increase in drug and alcohol addiction.

The report characterizes abuse in foster homes as a statewide problem. The magnitude of the problem is currently unknown due to the lack of formal documentation of charges and investigation

of alleged abuse. Moreover, because of the desperate need for foster homes, there appears to be an increased tolerance for low levels of abuse if the offending person seeks treatment to correct the problem.

Because of irregularities in the data, AOR asked four counties to perform a manual recheck of removals for alleged abuse in foster care during the year 1987. In no case was the frequency of alleged or substantiated abuse higher than 3% in any of the four counties. The report concludes, however, that because the potential for underreporting is high, a more systematic investigation is called for, as well as the development of a reliable method for obtaining information on the incidence of abuse in foster homes.

While there is a growing consensus in favor of mandated training for foster parents, the report suggests that the mandate will prove useless unless it is enforced. More families will remain in the system longer if they are better equipped and prepared to cope with the especially difficult children placed in foster care. The report recommends that foster families be required to attend orientation training sessions as well as ongoing training as a precondition to renewal of licensing. Further, AOR suggests that the entire family should attend the training sessions and that they be paid a small sum for the training.

In addition to the above, the report also made the following recommendations: (1) the state should provide social workers with more specific guidelines for determining whether a child should be removed from the home; (2) greater efforts should be made to retain personnel, which could be accomplished by reducing caseloads to a level which permits supervision consistent with safe, in-home treatment; (3) there should be a wide range of early intervention services available to high-risk families (of children who receive in-home services, nine out of ten remain in their homes); (4) the state should provide direct assistance to counties in addressing the dire need for massive recruitment of new foster parents; and (5) a thorough review of data collection procedures should be undertaken.

The Thrift Industry: History and Background (April 1989). This report describes the development of the savings and loan industry. Formed in the Northeast during the early 1800s, cooperative savings societies and mutual savings banks were developed to finance home mortgages and provide safe depositories for personal savings. These societies and savings banks were the forerunners to today's savings and loans institutions.

The S&L industry has played a major role among the nation's financial institutions, especially during the building boom of the 1920s. At the beginning of the Depression, however, the industry was governed by a hodgepodge of state regulations; by the end of the Depression, S&Ls found themselves holding massive amounts of repossessed devalued property. In 1933, 40% of the nation's $20 billion in home mortgage loans were in default and more than 1,700 thrifts or S&Ls failed.

Federal regulation of the S&L industry began in 1932 with the Federal Home Loan Bank Act. This act authorized a five-member board to establish and supervise a Federal Home Loan Bank System consisting of twelve regional home loan banks. Under the Act, all of the capital stock of a district bank is owned by the savings and loan associations served by that bank. Each bank is a federally-chartered, privately-owned corporation subject to the policies and procedures developed by the Federal Home Loan Bank Board (FHLBB).

During the 57 years since it was enacted, the FHLB system has fulfilled its original mission of providing loans or "advances" to its member savings and loans to ensure liquidity, thus making home financing widely available. The bulk of the system's funding comes from FHLB bonds and discount notes sold in the public capital markets.

Due to the failure of S&Ls during the Depression, Congress enacted the National Housing Act of 1934, which established the Federal Savings and Loan Insurance Corporation (FSLIC) to insure accounts for up to $5,000 and to prevent insured institutions from default. (In 1980, the coverage was raised to $100,000 per person per account.) The FSLIC's operations were placed under the supervision of the FHLBB.

Between 1934 and 1979, it was necessary for the FSLIC to assist in the merger, sale, or liquidation of 124 S&Ls nationwide. Of those, thirteen cases were severe enough to require closure of the S&L and insurance payments were made to the insured depositors.

A strong economy from 1947 to 1960 contributed to rapid growth in the S&L industry. The use of national financial transactions and the secondary mortgage market were important trends which also contributed to the industry's growth. However, with increased competition, higher interest rates, and declining earnings, the industry began to experience problems in the 1960s.

