



Annual Report Fiscal Year 1995-96

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 55 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 16-member bipartisan committee composed of an equal number of Assembly and Senate Members. The office currently has a staff of 49 personnel-years—36 analytical and 13 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 1995-96.
- ❖ *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 its joint rules in 1941. 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 and enactments 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.
- ❖ *Forecasting* state revenues and expenditures.
- ❖ *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 1995-96, some of these major policy issues included:

- ❖ *The Governor's 1996-97 Tax Proposal.* How would the Governor's proposed tax affect taxpayers, the state's fiscal condition, and the state's economy?
- ❖ *A Perspective on County Fiscal Constraints.* What are the underlying factors limiting counties' ability to respond to fiscal problems and effectively administer both state and local programs?
- ❖ *Federal Spending in California.* What role do federal funds play in the state's budget, and what are some of the issues raised by pending federal balanced-budget proposals?
- ❖ *Reinventing the State Civil Service.* How can the Legislature foster excellence in the civil service through improvements in the state's recruiting and hiring practices?
- ❖ *Privatization in California State Government.* What is privatization, and how can it best be used to improve California state government?

Reports

The office issues reports when the budgetary or program area being addressed requires a lengthier document. During 1995-96 the LAO issued the first of an ongoing series of reports entitled *California's Fiscal Outlook—The LAO's Economic and Budget Projections, 1995-96 Through 1997-98*. This report is designed to assist the Legislature with its long-term fiscal planning. It includes the office's independent assessment of the outlook for the state's economy, demographics, revenues, and expenditures.

The office also published the following two reports:

- ❖ *Child Abuse and Neglect in California.*
- ❖ *State Spending Plan for 1995-96.*

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 1995-96 included:

- ❖ *House and Senate Welfare Reform: Fiscal Effects on California.*
- ❖ *Accommodating the State's Inmate Population Growth.*
- ❖ *State Information Technology: An Update.*

- ❖ *Reversing the Property Tax Shifts.*
- ❖ *Reforming the Prison Industry Authority.*
- ❖ *Proposed Settlement Agreement of CTA v. Gould.*

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 included:

- ❖ *Cal Facts*—a graphical profile of the state's economy, demographics, programs, and finances.
- ❖ *Cal Update*—a periodic publication designed to update the Legislature on the current status of the state's economy, revenues, and expenditures, as well as topics of current interest such as the state transportation funding shortfall.
- ❖ *White Papers*—publications designed to provide timely information to the Legislature on the status of important policy issues. In 1995-96, the LAO produced white papers on a new funding model for special education, Los Angeles County's 1995-96 budget problem, and the Orange County recovery plan as proposed August 22, 1995.

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 their circulation for signatures. The office also analyzes 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, the Legislative Analyst has

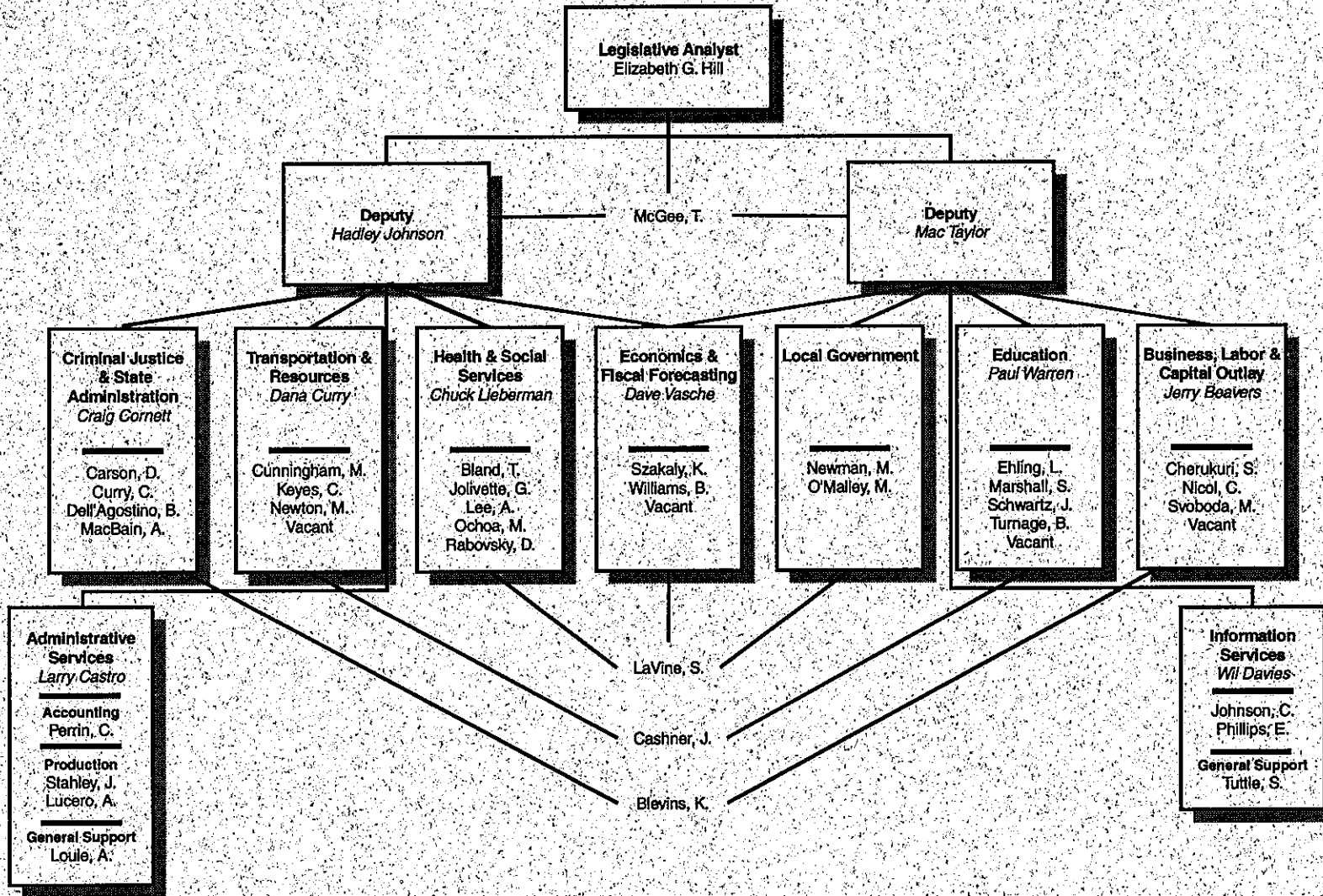
spoken to such groups as the California School Board's Association, the Rand Fiscal Federalism Conference, the Los Angeles County Chamber of Commerce, the California Agricultural Leadership Program, and the Redevelopment Legislative Conference.

