
MINUTES OF MEETING
CALIFORNIA LAW REVISION COMMISSION
JUNE 13, 1996
SACRAMENTO

A meeting of the California Law Revision Commission was held in Sacramento on June 13, 1996.

Commission:

Present: Allan L. Fink, Vice Chairperson
Dick Ackerman, Assembly Member
Christine W.S. Byrd
Quentin L. Kopp, Senate Member
Arthur K. Marshall
Edwin K. Marzec
Sanford Skaggs

Absent: Colin Wied, Chairperson
Robert E. Cooper
Bion M. Gregory, Legislative Counsel

Staff: Nathaniel Sterling, Executive Secretary
Stan Ulrich, Assistant Executive Secretary
Barbara S. Gaal, Staff Counsel
Robert J. Murphy, Staff Counsel
Andrew Jaramillo, Student Legal Assistant

Consultants: None

Other Persons:

Herb Bolz, Office of Administrative Law, Sacramento
Mark De Boer, California State Employees' Association, Sacramento
Karl Engeman, Office of Administrative Hearings, Sacramento
Catherine Hardy, Northern California Association of Law Libraries, San Francisco
Judy Janes, Northern California Association of Law Libraries, Southern California
Association of Law Libraries, and Council of California County Law Librarians,
Davis
Charlene Mathias, Office of Administrative Law, Sacramento
Julie Miller, Southern California Edison, Rosemead
Trudy Mohr, California Student Aid Commission, Sacramento
Gabor Morocz, California Department of Motor Vehicles, Sacramento

Erik Saltmarsh, California Energy Commission, Sacramento
Ronald H. Sargis, California Association of Collectors, Sacramento
John Sikora, Association of California State Attorneys and Administrative Law
Judges, Sacramento
Shannon Sutherland, California Nurses Association, Sacramento

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MINUTES OF MAY 9 & 15, 1996, MEETING

The Minutes of the May 9 & 15, 1996, Commission meeting were approved as submitted by the staff.

RATIFICATION OF ACTIONS TAKEN ON MAY 9, 1996

A quorum being present, actions reported in the approved Minutes of the May 9 & 15, 1996, Commission meeting taken without a quorum on May 9 were ratified by the Commission (except to the extent previously ratified by the Commission on May 15, as reported in the approved Minutes of the May 9 & 15 meeting).

ADMINISTRATIVE MATTERS

The Executive Secretary made an oral report on a variety of matters, including the status of Senate confirmation proceedings for Commission

reappointments, the status of proceedings on the Commission's budget for 1996-97, and the California Continuing Education of the Bar's new edition of its administrative hearing handbook. The Executive Secretary also introduced Andrew Jaramillo, a Stanford University law student who is working for the Commission this summer as a volunteer.

No Commission action was taken on these matters.

1996 LEGISLATIVE PROGRAM

Status of Bills

The Commission considered Memorandum 96-35, relating to the status of bills in the 1996 legislative program. The Executive Secretary supplemented the memorandum and attached chart with the following information:

SB 1400 (Monteith). This bill, assigning a new administrative law issue to the Commission (collateral attack in administrative adjudication on regulation that includes a scientific test), has not yet been enacted. Due to the short deadline for reporting on the issue, the staff will present material relating to it at the July meeting.

SB 794 (Kopp). Hearing on this bill, which is a cleanup measure on administrative adjudication, has been deferred for a week so we can deal with technical drafting issues raised by the insurance industry.

SCR 43 (Kopp). The Senate added to the Commission's agenda a study to consolidate the state's environmental statutes. The Commission felt it would be helpful to get some assurance that the Assembly agrees this is something the Commission should do, before we invest substantial resources in it. Assemblyman Ackerman agreed to make some informal inquiries about this matter.

Homestead Exemption

Commission consideration of this matter is reported in these Minutes under Study D-352, below.

Tolling Statutes of Limitations

Commission consideration of this matter is reported in these Minutes under Study J-110, below.