In 1970, the Emergency Home Finance Act established the Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac"), which created an increased supply of funds for housing by stimulating a secondary market for mortgages. Inflation and a large increase in the number of rules governing S&L lending practices had a huge impact on the industry in the 1970s. In California, the biggest impact was the decision in *Wellenkamp v. Bank of America* that private lenders in California could not use "due-on-sale" clauses in loan agreements to prevent purchasers of residential real estate from assuming mortgages at low-interest rates. Finally, in the late 1970s, the FHLBB authorized S&Ls to institute variable rate mortgages.

In the 1980s, stagnation in deposit levels occurred because savers could get a much higher return from money market funds, stocks, savings accounts permitting limited checking, and other financial instruments. As a result, hundreds of S&Ls became insolvent or at risk of becoming insolvent.

In response, Congress passed the Depository Institutions Deregulation and Monetary Control Act of 1980. The Act eliminated interest rate lids that thrifts could pay depositors, raised the deposit insurance to $100,000, and allowed S&Ls to reduce their capital to 4% of their total assets. Despite the authority to offer higher interest rates and adjustable rate mortgages to attract new depositors, many S&Ls were locked into thirty-year fixed rate mortgages which were paying the S&Ls lower interest than they were having to pay their depositors. As a result, between 1980 and 1983, almost 500 S&Ls failed across the country.

In 1982, Congress passed the Garn-St. Germain Depository Institutions Act, which authorized a wider range of investments previously prohibited. In California, state-chartered S&Ls began to convert to federal charters in droves because of the deregulation. Following the federal action, the state eliminated most investment restrictions on state-chartered thrifts in order to stem the tide of conversion.

In 1983, the authority to examine California state-chartered S&Ls was turned over to the FHLBB and the FSLIC, which then placed a moratorium on insurance for state-chartered thrifts in 1985 until the state regulators strengthened the supervision of S&Ls.

According to the AOR report, the new investment powers proved to be a mixed blessing for S&Ls because of inex-

perienced management. Between February 1984 and April 1987, 29 state-chartered institutions and two federally-chartered thrifts were placed into receivership by the FHLBB. During the mid-1980s, California stiffened its regulatory control over S&Ls.

At present, it is reported that there are thirteen insolvent state institutions and eleven insolvent federal institutions in California. In the view of the president of the Federal Home Loan Bank of San Francisco, the problems in the S&L industry stem from "...the present FSLIC deposit insurance system which creates incentives to engage in risk taking and lacks the necessary market discipline to control such activities...."

Medication Risks Among the Elderly: Cures, Cautions and Consequences (May 1989). This AOR report examines senior citizen medication problems and the efforts in California to address them. Nationally, an estimated 243,000 Americans were hospitalized by an adverse drug reaction in 1985. In California, hospital discharge records demonstrate that 62% of reported adverse drug reactions to legally administered drugs involved patients 60 years or older.

Researchers claim that 40-75% of the elderly make mistakes in administering their medication regimen. California hospital records reveal that seniors are most likely to commit a medication error with heart drugs or benzodiazepine-based tranquilizers. California is part of a growing movement to educate senior citizens and caregivers on the proper administration of these drugs. Moreover, pharmaceutical manufacturers are under increasing pressure to produce drugs which have been thoroughly tested on elderly patients to prevent illness or injury from adverse reactions.

Studies indicate that the aging process limits the body's ability to absorb, distribute, and release drug agents. Thus, seniors suffer from drug reactions in proportionately greater numbers than other age groups. Yet, the AOR report notes that most drug companies customarily secure FDA approval based on clinical studies involving healthy, young adults. Only 17 of the 200 most commonly prescribed drugs give geriatric dosage instructions and, of the 24 most commonly prescribed drugs for seniors, only three product labels mention geriatric adverse reactions.

After documenting the risk of errors in senior medication problems in the first part of the report, the AOR study recommends the establishment and maintenance of a substantial base of information on patterns of drug use and adverse drug reactions among the elderly. At present, there is an absence of data to document the severity and extent of the problem. Although more data is obviously needed, the AOR report includes a review of current data available in California since 1986.

