

REMARKS TO THE DEPARTMENT OF FINANCE STAFF

FEBRUARY 24, 1984

LEGISLATIVE ANALYST

STATE OF CALIFORNIA

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REMARKS TO THE DEPARTMENT OF FINANCE STAFF

I. INTRODUCTION

A. How This Encounter Came About

1. Les Ouchida and Betty Lee's presentation.
2. My offer to Mike Franchetti.
3. Jordan Montano's invitation.
 - a. My initial reaction.
 - b. Jordan's response.

B. Purpose of my Remarks

1. Explain how we approach issues.
2. Give you my views on why our approach is sometimes different from yours.

C. Questions and Answers

1. I have no intention of trying to fill the full two hours.
2. Once I finish what I have to say, I'll be happy to answer any questions you want to ask me, be they about the Analyst's office, our 1984 Analysis, or the office's softball team.
3. If we run beyond 12:00, so be it.

II. ORGANIZATION AND PERSONALITIES

A. Introduction: Before I get to the primary matters I want to talk with you about, let me just say a few things about who we are and how we're organized.

B. Organization

1. We have a fairly simplistic organizational structure, consisting of program analysts, principal program analysts, and management.

2. Program Analysts:

- a. Program analysts all have the same title--no hierarchy, although for payroll purposes we group them into four pay categories (I, II, III, & IV).
- b. The reason we call them all program analysts is because we expect them all to do the same things--analyze bills and analyze budgets and programs.
- c. Most of the analysts in the office originally were hired at the entry level--usually with a freshly minted Masters Degree in Public Policy from the GSPP, LBJ School, or some such place.

3. Principal Program Analysts:

- a. Each analyst is assigned to one of nine sections, each of which is headed by a principal program analyst.
- b. The principals are really the heart of the office:
 - (1) They provide the subject matter - specific memory.
 - (2) They also are responsible for making sure that the analysts develop to the full extent of their capabilities.
 - (3) In many respects, the principals are the Legislative Analyst when it comes to issues in their area.

4. Management:

- a. Management consists of myself, three Deputies with 77 years in the office between them, and Liz Hill.
- b. John Vickerman is the Chief Deputy and performs the role of Executive Vice President within the office.
- c. Tom Dooley is in charge of everything having to do with the budget--preparation of the Analysis, review of "Finance Letters", Section 28 letters, and the like.

- d. Ken Carter is in charge of our bill analysis function, and is our mouthpiece at meetings of the Ways and Means and Senate Finance Committees.
- e. Liz Hill handles all cross-cutting issues like federal budget matters, and the assignments that we get from individual Members of the Legislature.

III. COMPARISON OF LEGISLATIVE ANALYST'S OFFICE AND DEPARTMENT OF FINANCE

A. Introduction

- 1. Let me now turn to my principal topic: How the LAO approaches issues, and how our approach differs from yours.
- 2. I suppose it is somewhat presumptuous of me to pass myself off as knowledgeable about the department's approach to issues, never having worked there.
- 3. I think, however, that I have some insight into the department since more than half of my professional life has been spent in an executive budget office--the federal counterpart to the DOF.

B. Similarities

- 1. As most of you are well aware, the way staff of the Analyst's office look at the world is very similar to the way you do.
- 2. Most of our good analysts tend to have:
 - a. A questioning nature, and
 - b. A strong skepticism about unsubstantiated claims.
 - c. They also tend to be results-or performance-oriented, rather than objective-oriented.

C. Differences

- 1. Clearly, there are differences in how we approach our responsibilities.

2. These differences (which I'll discuss in a moment) stem from who we work for.
 - a. It's not so much a matter of the two offices being located in different branches of state government.
 - b. Nor is it a reflection of the fact that your branch of government is controlled by the Republican party and mine is controlled by the Democrats.
 - c. It basically boils down to matter of numbers.
3. DOF works -- ultimately -- for a single individual with very definite ideas about how government should function.
 - a. This enables you to take positions on a wide range of issues.
 - b. It also puts you into a defensive mode when it comes to dealing with the Legislature, since you're expected to support the policies of the Governor.
4. In contrast, we work for 120 individuals who have very different ideas about how government should function.
 - a. Consequently, we are much more limited in the positions we can take.
 - (1) For example, there is no way we can take on a piece of legislation on the basis that it would assign to the state an "inappropriate role" or that it's "bad public policy".
 - (a) Undoubtedly, such statements would square with the political philosophies of some members, but it would infuriate other members.
 - (b) In the long run, the office's effectiveness --maybe even its survival--depends on not too many members being infuriated by the office.
 - (2) Similarly, we can't take a position on an issue without giving a solid reason for why we take that position (in other words, it's real hard for us to stonewall an issue).

