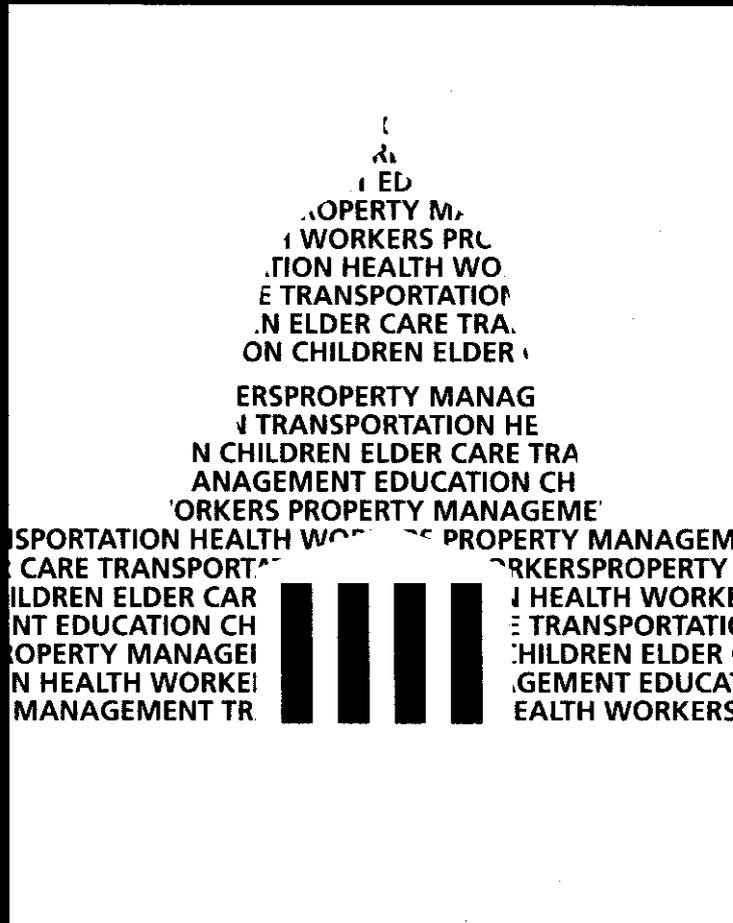


LITTLE HOOVER COMMISSION



1962—1992
30 YEARS OF REFORM

January 1993

LITTLE HOOVER COMMISSION

**Nathan Shapell
Chairman**

**Richard R. Terzian
Vice Chairman**

**Senator Alfred E. Alquist
Assemblyman Gil Ferguson
Albert Gersten
Senator Milton Marks
Angie Papadakis
Barbara S. Stone**

**Mary Anne Chalker
Arthur F. Gerdes
Haig Mardikian
Assemblywoman Gwen Moore
Abraham Spiegel**

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January 29, 1993

Nathan Shapell
Chairman

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Vice-Chairman

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Angie Papadakis

Abraham Spiegel

Barbara S. Stone

Jeannine L. English
Executive Director

The Honorable Pete Wilson
Governor of California

The Honorable David Roberti
President Pro Tempore of the Senate
and Members of the Senate

The Honorable Willie L. Brown Jr.
Speaker of the Assembly
and Members of the Assembly

The Honorable Kenneth L. Maddy
Senate Minority Floor Leader

The Honorable James Bruite
Assembly Minority Floor Leader

Dear Governor and Members of the Legislature:

In 1962, the Little Hoover Commission was created and charged with the task of examining state government programs for efficiency, economy and effectiveness. For three decades, the Commission has probed and prodded, often achieving reforms that benefit the State and its citizens.

The biennial report transmitted to you today catalogues the Commission's efforts over the last thirty years, noting both its successes and the areas where it continues to push for reform. In addition, the report contains summaries of the Commission's studies for the past two years.

At a time of increasing demands for government services, shrinking state resources, and the decimation of analytical bodies that can help policy makers sort fact from fiction, the Commission believes its role is more vital than ever before. The Commission is committed to seeking cost-effective methods for the State to continue to meet the needs of its citizens. We look forward to continuing a productive partnership with the Legislature and the Administration to craft new approaches to ongoing problems.