The second part of this report examines existing medication education programs in California. The report notes that most education programs are supported by short-term grants, resulting in programs which are highly fragmented and tenuous.

In 1986, law was enacted to provide that unused funds in the County Health Services Fund could be directed to medication education programs for people 60 years of age and older for three years (through fiscal year 1989-90). The AOR study examined ten of the nineteen city and county medication education programs which are partially funded through this source, as well as other education programs which do not use grant funds for the purpose.

The AOR study concludes that an accounting system is not in place to assess the overall cost-effectiveness of medication education efforts. According to the report, there is currently no "hard data" which demonstrate how many dollars were saved by activities which could conclusively be credited for keeping someone out of the hospital.

AOR recommends paying close attention to the state's two-year, $1.3 million drug utilization review program to evaluate the outcome of drugs prescribed for Medi-Cal recipients. The review system was required to be developed by the state under the California Welfare and Institutions Code and will begin a test run in selected counties in July 1989. AOR suggests that the data gathered may show the extent to which medication is prescribed or dispensed in error and the impact education has on preventing oversights. If after two years, intervention fails to produce a marked change in drug errors, at least the state will then know the difficulty in proving that medication education is cost-effective.

In its report, AOR makes the following specific recommendations to the legislature: (1) develop data programming and support efforts to identify medication misuse patterns among the elderly; (2) monitor Medi-Cal's two-year drug review program to determine the cost-effectiveness of educating physicians; (3) support an expansion of the role of pharmacists as medication managers for the elderly (*e.g.*, explore methods for having pharmacists thoroughly explain the use of a prescribed drug at point of sale; (4) consider methods for increasing a physician's knowledge of prescribing geriatric medicine; (5) incorporate medication education efforts into the state's preventive health care programs for the elderly; and (6) develop statewide workshops and other means to promote an exchange of ideas, materials, and knowledge among professionals who dispense medication to the elderly.

Electricity Rates: San Diego Gas & Electric and Southern California Edison (April 1989). Requested by Assemblymember Lucy Killea, this AOR study concludes that San Diegans would pay less for energy under the proposed takeover of SDG&E by Southern California Edison than if SDG&E remains independent. The report also found that a municipal takeover of SDG&E is a feasible option, but additional study is needed.

The AOR study projects that San Diego residential energy users would have lower costs than they would without a merger—3-11% lower by 1993, and 14-21% lower by 1998. The lower rates would be achieved in part by tapping into Edison's power surplus and cutting overhead.

However, the report found that the effects of a merger are less clear with respect to the impact on Edison's utility rates. The report says that Edison's residential customer costs will be lower than otherwise at first, but would then become higher starting in about 1996. The reason for the higher rates is that they will be pulled upward by San Diego rates more than they will be pulled downward from merger savings.

The study projects that without a merger, SDG&E rates will remain approximately the same as Edison's until about 1994. Then, from the late 1990s through 2007, it is projected that SDG&E rates would exceed Edison's by about 17%. The report determined that the rate increase would be attributable to major urban growth and a dwindling supply of cheap surplus electricity which would eventually force the utility company to build or acquire costly new sources of power.

The study also projects that municipal takeover of SDG&E is feasible but needs further study. The purchase price of SDG&E was estimated to be between $4.3 billion and $5.7 billion. The study reports that taking reserves and other costs of financing into consideration, a bond act in the range of $4.8 billion to $6.4 billion would be needed to finance a municipal takeover. The actual price

of such a takeover would be set by negotiation, a court ruling, or the Public Utilities Commission, according to the study. Once the actual price of a municipal takeover could be established by further study, accurate rate projections could be established.

Completed in six weeks, the AOR study has been criticized in the press because the figures supplied to AOR for its projections were provided by SDG&E, and because the report fails to factor in the availability of relatively cheap hydroelectric power if a municipal utility is created.

