



Annual Report Fiscal Year 1993-94

INTRODUCTION

The Legislative Analyst's Office (LAO) provides analysis and nonpartisan advice to the California Legislature on fiscal and policy issues, and has done so for over fifty years. The LAO enjoys a national reputation for its fiscal and programmatic expertise, and its high quality, nonpartisan analyses.

The LAO is overseen by the Joint Legislative Budget Committee (JLBC), a 14-member bipartisan committee composed of an equal number of Assembly and Senate members. The office currently has a staff of 46 personnel-years—36 analytical and 10 support, who serve as a nonpartisan staff resource to all legislators.

This report:

- **describes** the functions and organization of the LAO, and the services it provides to the Legislature and the people of California;
- **summarizes** the activities and finances of the office during fiscal year 1993-94; and
- **updates** members of the Legislature on changes in the office since our last report.

WHAT IS THE LEGISLATIVE ANALYST'S OFFICE?

Background

The LAO was established by the Legislature in 1941 by a change in its joint rules. Prior to that time, the Legislature basically had no fiscal staff to review independently the executive branch's proposals or to evaluate its administration of legislative enactments.

In 1951, the Legislature passed and the Governor signed legislation that codified the joint rule, thereby providing a statutory basis for the LAO and the JLBC, which oversees the office. The LAO's mandate is to:

...ascertain facts and make recommendations to the Legislature... concerning the state budget; the revenues and expenditures of the state; and the organization and functions of the state, its departments, subdivisions and agencies, with a view of reducing the cost of the state government and securing greater efficiency and economy (California Government Code Sections 9140-9147).

While this language is broad in scope, it emphasizes the fiscal role of the office. Consequently, throughout its history the office has concentrated on fiscal-related issues, primarily through its analysis of the state budget and oversight of state spending for the Legislature. In recent years, however, the increasing complexity

of the state's economy, budget, and services has resulted in the LAO regularly advising the Legislature on broad policy issues with significant fiscal effects. These include the fiscal and programmatic relationship between state and local governments; the planning and financing of state infrastructure; the impact of federal proposals on the state, such as health and welfare reform; and the use of information technology as a tool to make government more effective.

In order to carry out its legislative oversight duties, the office's analytical staff spends considerable time in the field obtaining first-hand knowledge of state and local programs.

Office Functions and Products

The LAO serves the Legislature and the public by:

- analyzing issues and making recommendations to solve fiscal and policy problems;
- providing nonpartisan advice and policy alternatives;
- responding to inquiries for facts and for programmatic and technical information;
- raising to the attention of the Legislature important fiscal and policy issues;

- critiquing proposals for state spending and revenue raising;
- serving as the Legislature's fiscal and programmatic watchdog, to ensure that the executive branch has complied—in both letter and spirit—with legislative intent;
- estimating the fiscal effect on state and local governments of statewide ballot measures.

The LAO provides these services primarily through its written products, but also through verbal responses to requests for information and formal and informal testimony provided to legislative committees, individual legislators, and their staff. The following summarizes the many written products of the LAO.

Analysis of the Budget Bill

Historically, one of the most important responsibilities of the LAO has been to analyze the annual Governor's Budget and publish a detailed review of that document at the end of February. The *Analysis of the Budget Bill* includes recommendations for legislative action and helps set the agenda for the work of the Legislature's fiscal committees in developing a state budget. Staff of the office work with these committees throughout the budget process and provide public testimony on the office's recommendations and other issues of concern to legislative members.

Perspectives and Issues

Published simultaneously with the annual budget analysis is a smaller document entitled *Perspectives and Issues (P&I)*. The *P&I* provides an overview of the state's fiscal picture—its economy, spending, and revenues—and identifies some of the major policy issues confronting the Legislature. In recent years, some of these major policy issues included:

- Restructuring the State-Local Relationship: Making Progress in 1994-95—How Should the Legislature Begin the Process of Restructuring California's System of State and Local Government?
- Restructuring Public School Finance—How Can the Legislature Increase Local Control Over and Accountability for K-12 General Education Spending?
- Making Government Make Sense—How Should the Legislature Reorganize State and Local Government Program Responsibilities?
- California's Child Support Enforcement Program—How Can the Program Be Made More Cost Effective?
- State Infrastructure—How Should the Legislature Address the State's Growing Capital Facility Needs?