STUDY D-352 – HOMESTEAD EXEMPTION

The Commission considered Memorandum 96-43, and the First Supplement thereto, relating to the homestead exemption recommendation and SB 197 (Kopp) which would implement the recommendation. The Commission also considered a letter in support of the bill from Ike Shulman on behalf of the National Association of Consumer Bankruptcy Attorneys which was distributed at the meeting (see Exhibit pp. 1-2), and comments from Ronald Sargis, appearing on behalf of the California Association of Collectors.

The Commission reviewed the status of SB 197 and approved the amendments made to the bill through June 10 and the revised Comments proposed by the staff. The Commission also approved the possible compromise approaches outlined in the memorandum.

STUDY H-407 – OBSOLETE RESTRICTIONS

The Commission considered Memorandum 96-10, and its First, Second, and Third Supplements, relating to comments on the revised tentative recommendation on enforceability of land use restrictions. The Commission made the following decisions concerning the revised tentative recommendation.

“Restriction” Defined

The definition of “restriction” was revised to add a reference to a declaration:

784. “Restriction”, when used in a statute that incorporates this section by reference, means a limitation on the use of real property in a deed, declaration, or other instrument, whether in the form of a covenant, equitable servitude, condition subsequent, negative easement, or other restriction.

Comment. Section 784 provides a definition of “restriction” for application in Chapter 8 (commencing with Section 888.010) (obsolete restrictions) of Title 5 and in Code of Civil Procedure Section 336 (statute of limitations). The reference to “declaration” includes a declaration of restrictions in a common interest development intended to be enforceable as equitable servitudes. See Section 1353(a).

Environmental and Conservation Restrictions

The exception for environmental and conservation restrictions was expanded to cover privately-held as well as publicly-held restrictions:

888.020. This chapter does not apply to any of the following:

(a) A restriction that is an enforceable equitable servitude under Section 1354.

(b) An environmental restriction under Section 1471 or other restriction that serves substantially the same function.

(c) A restriction enforceable by a public entity or recorded in fulfillment of a requirement of a public entity, provided that fact appears on the record.

(d) A conservation easement under Chapter 4 (commencing with Section 815) of Title 2, or a negative easement or other restriction that serves substantially the same function, including an open space easement under the Open Space Act of 1974 (Chapter 6.6 (commencing with Section 51070) of Part 1 of Division 1 of Title 5 of the Government Code) and a restriction under the California Land Conservation Act of 1965 (Chapter 7 (commencing with Section 51200) of Part 1 of Division 1 of Title 5 of the Government Code), regardless whether the easement or other restriction is given voluntarily and whether or not it is perpetual in duration.

Comment. Section 888.020 supplements the general exceptions from this title provided in Section 880.240. Nothing in this section precludes the parties to an excepted restriction from providing by agreement that this chapter applies to the restriction.

Subdivision (a) excepts equitable servitudes in common interest developments from expiration by operation of law under this chapter. Enforceability of those restrictions is governed by Section 1354 (restriction enforceable “unless unreasonable”).

Subdivision (b) applies to a restriction intended to protect present or future human health or safety or the environment as a result of the presence of hazardous materials (Health and Safety Code Section 25260), whether in the form of a covenant or in another form. Compare Section 1471 (covenant) with Sections 784, 888.010 (“restriction” defined).

Subdivision (c) is a specific application of Section 880.240(c). A public land use restriction is an interest in property that is excepted from the operation of the Marketable Record Title Act. Restrictions imposed by state and regional land use agencies, such as the California Coastal Commission, the San Francisco Bay Conservation and Development Commission, the Tahoe Regional Planning Agency, and the California Tahoe Conservancy, as well as restrictions imposed by federal agencies, are included within the coverage of subdivision (c).

Subdivision (d) broadens the exception provided in Section 880.240(d). A “conservation easement” within the meaning of Section 815 must be conveyed voluntarily and is perpetual in duration. Subdivision (d) excepts a negative easement or other restriction that serves substantially the same function as a

conservation easement even though it may have been conveyed in fulfillment of a requirement of a public entity and even though it may not be perpetual in duration. An open space easement under the Open Space Act of 1974, for example, or a restriction under the Williamson Act, may be limited in duration. See Gov't Code §§ 51075(d) (open space easement), 51244-51244.5 (contract to limit use of agricultural land).