Sincerely,

Nathan Shapell
Chairman

**LITTLE HOOVER COMMISSION, 1962-1992:
THREE DECADES
OF REFORM**

January 1993

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Introduction

Introduction

For the past three decades, the Little Hoover Commission has focused on improving the effectiveness, efficiency and economy of state government programs and policies. The Commission has pursued these goals by conducting studies, holding public hearings, and working with the Governor and legislators to implement the recommendations that emerge from the Commission's reviews. When the Commission has been successful in winning reforms, the State literally has saved billions of dollars and citizens have found greater attention paid to their rights and needs.

Although the Commission's mandate allows it to examine any government program, the Commission has found itself returning to the same areas repeatedly, sometimes because they are programs that have a high impact on the State's citizens and sometimes because of the large volume of tax dollars involved -- and sometimes both. Those areas include:

- * Education (kindergarten through 12th grade).
- * Management of the State's property.
- * Children's services.
- * Elder care.
- * Health care.
- * Transportation.
- * Workers' Compensation.

In addition, through the Commission's statutory responsibility to review all reorganization proposals, the Commission has had a hand in reshaping state government into more cohesive, productive units.

This report documents the Commission's activities during the past two calendar years, 1991 and 1992, and reflects on the Commission's long-term achievements over the past three decades. The report includes:

- * An assessment of the Commission's success during the past 30 years and a statement of the Commission's intent for the future.
- * A listing of legislation that the Commission supported during the most recent two-year legislative session.
- * A summary of the findings and recommendations from all reports issued during the last two years.

As the Commission embarks on its fourth decade of analytical investigations, it feels a heavier-than-usual weight of responsibility. The State's chronic fiscal woes have escalated into annual budget crises, forcing the State to downsize its services at a time when demands are growing. An outgrowth of the budget pressures has been the elimination or decimation of many of the bodies that perform analytical activities similar to the Commission's.

As this is being written, the Office of the Auditor General has been completely eliminated, the Legislative Analyst's Office has been reduced to a fraction of its former size and threatened with elimination as of July 1993, and both the Assembly and Senate research offices have been cut back. As a result, the thorough assessments and the compilation of data that legislators and public administrators need to make the best, informed decisions on behalf of California are too often missing from today's policy debates.

The Little Hoover Commission itself has not been immune to these cutbacks. From a budget peak of \$709,000 in 1990-91, the Commission has only \$455,000 to perform its work in 1992-93, a reduction of 36 percent. With the use of four professional and three support staff and a \$150,000 consulting budget, the Commission conducted monthly public hearings and

completed seven reports to the Governor and Legislature in 1990. In the fiscal year 1992-93, with no consulting funds, three professional and two support staff, the Commission is conducting hearings once every two months and hopes to complete five reports. The Commission is achieving this level of productivity through careful management of resources and the expanded use of advisory bodies, where experts volunteer their time and talents to assist the Commission in its investigations.

Despite its reduced ability to function, the Commission believes its role in providing information, options and critical analysis is more vital than ever if California is to meet the challenges of the future. In line with that belief, the Commission is focusing its energies on "big-ticket" programs where efficiencies have the potential of yielding the most savings that the State then can use to meet the many pressing needs of its citizens. The Commission will continue to search for ways to make state government both more effective and economical.

Looking Back and Ahead

Looking Back and Ahead

Modeled after the original federal Hoover Commission, the Little Hoover Commission was created in 1962 specifically to assist in evaluating a proposal for a massive reorganization of state government. But from the beginning its mandate was much broader, as indicated by the remarks of then-Governor Edmund G. "Pat" Brown to Commissioners at the initial meeting on April 24, 1962:

Now let me add here that the Commission has a broader field of review and initiative than the reorganization program alone, comprehensive as that is. It is properly empowered to look into almost any aspect of the operation of state government in the interests of economy or efficiency. The possible range of study and inquiry is almost boundless, and each of you will have your own ideas of what the most likely areas of achievement will be. The only limits are those of your own time and energy ... [The Commission's] major assignment and most demanding task is to serve as an objective, non-partisan and independent board of officers ... for the continuing process of reorganization of state government in the interests of efficiency and economy.