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:

Report on the State's Regulation of Financial Institutions (February 1989). Produced by the Senate Advisory Commission on Cost Control in State Government (Advisory Commission) and submitted to the Senate Rules Committee pursuant to SR 40 (Roberti, 1984), this report is the third in a series of studies undertaken to find ways to "increase efficiency, reduce costs, enhance administrative accountability and control, and apply improved program management techniques and systems to state operations."

The substantial deregulation of the financial services industry over the past decade has invited abuse and mismanagement. Changes in the financial services business have increased the competitive pressure on banks and savings and loan institutions (S&Ls).

An unprecedented number of banks and S&Ls have failed over the past five years. Even if not outright failing, 37% of the state-chartered banks were in less than satisfactory financial condition and approximately 17% were in serious trouble in March 1988. Fraud was a factor in approximately 33% of all bank failures. Of the state-chartered S&Ls, 42% were found to be "problem[s]" upon examination by the Department of Savings and Loan (DSL) during fiscal year 1986-87. During that same period, 30% of all national failures of S&Ls occurred in California alone. Fraud was a factor in at least 80% of all S&L insolvencies between January 1984 and June 1987. The flood of institutional failures has engendered monumental problems for both the industry and the federal insurance funds.

Because of the potential for instability in our financial system and the need to minimize the resulting adverse effects on California, the Advisory Commission concluded that the state must undertake "an aggressive reform program aimed at strengthening the supervisory abilities of our financial regulatory agencies"—that is, the Department of Banking and the DSL.

The Department of Banking supervised 389 institutions and $265 billion in assets in February 1988. The DSL supervised 137 state-chartered S&Ls and $147.9 billion in assets in December 1987. The Banking Department recently adopted a "Strategic Plan '88" with "a sound set of goals" for meeting its regulatory objectives; the DSL has no such overall strategy for its regulatory program. In fact, the Advisory Commission found that, in light of the industry's problems, the DSL "had to operate under some significant fiscal and operational constraints," including an inadequate number of examiners.

The profound changes that have taken place in the industry have made state supervision of its financial institutions more important and more difficult. As a result, the Advisory Commission believes that an evaluation of the powers of banks and S&Ls must be made. Then, based on the interests of California citizens and not industry preferences, the legislature must decide whether the present laws should be changed.

The Advisory Commission made the following recommendations:

(1) With regard to both departments:

-the legislature and the departments must reevaluate the departments' existing resources and ensure that they are adequate to supervise their respective licensees;

-the legislature and the departments must create deterrents to and focus greater staff resources (including special fraud units) on fraud and misconduct, which are responsible for so many institutional failures;

-the departments must examine all licensee institutions at least once per year and "troubled" institutions every six months;

-the departments must conduct a thorough review of their information sources and negotiate greater access to federal sources;

-the legislature and the departments must provide salaries and benefits to examiners and supervisory staff comparable to private sector equivalents; and

-the departments should overhaul their human resources objectives by fully implementing Department of Personnel Administration (DPA) recommendations regarding improvement of examiner salaries and benefits; requesting additional authority from the DPA for filling and reclassifying certain examiner classes; and reassessing whether their career counseling programs are meeting the needs of their employees.

(2) With regard to the Department of Banking:

-the legislature should reinstate the $100,000 appropriation cut from the 1988-89 budget to increase examiner training.

(3) With regard to the Department of Savings and Loan:

-the legislature should revise the Department's funding mechanism (currently, assessments from the S&Ls it regulates) by considering larger assessments; funding from the general fund instead; supplementing assessment proceeds by funds from the general fund; or funding through some other methods such as franchise tax offsets;

-the legislature should shield the DSL Commissioner from political pressures by changing the office from a pleasure appointment to a term appointment removable only for serious cause;

-the DSL must develop an operational strategy analogous to the Banking Department's "Strategic Plan '88"; and

-the DSL should conduct joint examinations with the Federal Home Loan Bank of San Francisco where it focuses on operating areas unique to California institutions.

The Advisory Commission also recommended against the consolidation of the two departments into a single "Department of Financial Institutions" because of the substantial differences between the two regulatory structures and the experiences of sister states.