Restrictions That Affect Multiple Parcels

The staff should present further information and suggestions for dealing with the problems that arise where one person seeks to preserve a restriction that affects multiple parcels, particularly where the restriction is a part of a set of mutual restrictions.

Automatic Renewal Provisions

Language should be added to the Comment making explicit that the 60 year expiration period applies “notwithstanding a longer or indefinite period or automatic renewal provided in the instrument creating the restriction.”

Form of Notice of Intent To Preserve Interest

A reference should be added to the Comment that, “The form of a notice of intent to preserve the restriction is prescribed in Section 880.340.”

Breach Terminology

The recommendation should be redrafted using “violation” rather than “breach” terminology.

Recorded Notice of Violation

The provision in the draft running the statute of limitations from the date of recordation of a notice of violation was deleted. “The period prescribed in this subdivision runs from the time a person entitled to enforce the restriction discovered or through the exercise of reasonable diligence should have discovered the violation ~~or, if a notice of the breach is recorded within five years after that time, from the date of recordation.~~”

Multiple Persons Entitled To Enforce Restriction

Where there are multiple persons entitled to enforce the restriction, the statute should begin to run as to each person separately. Thus the recommendation would state that the statute of limitations “runs from the time a

~~person entitled~~ the person seeking to enforce the restriction discovered” the violation.

The Comment should refer to general principles of law that govern when a homeowner’s association is imputed to have knowledge of a violation by virtue of the knowledge of a member of the association.

Operative Date and Transitional Provisions

The operative date and transitional provisions should be put back a year due to the fact that this recommendation will not be introduced until the 1997 legislative session.

STUDY J-110 – TOLLING STATUTE OF LIMITATIONS

The Commission considered Memorandum 96-42, which explains that the Commission’s proposal to repeal Code of Civil Procedure Section 351 has been deleted from SB 1510. The Commission decided to reintroduce the proposal next year in the Assembly.

STUDY K-501 – BEST EVIDENCE RULE

The Commission considered Memorandum 96-27 and its First Supplement, which discuss comments on the tentative recommendation to repeal the best evidence rule and adopt a new rule known as the secondary evidence rule. The Commission decided to continue with its proposed approach, with modifications to address the concerns raised. The staff is to prepare a draft recommendation for the next meeting.

The draft recommendation should make the secondary evidence rule applicable to both civil and criminal cases, but propose means to address Professor Uelmen’s concern about the scope of discovery in criminal cases. Instead of the long or the short alternative of Section 1521, the draft recommendation should include an intermediate alternative.

Section 1520 should be revised as follows:

1520. (a) The content of a writing may be proved by an original of the writing that is otherwise admissible or by secondary evidence of the writing that is otherwise admissible. ~~The quality of the evidence offered to prove the content of a writing affects its weight, not its admissibility.~~

(b) Notwithstanding subdivision (a), the court ~~may~~ shall exclude ~~some or all~~ secondary evidence of the content of a writing if the court finds either of the following:

(1) A genuine dispute exists concerning material terms of the writing and justice requires the exclusion.

(2) Admission of the secondary evidence would be unfair.

(c) Nothing in this section makes admissible oral testimony to prove the content of a writing if the testimony is inadmissible under Section 1521.

(d) Nothing in this section excuses compliance with Section 1401 (authentication).

(e) This section shall be known as the secondary evidence rule.

The sentence deleted from Section 1520(a) should be moved to the Comment. The Comment should also make clear that Section 1520 does not change the law with respect to discovery of originals.

The following language should be deleted from the Comment:

The court should invoke its discretion [to exclude secondary evidence] under subdivision (b) sparingly. In a borderline case, the court should admit the secondary evidence, and trust in the fact-finder's ability to weigh it intelligently. See generally Taylor, *The Case for Secondary Evidence*, 81 Case & Comment 46, 48-49 (1976).

A new paragraph should be added to the Comment, stating:

Courts may consider a broad range of factors in determining whether admission of secondary evidence would be unfair or contrary to the interest of justice. Among other considerations, the following factors may be relevant: (1) whether the proponent attempts to use the writing in a manner that could not reasonably have been anticipated, (2) whether the original was suppressed in discovery, (3) whether discovery was reasonably diligent (as opposed to exhaustive) yet failed to result in production of the original, (4) whether there are dramatic differences between the original and the secondary evidence (e.g., the original but not the secondary evidence is in color and the colors provide significant clues to interpretation), (5) whether the original is unavailable and, if so, why, (6) whether the writing is central to the case or collateral.