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, during 1995-96 the Analyst served on the California Constitution Revision Commission, the Public Policy Institute of California Advisory Board, the McGeorge School of Law's Institute for Legislative Practice Advisory Board, and the Government Technology Conference Advisory Board.

Office Organization

Figure 1 (see page 6) 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 Economics and Fiscal Forecasting, Transportation and Resources, and Criminal Justice and State Administration. Each section is headed by a Director who is responsible for supervising the work of the fiscal and policy analysts in his or her area. Management of the office is provided by Elizabeth G. Hill, the Legislative Analyst, and her two deputies, Hadley Johnson, Jr. and Mac Taylor. Each deputy oversees the work of three of

Legislative Analyst's Office



the 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 1995-96, the office staff consisted of 34.5 analyst and managerial personnel-years (PYs) and 10.7 support PYs.

Funding, Expenditures, and Productivity of the Legislative Analyst's Office

The LAO is funded equally 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 LAO and the JLBC during 1993-94, 1994-95, and 1995-96.

Figure 2 shows that in 1995-96 the LAO spent about \$3.8 million on office support—salaries, benefits, and operating expenses. In addition, the JLBC spent about \$148,000 on its operations.

Figure 3 (see page 8) identifies selected workload indicators for the LAO in 1995-96 in addition to the annual *Analysis and P&I*.

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 nonpartisan

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.

Figure 2

Sources and Uses of Funds 1993-94 Through 1995-96

(In Thousands)

	1993-94	1994-95	1995-96
Sources of Fund			
Beginning Balance:			
LAO and Committee support	\$196	\$204	\$242
Special studies	12	12	—
Subtotals, beginning balance	(\$208)	(\$216)	(\$242)
Current Funding:			
Transfers from Legislature	\$3,588	\$3,731	\$3,992
Reimbursements	28	4	3
Special studies	—	—	—
Total funds	\$3,823	\$3,951	\$4,238
Uses of Fund			
LAO Support			
Salaries and fringe benefits	\$2,931	\$3,038	\$3,219
Rent	289	286	301
Travel	81	56	49
Equipment, supplies, and services	102	93	170
Contracts	14	21	17
Printing	23	36	31
Office automation	5	21	47
Worker's Compensation	—	—	—
Training	—	—	2
Other	8	1	3
Subtotals, LAO support	(\$3,454)	(\$3,553)	(\$3,839)
Committee	\$153	\$144	\$148
Special Studies	—	—	—
Total expenditures	\$3,606	\$3,697	\$3,987
Ending Balances			
LAO and Committee	\$204	\$242	\$250
Special studies	12	12	—

Figure 3

**Selected Workload Indicators of the
Legislative Analyst's Office
1995-96**

Month	Expenditure Notification Letters	Legislative Assignments	Initiatives	Ballot Measures	Reports and Special Products
1995					
July	12	31	1	—	2
August	26	15	5	—	2
September	29	16	6	5	1
October	29	23	14	5	—
November	37	19	16	1	1
December	65	32	13	—	1
Subtotals	(198)	(136)	(55)	(11)	(7)
1996					
January	25	41	4	2	5
February	15	44	4	—	—
March	27	82	1	1	2
April	32	67	2	—	2
May	35	81	—	—	2
June	13	51	—	10	1
Subtotals	(147)	(366)	(11)	(13)	(12)
Totals	345	502	66	24	19

Requests for Publications

All LAO publications are first delivered to the Members of the Legislature and then are made public, including electronic availability on the office's World Wide Web site. 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 4 (see page 10) shows the publications produced by the LAO in 1995 and 1996.