- b. In addition to being limited in terms of the positions we can take before the Legislature, we are also limited in the tone we can take. We're not permitted to be argumentative with the members.
5. Our primary objective in the policy process is twofold:
- a. Make sure the Legislature gets a chance to participate in the decision-making process.
 - b. Make sure it has the information it needs in order to participate in a meaningful way.
 - c. Everything in that 2,450-page Analysis that we just dumped in the Legislature's lap comes down to that.
6. Anomaly
- a. It may sound strange for us to be worried about the holder of the pursestrings having a chance to participate in the decision-making process, but that is indeed what the Analyst's office is all about.
 - b. In a modern government, the Chief Executive is holding most of the cards as a result of two factors:
 - (1) His control of information; and
 - (2) The flexibility that he must be given by the Legislature in order to keep the government functioning relatively smoothly.
 - c. If the Legislature isn't alerted to what the issues are, these issues will be resolved de facto in the Governor's favor.
 - d. And if the Legislature doesn't have an independent source of information on these issues, it's pretty hard for the Legislature to build a case for doing anything other than what the Governor proposes.
 - e. This is why, as you leaf through our Analysis, you see so many recommendations that begin: "We recommend that the DOF explain . . ."

- f. It also is why we make issues out of so many Section 28 letters: If we don't, the decision automatically is made in the Chief Executive's favor.
7. In performing this role--flagging issues and providing information--we frequently find ourselves in an uncomfortable position.
- a. What the Governor proposes may make a lot of sense.
 - b. But as legislative employees, we are obligated to flag these issues nonetheless and give the Legislature an opportunity to do something that perhaps doesn't make quite as much sense.
 - c. I suspect that you can relate very well to this, since I would think one of the most difficult tasks you have to perform is to defend budget requests from our criticism when you voiced the very same concerns before the Governor made his decision.
8. Where do our recommendations come into the picture?
- a. It would be possible to perform this role of flagging issues and providing information without ever making recommendations.
 - b. This is, indeed, how the CBO operates.
 - c. I think, however, that the recommendations make our contribution to the Legislature more valuable, for three reasons:
 - (1) It makes the analysis less sterile or abstract and more real;
 - (2) It provides a stalking horse for the Legislature to use in making a decision; and
 - (3) It allows the members to lay-off the blame for unpopular decisions on someone else.
 - d. As I mentioned earlier, however, our recommendations must be analytically sound or they won't fly--they can't be defended based on ideological factors or value judgments.

- e. They also must be relevant from a political perspective.
 - (1) This is not to say that they must be politically acceptable.
 - (2) They can't, however, be so far outside the political base paths that no one even wants to listen to them.
 - (3) Example: The income tax deduction for mortgage interest payments.
- 9. Another difference between the department and the Analyst's office that does stem from the branch of government in which we are located is the amount of time we spend on ministerial duties.
 - a. Because you are a control agency, you spend more time controlling expenditures, which means processing documents and reviewing forms.
 - b. We escape most of this because we are not a control agency.
 - c. This, in turn, allows a lot more time for field visits and in-depth reviews of particular programs and activities.
 - d. I have witnessed first-hand how an increase in control responsibilities without a commensurate increase in staffing can cut into the time available for field work (OMB).
 - e. If this should ever happen to the Analyst's office, I suspect it will put the last nail in the office's coffin --simply because the only reason we're tolerated in the process is because we do have the time to develop program expertise.

IV. CONCLUSION

- A. Importance of the Department of Finance to the Legislative Analyst's Office

B. High Regard for Department of Finance Staff

1. This explains the enthusiasm at the softball game.
2. Why we need to be aloof.

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