STUDY N-111 – ETHICAL STANDARDS FOR ADMINISTRATIVE LAW JUDGES

The Commission considered Memorandum 96-36, relating to comments received on the tentative recommendation on ethical standards for

administrative law judges. The Commission made the following decisions concerning the tentative recommendation.

Application to Administrative Law Judges

The term “administrative law judge” should be defined along the following lines:

As used in this article, “administrative law judge” means an incumbent of that classification as defined by the California State Personnel Board.

In addition, the statute should make clear that its provisions apply not only to the administrative law judge who presides at the hearing but also to “any supervisory or management level administrative law judge or chief administrative law judge whose function relates directly or indirectly to the adjudicative process.”

The references in the draft statute to “the presiding officer in an adjudicative proceeding” should be adjusted so that the statute clearly covers conduct outside the proceeding as well as conduct during the proceeding.

Administrative Responsibilities

Language was added to the Comment to proposed 11475.30 (provisions of Code excepted from application) to the effect that, “Some provisions of the Code of Judicial Ethics, although not excepted by this section, may be minimally relevant to an administrative law judge. See, e.g., Canon 3C(4) (administrative responsibilities).”

Governmental, Civic, or Charitable Activities

The Commission agreed that an administrative law judge should not be barred from governmental, civic, and charitable activities. Section 11475.30 was revised to read:

The following provisions of the Code of Judicial Ethics do not apply under this article:

...

(c) ~~Canon 4C, to the extent it prohibits service in a position that constitutes a public office within the meaning of Article VI, Section 17 of the Constitution.~~

...

Comment. ...

Subdivision (c) excepts the portion of Canon 4C that prohibits service by a judge in a position that constitutes a public office within the meaning of California Constitution, Article VI, § 17. The presiding officer in an administrative adjudication proceeding is an executive branch, not a judicial branch, employee. , relating to governmental, civic, or charitable activities. An administrative law judge is not precluded from engaging in activities of this type, except to the extent the activities may conflict with general limitations on the administrative law judge's conduct. See, e.g., Canon 4A (extrajudicial activities in general).

...

Fiduciary Activities

Canon 4E(1), restricting outside fiduciary service (for example as a guardian or trustee), should not apply to administrative law judges:

The following provisions of the Code of Judicial Ethics do not apply under this article:

...

(d) Canons 4F 4E(1), 4F, and 4G.

...

Comment. ...

Subdivision (d) excepts Canons 4F 4E(1), 4F, and 4G, relating to fiduciary activities, private employment in alternative dispute resolution or , and the practice of law. These matters are the subject of the employing agency's incompatible activity statement pursuant to Section 19990.

...

Political Activities

Concern was expressed by the Commission about political activity of administrative law judges and the appearance of lack of impartiality. The limitations of the Hatch Act, while perhaps satisfactory for state employees generally, may be inadequate as applied to administrative law judges, considering the special status we are seeking to create for them. The Association of California State Attorneys and Administrative Law Judges believes it is important for administrative law judges to be able to participate in union political activities, including support and opposition for political candidates.

The Commission raised the possibility of a middle ground for that circumstance, such as to make clear that ACSA as an organization may be involved in political activities but administrative law judges individually would

adhere to political activity restrictions in the canons of ethics. The Commission decided to defer decision on this matter pending further input from ACSA.

Enforcement

Although enforcement mechanisms are referred to in the Comment, the body of the statute should include a reference to them:

11475.40. (a) The presiding officer in an adjudicative proceeding shall comply with the applicable provisions of the Code of Judicial Ethics.

(b) A violation of an applicable provision of the Code of Judicial Ethics by the presiding officer in an adjudicative proceeding is cause for discipline by the employing agency pursuant to Section 19572.

A cross-reference was added in the Comment to the effect that “The requirement that the presiding officer comply with the applicable provisions of the Code of Judicial Ethics is limited to a presiding officer who is an administrative law judge. See Section 11475.10(c) (application of Code of Judicial Ethics).”

