of public officials' duties and responsibilities, and the reorganization and or restructuring of state entities and programs.

MAJOR PROJECTS:

Review of the Organization, Operation, and Performance of the State Lottery. In January, the Commission issued a report which concluded that "the lottery's rapid growth and meteoric sales have placed tremendous demands on the lottery's staff in conducting its business operations." The Commission found an absence of certain necessary business controls and systems, resulting in little assurance that lottery operations are efficient or that education funding is being maximized.

The study enumerated specific concerns, including the following:

- The lottery has not provided timely or complete monthly financial reports required by law to provide public accountability for the lottery's activities.

- Because the lottery is exempt from an independent budget review by the legislature, legislators do not have the same level of assurance that the lottery is operating in an economical manner as they have with other state agencies.

- Because the lottery does not have an independent review and appeals process in place to review vendor bid proposals, the current bid protest process lacks an appearance of independence and objectivity.

- The lottery has not established an adequate contract management system to monitor contract performance and payments, which has resulted in contract payments which exceed allowable limits in some cases.

- An estimated $13.8 million to $34.6 million has been lost to the state's educational system during the lottery's first nine instant ticket games because the lottery does not have a system in place to identify and recover unclaimed low-tier prizes paid by lottery ticket retailers.

- The lottery has relied too heavily on sole-source contracts to purchase goods and services.

The Commission concluded that while "the lottery has unprecedented flexibility as a state agency in how it conducts its business operations," it has "an ethical obligation to meet or exceed the state's operating guidelines" to protect its integrity.

The lottery report listed numerous recommendations to improve the organization, operation, and performance of the lottery, including the following:

- The lottery should be required to utilize competitive bidding for purchases of goods and services of $10,000 or more, and it should establish a centrally-administered contracts management system.

- It should develop and maintain consistent and comprehensive contracting procedures and should be required to use an independent review and appeals process to resolve contract disputes.

- The Governor and legislature should require the lottery to provide more timely and complete financial reports.

- All lottery funds should be subject to legislative review through the state's usual budget process.

The Commission's report also noted that Scientific Games, Inc. (the current instant game ticket contractor) and its parent company, Bally Manufacturing, Inc., apparently have made conflicting statements to the legislature and the Little Hoover Commission regarding business involvement in South Africa. The Commission recommended that the Lottery Commission review these inconsistencies.

Pending Fiscal Crisis in the K-12 Public School System. On December 5, the Little Hoover Commission sent a letter to the Governor and legislative leaders expressing its extreme distress at the failure of public officials to recognize the pending fiscal crisis in the state's K-12 public school system. The Commission claimed this crisis is the result of (1) a continuing lack of financial accountability and responsibility in the system; and (2) the "drastic impact that the Gann spending limitation may have on the level of school funding in the upcoming year."

The Commission's letter elaborated upon shortcomings in the K-12 school system's financial management systems and offered numerous recommendations for an immediate campaign to "overhaul and improve...financial accountability, reporting, and control...."

PUBLIC HEARINGS:

Access of the Disabled to Drug and Alcohol Abuse Programs. On January 29, the Commission heard testimony on whether the disabled population has adequate access to drug and alcohol abuse treatment programs. Topics of discussion included the availability and extent of drug and alcohol treatment programs, the barriers experienced by the disabled, and possible solutions to these problems.

Quality of Care Provided in California's Nursing Homes. On February 18, the Commission held a hearing to receive testimony on four topics: whether the voluntary decertification of skilled nursing facilities from the Medi-Cal program has caused the forced eviction of Medi-Cal patients; the effect of the Nursing Home Patients Protection Act on the enforcement of nursing home regulations; suggestions for methods to prevent theft and loss of private possessions of nursing home residents; and methods of tracking the performance of nursing home administrators.

The hearing is part of a third Little Hoover investigation into the state's nursing homes. (See CRLR Vol 7, No. 1 (Winter 1987) p. 29 for more information on this investigation.)