- **State Rail Program—What Major Issues Does the Legislature Face in Implementing the State's New Rail Program?**

Reports

The office issues reports when the budgetary or program area being addressed requires a lengthier document. During 1993-94, LAO reports included:

- *School to Work Transition.*
- *State Spending Plan for 1993-94.*

Policy Briefs

The office issues short—often ten pages or less—“policy briefs” focusing on various policy issues of concern to the Legislature. These documents are generally geared to a specific event, for example a key hearing, in order to maximize their usefulness to members. Policy briefs prepared by the LAO in 1993-94 included:

- *The President's Health Care Reform Proposal—A Review of its Implications for California.*
- *Bonds and the 1994 Ballot.*
- *Creating a New Retirement Benefits Plan for Judges.*
- *Making Government Work Better—Information Technology: An Important Tool For a More Effective Government.*

Special Publications

The office produces a wide variety of “special” publications, to meet the information needs of the Legislature and to infuse empirical data and analysis into current policy discussions. Recent special products include:

- *Crime in California*—a graphically oriented document providing details on crime in California—its costs, its victims, and its perpetrators.
- *Cal Update*—a periodic publication designed to update the Legislature on the current status of the state's economy, revenues, and expenditures.
- *California K-12 Report Card*—a review of the available evidence on the comparative success of California's public education system.
- *CAL FACTS—California's Economy and Budget In Perspective*—a graphically oriented document which addresses questions frequently asked of the LAO.

Assignments

The office responds on a confidential basis to specific requests for information from legislative members. These requests range from the simple—how much money did a state agency spend on a specific activity—to the very complex—explaining

a structural problem with the state budget.

Budget "Control"

The LAO reviews requests by the administration to make changes to the budget *after* it is enacted. This review is done for the JLBC, which provides oversight of the budget for the entire Legislature.

Initiatives and Ballot Measures

The LAO prepares fiscal analyses of the state and local government effects of all proposed initiatives (prior to circulation) and analyses of all measures that qualify for the statewide ballot. The Secretary of State includes these analyses in the California Ballot Pamphlet distributed to the public.

Speaking, Testifying, and Participation on Government Commissions

In addition to providing public testimony on the Budget Bill before fiscal committees, as mentioned above, the Legislative Analyst and her staff testify before policy committees of the Legislature and address professional and community organizations. In the past year, Elizabeth Hill has spoken to such groups as The California Retired Employees Association and The California Association of Hospitals and Health Systems.