Solemnization of Marriage

In connection with the ethical standards for administrative law judges, the staff will prepare a brief memorandum on the issue of the authority of an administrative law judge to solemnize marriage. This matter had arisen during the course of the administrative adjudication study and was deferred for later resolution.

STUDY N-112 – QUASI-PUBLIC ENTITY HEARINGS

The Commission considered Memorandum 96-37, relating to comments received on the tentative recommendation on quasi-public entity hearings. The Commission approved the recommendation as a final recommendation, except that:

(1) The Administrative Procedure Act should not apply to a decision by a private entity if the decision is subject to administrative review in an adjudicative proceeding to which the APA does apply.

(2) The staff should obtain elaboration of the Department of Corporations concern about physicians and surgeons cooperative corporations which enter into indemnity, reciprocal, or interinsurance contracts.

(3) The staff should obtain additional information relating to the operation of the State Bar Court.

STUDY N-300 – ADMINISTRATIVE RULEMAKING

The Commission considered Memorandum 96-38 and its First Supplement, along with a letter received from Richard K. Turner (attached to these Minutes as Exhibit p. 3), relating to the scope of the administrative rulemaking study. The Commission made the following decisions concerning the scope of the study.

Scope of Study

The study should focus on specific identified problems in the existing statute, rather than a comprehensive review of the entire field of rulemaking and the rulemaking process. The staff should contact bar associations and solicit their input on problems that ought to be addressed in the study. The issues for Commission review should be organized into general categories, such as:

- (1) Exemptions from rulemaking procedure.
- (2) Revision of rulemaking procedure.
- (3) Administrative review procedure and standards.
- (4) Public access to regulations.
- (5) Miscellaneous matters.

Consultants

The Commission approved contracts with Professors Michael Asimow and Gregory Ogden to serve as expert consultants on the administrative rulemaking study. The contracts should provide for their travel expenses plus compensation of \$100 per diem for attending meetings and hearings at the Commission's request.

The Commission remains open to the possibility of adding an academic consultant who may be able to bring a private sector perspective to the issues, if an appropriate person can be identified.

Exemptions from Rulemaking Procedure

Interpretive rules. The Commission will include in the study whether California's notice and comment rulemaking scheme should apply to rules that

are strictly interpretive. Federal law excepts such rules from notice and comment requirements.

Internal management rules. The issue was raised by the State Personnel Board whether the exception from notice and comment requirements for internal management regulations should be extended to interagency memoranda, directives, and manuals, as well as other communications between state agencies. Pending legislation would address this issue for the State Personnel Board. The Commission's staff should monitor the bill and bring the matter to the Commission's attention if the bill is not enacted.

Procedures unnecessary, impracticable, or contrary to public interest. The Commission will investigate the procedure under federal law and other states abrogating standard rulemaking procedures where they would be unnecessary, impracticable, or contrary to the public interest. One concept would be agency identification of such proposed regulations, with an opportunity for OAL to require full or partial rulemaking procedures.

Levels of rulemaking. It has been suggested that California follow the federal model, which recognizes several levels of rulemaking and imposes different and less burdensome requirements on an agency for each level. This may involve the same issue as interpretive rules (see above), and therefore should be included in the study.

Negotiated rulemaking. The concept of negotiated rulemaking, and experience under it, should be investigated further.

Emergency procedures. The staff should obtain Professor Asimow's specific suggestions for improvement of the emergency rulemaking procedures. OAL agreed to provide the staff information about OAL-sponsored legislation in this area that was not enacted.

Revision of Rulemaking Procedure

Notice of proposed adoption. Existing law prohibits a regulation that requires a business to make a report unless the agency has made a finding that the report is necessary for health, safety, or welfare, but the law does not indicate how this finding is to be reported. The Commission will circulate for comment the OAL proposal that the finding should be included in the notice of proposed adoption of the regulation.

Public access to rulemaking file pending adoption. The Commission will circulate for comment the OAL proposal to make clear that the rulemaking file is

available for public inspection before adoption of the regulation, consistent with the purpose of the APA to maximize public input during the rulemaking process.