DEPARTMENT OF CONSUMER AFFAIRS

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

MAJOR PROJECTS:

Sunrise Model. The DCA has completed a document for regulation proposal review called the "Sunrise Model." The Sunrise Model provides a means of objectively weighing benefits and detriments of occupational licensure. The model contains nine criteria used to judge the need for proposed regulation and a questionnaire for the requesting group which allows a presentation of arguments on the merits of regulation.

The Sunrise Model is being used by the Department's boards and bureaus to assess requests for new or expanded programs and is also available to legislators and administrators to assist them in their decisionmaking.

Choosing A Long Distance Carrier. The Department has published a booklet which assists consumers in comparing the services provided and fees charged by the various long distance carriers.
INTERNAL GOVERNMENT REVIEW OF AGENCIES

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conduct extensive studies regarding within and outside the legislature to
Office of Research (AOR) brings (916)
Director: Steve Thompson
ON RESEARCH
 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 recommenda-
tions. Such investigative projects often result in legislative action, usually
in the form of bills.
AOR also processes research requests from Assembly members. Results of
these short-term research projects are confidential unless the requesting
legislators authorize their release.
MAJOR PROJECTS:
California 2000: Paradise in Peril (January 1987) continues an AOR series
focusing on state resources. (See CRLR Vol. 7, No. 1 (Winter 1987) pp. 30-31.)
The January report concentrates on "three related natural resource issues
that most clearly illustrate the human impact on natural resources as we enter
the 21st century." Some of the report's highlights include the following:
-The debate over water in California has shifted from developing more water
to protecting the quality of existing
water supply. Three major water quality
issues focus on (1) the threat to the integrity of the Sacramento-San
Joaquin Delta, created by an ever-
growing danger of levee failure; (2) the
degradation of water pumped south from
the Delta, caused by pesticides, industrial effluent, and salts; and (3) the
serious damage to freshwater fisheries,
resulting from both declining water quality and the mechanical operation
of California's water delivery system.
- California has a "dismal, toxic-
contaminated future," created by an
inability to clean up the increasing
total number of toxic sites being discovered;
declining toxic disposal capacity; inadequately alternative treatment
capacity.
-Ocean waters, containing many
nonrenewable resources, "continue to
receive every form of human waste." Government response to coastal
problems has been piecemeal at both state and federal levels, and management
objectives are confused.
The AOR report enumerates a large
number of recommendations, including the following:
- The Department of Water Re-
sources and the state Water Resources
Control Board must jointly prepare a
new state master water plan, placing
primary emphasis on water quality.
- The legislature should establish and
enforce San Joaquin River water
quality standards for target contam-
inants, including pesticides.
- The state should build an isolated
water transfer facility to carry water in
the State Water Project and the Central
Valley Project around the Delta.
- California should create state/
regional partnerships with local govern-
ments and private businesses to ensure
that each region has a comprehensive
waste management system (collection,
transfer, treatment, and disposal).
- The Governor should appoint a
"toxics czar" with responsibility for
increasing the rate of clean-up at the
State Superfund sites; transforming
abandoned toxic sites into waste
treatment demonstration projects; and
helping local governments establish
regional hazardous waste management
systems.
- Local collection programs for house-
hold hazardous wastes should be estab-
lished to ensure that such materials are
not disposed of in sewage systems or
municipal landfills.
- The legislature should create a
Department of Ocean Resources to
 unify fragmented coastal and marine

LEGISLATION:
SB 2064 (Garamendi) expands the
availability and use of alternative
dispute resolution (ADR) programs,
including arbitration, mediation, and
cancellation.
SB 2064 also establishes a Dispute
Resolution Advisory Council within the
Department of Consumer Affairs. The
council will develop guidelines for the
establishment, operation, and evalua-
tion of ADR programs. It is hoped
that these guidelines will encourage
uniformity among programs throughout
the state. Supported by DCA, this bill
became effective January 1.

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The California Regulatory Law Reporter Vol. 7, No. 2 (Spring 1987)