In creating the Commission, the Governor and the Legislature took several steps to assist the Commission in achieving its goals. Under its enabling statute, the Commission:

- * Is set up as an independent entity. The Commission is neither part of the Legislature nor part of the Executive Branch, thus increasing its ability to be an unbiased, "outside" observer of state programs. The Commission reports directly to the Governor and the Legislature and works with both branches of government to implement improvements.
- * Is bi-partisan by statute and non-partisan in operation. Of the 13 members, four are Legislators and nine are public citizens. Of the nine public members, not more than five can be from the same political party; the chairman and vice chairman are from different parties. The Commission adopts reports and recommendations after a consensus-based process that focuses on pragmatic results rather than ideology.
- * Taps into expertise from all walks of life. The Commission consists of two Senators and two Assembly members, four public members appointed by the Assembly Speaker and the Senate Rules Committee, and five public members appointed by the Governor. Members come with a variety of backgrounds: from the worlds of business, law, academia, government administration and public service (please see **Appendix A** for brief biographies of the current Commissioners).
- * Has the power of subpoena. The Commission may compel witnesses to testify and may demand any written materials and data compiled by various state departments. This access to information is invaluable for assuring that studies are accurate and complete.

From its early days, the Commission used a combination of investigative methods, donated technical expertise and high-profile public hearings to gather information, formulate findings and recommendations, and win public support for needed reforms. Today, the Commission approaches studies in a similar fashion, beginning with field work and meetings with an advisory body of outside experts who have volunteered to assist with the study; multiple public hearings to focus on issues; investigative follow-up of all leads; and, finally, the creation of a report that reflects the consensus of the Commission about what is wrong and what can be done to remedy identified problems.

*Looking Back to
the Beginning*

Within the first year of operation, the Commission had produced major evaluations of a reorganization of the Executive Branch, a reorganization of central staff services and new methods for automotive fleet management. Reports on the then-Division of Highways, the need for unification of tax revenue activities, workers' compensation and the need for a materials management system were among the many studies completed in the first decade.

The decade from 1972 through 1981 marked the Commission's foray into new areas of concern that continue today: education and state health programs. At the same time, the Commission continued to review the State's management of transportation and tax revenue collection.

As an outgrowth of right-of-way and property management concerns uncovered in the Commission's studies of the Department of Transportation, the Commission in its third decade turned to a comprehensive review of the management of all state property. Children's issues and protection for the elderly also joined the Commission's fields of concern, while reviews of programs dealing with education, health and transportation continued.

Appendix B lists the 118 reports the Commission published from 1962 through the end of 1992 in chronological order.

*A Long Record of
Accomplishments*

The Commission's activities are not confined to studying programs and issuing reports. Once recommendations are formed, the Commission takes on the responsibility of working with interested legislators to turn suggested reforms into reality. Since the Commission does not operate in a vacuum, not all

recommendations originate with the Commission. But the Commission has a long track record of success in bringing together ideas, packaging them into effective concepts, and using a bi-partisan, consensus-based approach to win implementation of badly needed reforms. Examples of the Commission's successes over the past 30 years include:

- * The creation of the Department of General Services to provide centralized purchasing and other services for all state departments. Although the department has not always lived up to the Commission's expectations, the standardization and bulk purchasing power accomplished by this centralization is an important efficiency measure for the State. Estimated savings: Billions of dollars.
- * The implementation of automotive fleet management techniques, centralizing the services required to meet state department and employee transportation needs. Estimated savings: Millions of dollars.
- * The appointment of a Medi-Cal czar to negotiate reimbursement rates with hospitals, an activity carried out on a continuing basis by the California Medical Assistance Commission. Estimated savings: almost \$2 billion.
- * The use of surplus land and unused rights-of-way belonging to Caltrans to create added revenue for the State. Estimated revenue generated: Hundreds of millions of dollars.
- * The establishment of a bidding process for airline ticket prices so that state employee travel is purchased at the cheapest possible cost. Estimated savings: Millions of dollars.