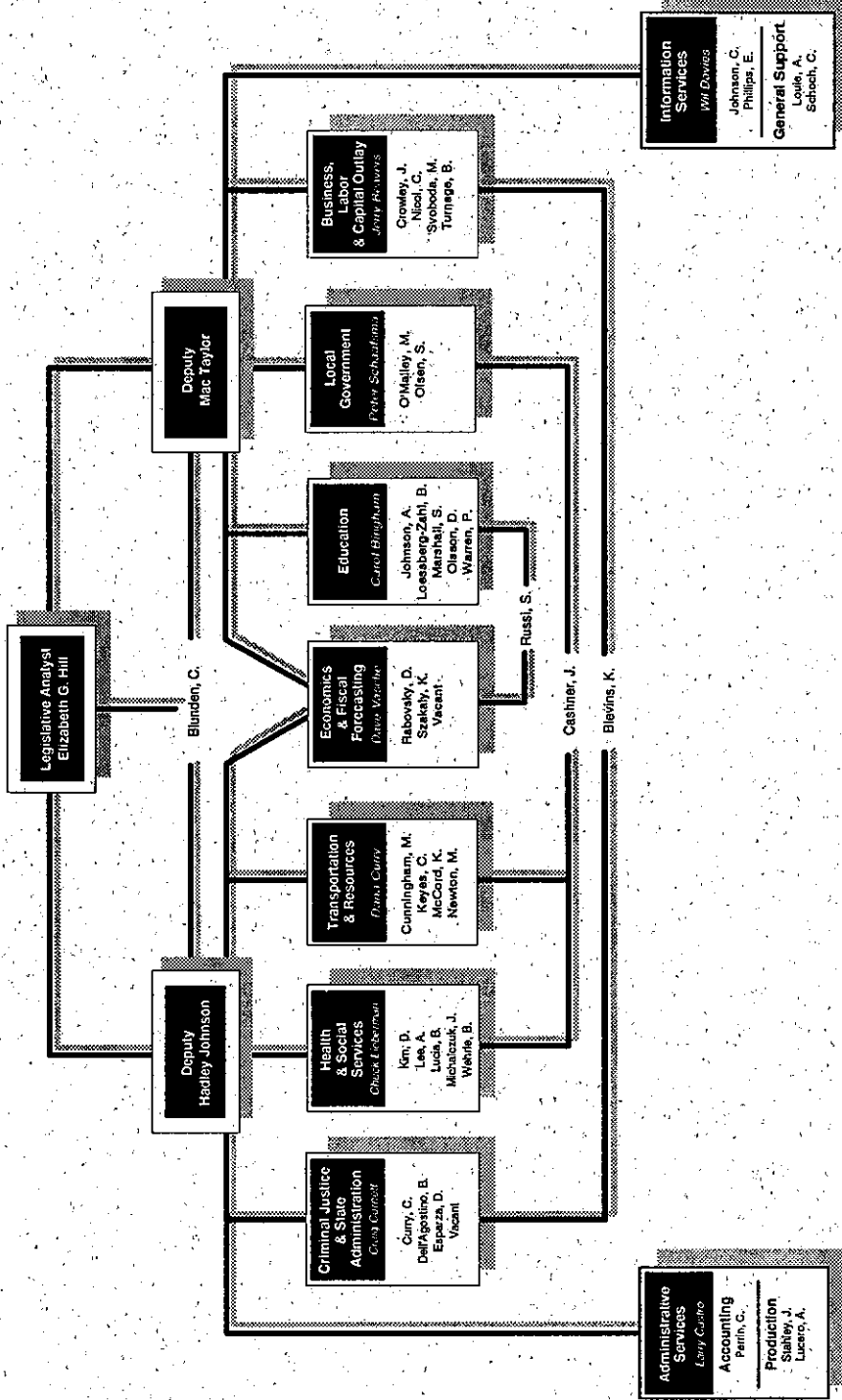
The Legislative Analyst serves on various commissions and advisory boards to provide a nonpartisan

voice in efforts to improve the organization and operation of state government. For example, the Analyst currently serves on the California Constitution Revision Commission (CCRC), which was created by Chapter 1243, Statutes of 1994 (SB 16 [Killea]). The duties of the CCRC are broad, and include an examination of: (1) the state's budget process and constraints on its development, (2) the structure of state governance and proposals to increase accountability, and (3) the current configuration of state and local government duties, responsibilities, and priorities. The overall purpose of the CCRC is to develop options for changing the state's Constitution to improve the performance of government in California.

Office Organization

Figure 1 shows the current organization of the office. Most staff are assigned to one of seven operating sections, each of which is responsible for fiscal and policy analysis in a specific subject area, such as Business, Labor and Capital Outlay, Health and Social Services, and Education. Each section is headed by a Director who is responsible for supervising the work of the fiscal and policy analysts in his or her section. Management of the office is provided by Elizabeth Hill, the Legislative Analyst, and her two deputies, Hadley Johnson and Mac Taylor. Each deputy oversees the work of three of the

Legislative Analyst's Office



operating sections and one support unit—information services and administrative services. The deputies share responsibilities for the work of the Economics and Fiscal Forecasting Section.

During 1993-94, the office staff consisted of 34.3 analyst and managerial personnel-years (PYs) and 10.0 support PYs.