Supplements to rulemaking file. The Commission will solicit comment on the OAL draft of detailed procedures to conform to existing practice where an agency discovers documents it wishes to rely on after issuance of the notice and initial statement of reasons.

Agency hearing. The Commission will look into whether the law governing the right of the public to demand a hearing on a proposed regulation should be revised to make clear that the right to submit oral comments is included, subject to reasonable agency time limitations on oral testimony. Absent an indication that the right of the public to demand a hearing is being abused, the Commission will not investigate the possibility of limiting the right to regulatory actions that would have a significant impact on the public, the state, or the regulated group.

Response to comments. Based on information that OAL is acting reasonably in its review of agency responses to comments and is encouraging agencies to act reasonably in responding to comments, the Commission will not investigate the possibility of limiting the response requirement to “primary considerations” or of narrowing the review standard to “good faith” responses.

Final statement of reasons. The law prohibits an agency from adding any material to the rulemaking file after public comment, but also requires an agency to add a final statement of reasons to the rulemaking file after public comment. The Commission will circulate a draft to resolve this logical inconsistency by making clear that the addition of the final statement of reasons is an exception to the prohibition on adding material to the rulemaking file after public comment.

Administrative Review Procedure and Standards

Role of OAL. The Commission will not investigate the basic oversight function of OAL but will consider whether specific review procedures and standards are appropriate or in need of revision.

OAL review period. The Commission will investigate harmonizing 30 calendar day versus 30 working day review periods for adoption of emergency and nonemergency regulations. Perhaps both should be phrased in terms of calendar days and extended to 45 days in light of OAL workload considerations.

Adding to file during OAL review. The Commission will circulate for comment the proposed OAL codification of its practice to allow an agency to

supplement the rulemaking file during OAL review if material was inadvertently omitted from the file when it was submitted to OAL.

Scope and standards of administrative review. The Commission will examine all of the grounds for OAL review — necessity, authority, clarity, nonduplication, reference, and consistency with other law. This will include whether necessity review involves substitution of OAL's judgment for the agency's and should be limited, and the details of necessity review when there are several possible interpretations of law or only one possible interpretation.

Closed record. The staff should give further consideration to Prof. Cohen's arguments about the record for review and bring it back to the Commission if the point appears to be a significant one.

Public Access to Regulations

Publication of water quality plans and policies. The Commission will consider whether water quality plans and policies should be published in the California Code of Regulations in full, rather than summarized, and whether changes should be indicated in strikeout and underscore.

Preservation of rulemaking file. The Commission will monitor the progress of SB 1507 (Petris), requiring preservation and accessibility of rulemaking files, and determine whether any further work needs to be done after the Legislature has addressed the issues raised in the bill.

Historical information concerning regulations. The Commission will investigate standardization and improvement of historical annotations to regulations concerning the source, content and effective date of regulatory adoptions, recodifications, and amendments, and the availability of superseded versions of regulations. This will include whether each agency should be required to maintain in house one complete set of prior versions of its own regulations.

Preserve old notice registers from extinction. The problem of preservation of published notice registers from 1945-1980 appears to be mainly a fiscal matter and inappropriate for Commission involvement. Senator Kopp indicated a State Law Library budget item to cover it might be appropriate.

Improve publication and distribution of official regulatory code. The Commission will transmit suggestions made for improving the format and distribution of published regulations to OAL for its reaction and possible implementation.

Miscellaneous Matters

Terminology. The Commission will consider technical drafting revisions in the rulemaking statute. For example, the terms “adopt”, “department”, and “regulation” are used in different senses in the statute; the Commission will investigate simple alternatives to achieve clarification. It may be helpful to refer in Comments to relevant statutory definitions, where appropriate.

Judicial review of regulations. The Commission will investigate whether the statutes governing judicial review of regulations should be consolidated with the general revision of judicial review procedures being considered by the Commission. This would include a judicial determination whether a regulation is valid and whether an agency rule is an invalid “underground regulation”.

☐ APPROVED AS SUBMITTED

Date

☐ APPROVED AS CORRECTED
(for corrections, see Minutes of next meeting)

Chairperson

Executive Secretary