As indicated, it is difficult to determine precise savings that have accrued from changes made 10, 20 and 30 years ago. But the Commission is confident it has returned to the State many times over its own budget during that time.

*Focusing on
the Past
Five Years*

Not all of the changes brought about by the Commission's efforts have resulted in monetary savings. For much of the past five years, the Commission has focused on improving the effectiveness as well as economy of programs. For instance, the Commission's support for greater use of managed care in the Medi-Cal system was not intended to yield dollar savings so much as it was intended to reach more people with a high quality of health care.

The Commission believes it has made significant contributions in at least seven areas of government service in the past five years. Those areas are real property management, education, elder care, children's services, health care, workers' compensation and transportation.

Real Property Management:

Through its reports issued in March 1986, October 1990 and June 1992, the Commission has alerted the State that its fragmented approach to managing its real property is inefficient and results in millions of dollars in lost opportunities for the State. When the Commission first began its investigations, there was no centralized database of all property owned by the State, a necessary first step for any successful program of proactive property management. The Commission's activities in this area led to **the creation of such a database and to the formation of a proactive asset management team by directive of the Governor.**

K-12 Education:

As the source of funding for kindergarten through 12th grade education has shifted from the local tax base to the State, the Commission has grown increasingly concerned about the lack of centralized accountability for a service that takes up 40 percent of the State's budget. The Commission also has sought ways to ensure that more dollars end up in the classroom rather than being diverted for administration and costly red tape. Reports on this topic during the past five years were issued in November 1987, December 1988, February 1990, June 1991, June 1992 and July 1992. The Commission's persistence has been instrumental in **the creation of more uniform accounting mechanisms for school districts and a system that provides early warning and outside control when a school district does not act responsibly with its own budget.**

Elder Care:

The State's failure to adequately monitor in-home care, residential care facilities and skilled nursing homes has resulted in elderly citizens being abused, neglected and deprived of dignity. The Commission has focused repeatedly on improving standards of care and rigorously enforcing those standards. Reports were issued in May 1987, January 1989, February 1989, February 1991, April 1991 and November 1991. Achievements in this area have included **the creation of an ombudsman volunteer corps, anti-theft laws and other protections for patients' rights.**

Children's Services:

Services for children are spread across so many different agencies that coordination is almost impossible and many children in need fall between the cracks. The Commission has examined the plight of foster children, runaway/homeless children and latchkey children in reports issued in March 1987, October 1987, April 1990 and April 1992. Accomplishments include the Governor's directive that a **Cabinet-level Secretary be named for children's services and the expansion of successful programs for runaway/homeless youths.**

Health Care:

In a November 1990 report, the Commission found that the Medi-Cal system has failed to ensure adequate access to quality medical services for the poor and has discouraged medical provider participation through red tape and complicated compensation policies. Many of the Commission's recommendations have been instituted, including **a major shift to managed care, simplified billing forms, computerized eligibility processes, bulk purchasing of pharmaceuticals and greater access to care for pregnant women and children.**

Workers' Compensation:

The Commission first examined this system in 1970, following up with more current assessments in March 1988 and 1992 (the report from the latest study is expected to be issued in January 1993). The systems high costs are choking California's economic environment without providing adequate and timely benefits for injured

workers. Reforms that have yet to yield dividends but that have been advocated by the Commission for several years include **greater anti-fraud efforts and better control over the services provided and prices charged by "middlemen" in the system (insurers, doctors and lawyers).**

Caltrans:

The Commission's earliest investigations of California's management of transportation began in 1965, followed by periodic updates including reports in March 1988 and January 1992. Recent accomplishments include **the use of project managers for greater efficiency and the requirement of local planning for the integration of transportation and growth management goals.**

Looking to the Future

While the Commission is proud of its successes, there remains much to be done in these and other areas of state government. During the next two years, the Commission will concentrate on two tasks: Investigating ways and means for the State to economize in major, "big ticket" programs, and vigorously pursuing the enactment of past recommendations that the Commission believes could have a major impact on the State's budgetary plight.