FUNDING, EXPENDITURES AND PRODUCTIVITY OF THE LEGISLATIVE ANALYST'S OFFICE

The Legislative Analyst's Office is funded by both houses of the Legislature, in an amount determined each year as part of the overall legislative budget process. Figure 2 shows the sources and uses of funds for the

Figure 2

Joint Legislative Budget Committee Sources and Uses of Funds 1991-92 Through 1993-94

(In Thousands)

	1991-92	1992-93	1993-94
Sources of Fund			
Beginning Balance:			
LAO and Committee support	\$1	\$67	\$196
Special studies	-90	28	12
Subtotal, beginning balance	(\$91)	(\$95)	(\$208)
Current Funding:			
Transfers from Legislature	\$5,112	\$3,782	\$3,588
Reimbursements	30	24	28
Special Studies	—	—	—
Total Funds	\$5,233	\$3,901	\$3,823
Uses of Fund			
LAO Support			
Salaries and fringe benefits	\$4,003	\$2,798	\$2,931
Rent	557	467	289
Travel	70	54	81
Equipment, supplies, and services	132	102	102
Contracts	24	24	14
Printing	9	8	23
Office automation	59	15	5
Workers' Compensation	8	—	—
All Other	—	11	8
Subtotals, LAO Support	\$4,861	\$3,480	\$3,454
Committee	\$215	\$198	\$153
Special Studies	62	16	—
Total Expenditures	\$5,138	\$3,694	\$3,606
Ending Balance			
LAO and Committee	\$67	\$196	\$204
Special Studies	28	12	12

LAO and the JLBC during 1991-92, 1992-93, and 1993-94.

Figure 2 shows that in 1993-94 the LAO spent about \$3.5 million on office support—salaries, benefits, and operating expenses. In addition, the JLBC spent about \$153,000 on its operations.

Figure 3 identifies selected workload indicators for the LAO in 1993-94 in addition to the annual *Analysis and P&I*.

CHANGES IN THE JOINT LEGISLATIVE BUDGET COMMITTEE

In September 1994, Senator Alfred Alquist stepped down as Chair of the JLBC, and was replaced by Senator Mike Thompson. Senator Alquist had served as the Chair of the JLBC since February 1990. Figure 4 identifies those who have served as chairs of the JLBC.

Figure 3
Selected Workload Indicators of the Legislative Analyst's Office 1993-94

Month	Expenditure Notification Letters	Legislative Assignments	Statements	Initiatives	Ballot Measures	Reports and Special Products
1993						
July	34	22	1	2	6	7
August	45	19	2	7	—	—
September	47	14	1	2	—	1
October	46	17	6	7	—	2
November	56	14	3	11	—	—
December	114	24	2	5	—	2
Subtotals	(342)	(110)	(15)	(34)	(6)	(12)
1994						
January	30	29	3	8	4	3
February	28	20	1	3	5	6
March	39	36	5	—	—	—
April	37	37	3	1	—	1
May	41	28	5	3	—	2
June	16	28	3	—	7	2
Subtotals	(191)	(178)	(20)	(15)	(16)	(14)
Totals	533	288	35	49	22	26

Figure 4**Chairmen of the Joint Legislative Budget Committee**

Chairman	Period of Service
Senator William P. Rich	1941-1950
Senator Ben Hulse	1951-1956
Senator Arthur H. Breed, Jr.	1957-1958
Senator George Miller, Jr.	1959-1968
Senator Stephen P. Teale	1969-1972
Senator Donald L. Grunsky	1973-1976
Senator Dennis F. Carpenter	1977-1978
Senator Walter W. Stiern	1979-1986
Senator William Campbell	1987-1989
Senator Alfred E. Alquist	1990-1994
Senator Mike Thompson	1994-Present

HOW MEMBERS CAN USE THE OFFICE REQUESTS FOR INFORMATION

Members of the Legislature may make requests to the LAO for specific information or analyses consistent with the office's mission—that of non-partisan fiscal and policy adviser to the Legislature. These requests

will be handled on a strictly confidential basis as required under the Joint Rules. However, if a member chooses to release the information it is then considered a public document.