Inauguration of the Legislative Analyst's Office's Home Page

In March 1995, the office inaugurated the LAO Home Page on the World Wide Web at <http://www.lao.ca.gov>. All 1995-96 publications are available from

this source. Generally, reports are accessible on the LAO Home Page the same day they are released to the Legislature.

Requests for Other Services

As indicated above, the LAO provides a wide array of services to the Legislature. 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.

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

Director	Program Area	Phone
Jerry Beavers	Business, Labor, & Capital Outlay	322-8402
Paul Warren	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 & Welfare	445-6061
Jon David Vasche	Economics & Fiscal Forecasting	324-4942
Mac Taylor	Local Government	445-6442

Figure 4

**LAO Publications
January 1995 Through August 1996**

1995

Policy Briefs and Issue Papers

- Accommodating Prison Population Growth (January)
- The "Three Strikes and You're Out" Law—A Preliminary Assessment (January)
- An Overview of the 1995-96 Governor's Budget (January)
- The New Funding Model for Special Education (January)
- Highlights of the *Analysis and P & I* (February)
- Reinventing the State Civil Service (March)
- Cal Update—Trends in K-12 Education Funding (March)
- Personal Responsibility Act of 1995: Fiscal Effect on California (April)
- Cal Update—Budget and Cash Developments (April)
- Uses and Costs of Lease-Payment Bonds (May)
- Overview of the 1995-96 May Revision (May)
- Cal Update—The Impact of Federal Spending and Tax Proposals on California (May)
- Cal Update—Economic and Revenue Developments (June)
- An Overview and Assessment of Los Angeles County's 1995-96 Budget Problem (July)
- Cal Update—Economic and Budget Developments (July)
- Focus Budget 1995—Highlighting Major Features of the 1995 California Budget (August)
- Cal Update—California's 1994 Crime Rate (August)
- A Review of the Orange County Recovery Plan as Proposed August 22, 1995 (September)
- House and Senate Welfare Reform: Fiscal Effects on California (September)
- Cal Update—House and Senate Welfare Reform (September)
- Cal Update—California Remedial Education (November)
- New Funding Model for Special Education (November)
- Cal Update—State Transportation Funding Shortfall (December)
- Accommodating the State's Inmate Population Growth (December)

Reports

- Annual Report Fiscal Year 1993-94 (January)
- Cal Guide (January)
- Analysis of the 1995-96 Budget Bill (February)

LAO Publications (Continued)

- The 1995-96 Budget: Perspectives and Issues (February)
- Implementing New Federal Education Legislation (February)
- Juvenile Crime Outlook for California (May)
- Supplemental Report of the 1995 Budget Act, 1995-96 Fiscal Year (August)
- State Spending Plan for 1995-96 (September)
- California's Fiscal Outlook: The LAO's Economic and Budget Projections 1995-96 Through 1997-98 (November)
- Legislative Analyst's Office Staff Assignments (December)

1996**Policy Briefs and Issue Papers**

- An Overview of the 1996-97 Governor's Budget (January)
- State Information Technology: An Update (January)
- Highlights of the 1996-97 Analysis and P & I (February)
- Cal Update—Smoking Trends in California: Adults Down, Teens Up (March)
- Reversing the Property Tax Shifts (April)
- Reforming the Prison Industry Authority (April)
- Cal Update—Franchise Tax Board: Child Support Collections Program (April)
- Cal Update—Economic and Revenue Developments (May)
- Bond Debt Update (May)
- Overview of the 1996-97 May Revision (May)
- Proposed Settlement Agreement of CTA v. Gould (June)
- Major Features of the 1996 California Budget (July)
- Cal Update—Economic and Budget Developments (July)
- Cal Update—California's Transportation Finance Bank (August)
- Federal Welfare Reform (H.R. 3734): Fiscal Effect on California (August)
- Property Taxes: Why Some Local Governments Get More Than Others (August)

Reports

- Child Abuse and Neglect in California (January)
- Annual Report Fiscal Year 1994-95 (January)
- Cal Facts (January)
- Analysis of the 1996-97 Budget Bill (February)
- The 1996-97 Perspective and Issues (February)