The Commission is now concluding studies on the workers' compensation system, which costs the State's economy \$11 billion annually, and State procurement processes, a system that involves \$4 billion worth of purchases annually. Although the Commission has yet to adopt specific study topics for 1993 and 1994, two areas that will dominate the Commission's agenda are health care and education, both of which have multi-billion-dollar price tags and deeply affect the daily lives of Californians.

The Commission's agenda for unfinished business includes major recommendations for modifying the State's property management methods and education reforms that are needed to ensure that more dollars go directly into the classroom. To assist the Governor and the Legislature, the Commission issued two briefing papers during the 1992 budget stalemate, bringing together a series of recommendations designed to have an immediate fiscal impact (these papers are summarized in this report on pages 71 and 77). The Commission estimated that almost \$500 million would have been generated or saved had the changes been implemented. The changes include:

- * Embracing proactive management of real property by disposing of surplus lands, pursuing alternative uses that have been identified for underutilized property, and allowing the use of lease-purchase options and long-term leases.
- * Bringing authority for the main elements in school budgets to the state level where the responsibility for most funding now resides. This would include:
- * Giving the State more authority to move in quickly when school districts have unbalanced budgets and refuse or are incapable of taking remedial measures.
- * Conducting statewide collective bargaining for wages and benefits.
- * Removing red tape and paperwork involved in the 80 categorical programs.
- * Consolidating small school districts and encouraging vertical integration of schools (from kindergarten through 12th grade) through unification of districts.
- * Eliminating or regionalizing county offices of education.

Other areas where the Commission will continue to press for reform based on prior reports and recommendations include:

- * **Elder Care.** The elderly continue to have few options for quality care once they reach a point where they cannot remain safely on their own. Of particular concern to the Commission are unresolved problems with over-drugging and a shortage of doctors with specialized training in gerontology who are willing to treat the elderly once they enter the Medi-Cal system.
- * **Children's Services.** Chief among the Commission's concerns are reforms in the foster care program and the need for expanded services for runaway/homeless youth.

- * **Revenue Collection.** The State's fragmented system of collecting taxes is neither effective nor economical, a dire short-coming at a time when the State faces yet another budget crisis.
- * **Environmental Protection.** To more efficiently protect the environment without stifling the economy, the Commission has advocated the creation of one-stop, uniform permitting by air, land and water regulatory bodies.

*A Commitment to
Continued Service*

The Commission is deeply concerned about the ability of the State to continue to meet the many and pressing needs of its citizens at a time when the economic forecasts for California offer no optimism and budget estimates offer little comfort. Nationwide, academicians and theorists talk of the need to downsize or "right-size" government, a message that California needs to take to heart, brushing aside special interests, turf battles and partisan politics.

Clearly, the next few years will be a time of reform for California, setting new priorities and adopting new approaches to old problems. The Commission is committed to assisting the Governor and the Legislature as they approach the daunting job of balancing needs and resources. The Commission will continue its search for pragmatic solutions and its efforts to build consensus for change.