For specific program-related questions, any of the following Directors listed may be contacted:

DIRECTOR	PROGRAM AREA	PHONE
Jerry Beavers	Business, Labor, & Capital Outlay	322-8402
Carol Bingham	Education (K-12 and Higher Education)	445-8641
Craig Cornett	Criminal Justice & State Administration	445-4660
Dana Curry	Transportation & Resources	445-5921
Chuck Lieberman	Health & Social Services	445-6061
Peter Schaafsma	Local Government	445-6442
Jon David Vasche	Economics & Fiscal Forecasting	324-4942

Requests for Publications

All LAO publications are first delivered to the members of the Legislature and then are made public. Members may request additional copies of any LAO publications they desire simply by calling the office.

The office also forwards copies of most documents to legislative district offices.

Figure 5 shows the publications produced by the LAO in 1993 and 1994.

Figure 5

LAO Publications 1993 Through 1994

1993

Policy Briefs and Issue Papers

- Status Check—California's Growing Prison Population—The Current Situation (January)
- California's Economy and Budget in Perspective (January)
- An Overview of the 1993-94 Governor's Budget (January)
- Making Government Make Sense: Applying the Concept in 1993-94 (May)
- Overview of the May Revision (May)
- Cal Facts (May)
- Status Check—Local Sales Taxes—What Role Can They Play in the 1993-94 State Budget? (June)
- Performance Budgeting: Reshaping the State's Budget Process (October)
- The President's Health Care Reform Proposal—A Review of its Implications for California (December)
- Focus (No. 1)—Budget 1993—Budget Overview (July)
- Focus (No. 2)—Budget 1993—Local Government Funding (July)
- Focus (No. 3)—Budget 1993—Proposition 98 Education Funding (July)
- Focus (No. 4)—Budget 1993—Health and Welfare Funding (July)
- Focus (No. 5)—Budget 1993—Higher Education (July)
- Focus (No. 6)—Budget 1993—Judiciary and Criminal Justice Funding (July)
- Focus (No. 7)—Budget 1993—General Government (July)

Reports

- Analysis of the 1993-94 Budget Bill (February)
- The 1993-94 Budget Perspectives & Issues (February)
- Analysis of the 1993-94 Budget Bill—Summary of Findings and Recommendations (February) Report No. 93-1
- Reform of Categorical Education Program—Principles and Recommendations (April) Report No. 93-2
- Supplemental Report of the 1993 Budget Act, 1993-94 Fiscal Year (August)
- State Spending Plan for 1993-94 (September) Report No. 93-3
- Common Cents (October)

1994**Policy Briefs and Issue Papers**

An Overview of the 1994-95 Governor's Budget (January)
 Bonds and the 1994 Ballots (January)
 Highlights of the Analysis and P&I (February)
 Creating a New Retirement Benefits Plan for Judges (February)
 Overview of the 1994-95 May Revision (May)
 Proposition 172—How Did It Affect Spending for Public Safety? (June)
 Making Government Work Better—Information Technology: An Important Tool For A More Effective Government (June)
 The President's Welfare Reform Proposal: Fiscal Effect on California (July)
 Focus: Budget (July)
 Making Government Make Sense: Developing a Reform Proposal (July)
 Bonds and the November 1994 Ballot (August)
 Rethinking Community School Financing (August)
 The Federal Crime Bill: What Will It Mean For California? (September)
 The "Trigger" Mechanism (October)

Reports

Crime in California (January)
 Analysis of the 1994-95 Budget Bill (February)
 The 1994-95 Budget: Perspectives and Issues (February)
 School to Work Transition (February) Report No. 94-1
 California K-12 Report Card (February)
 Cal Facts (April)
 Annual Report Fiscal Year 1992-93 (May)
 Supplemental Report of the 1994 Budget Act, 1994-95 Fiscal Year (August)
 State Spending Plan for 1994-95 (August) Report No. 94-2

Requests for Other Services

As indicated above, the LAO provides a wide array of services to the Legislature that are not limited to responses to requests for information or written products. Over the years, the office has conducted independent investigations, provided technical

assistance, or managed contracts with outside consultants at the direction of members of the Legislature. Members should not hesitate to call the LAO for personal briefings on program, budget, or policy areas or for LAO staff to testify at subcommittee or other legislative hearings.