Legislation

Legislation

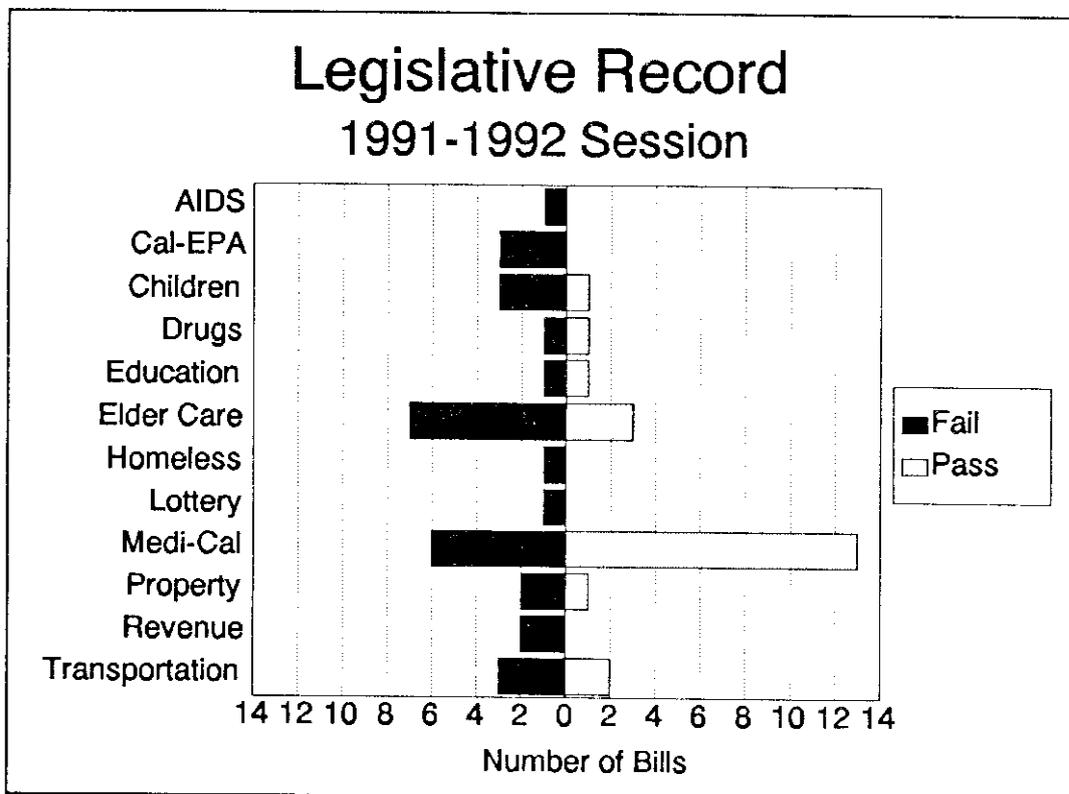
Although there are bodies that perform analytical functions similar to the Little Hoover Commission's investigations, the Commission is unique in its dual role of conducting studies and then following up by working with the Governor, the Legislature and program administrators to implement reforms. Because of the bipartisan nature of the Commission and the pragmatic, consensus-based approach that is reflected in the Commission's recommendations, the Commission has enjoyed great success over the years in acting as a catalyst for reform.

Assessing the degree of the Commission's success is not easy, however. Through long experience, the Commission recognizes that the reform process takes time and that persistence in pursuing modifications of laws, regulations and policies is required. Therefore, the Commission often is working in support of legislation that stems from reports done in past years. In addition, because of staff and resource limitations, the Commission is not always able to track all legislation that is compatible with Commission recommendations. This means that sometimes reform that the Commission has recommended finally occurs long after the Commission has been forced to move on to other issues. For instance, 1991 legislation to crack down on workers' compensation fraud was in line with previous Commission reports and would have been supported by the

Commission; however, the Commission did not pursue worker's compensation reform in 1991.

A simple win-loss record on legislative efforts, therefore, does not really tell the whole story of Commission achievement. Nonetheless, such statistics do provide some basis for judging the Commission's performance and value to the State.

The Commission supported 53 pieces of legislation in 12 different topic areas during the 1991 and 1992 legislative session. Twenty-two were successfully implemented (either by being signed into law or by being amended into other legislation signed into law), 26 were either vetoed or died in the Legislature, and the Commission's support for five bills had to be withdrawn when amendments made them no longer compatible with Commission recommendations. Thus of the 48 bills the Commission worked on throughout the process, 46 percent were successfully enacted. The chart below summarizes the legislative activity by category:



As the chart indicates, the Commission had the most success with bills regarding Medi-Cal and Elder Care, although these were also the areas where the greatest number of bills did not succeed.

In many instances, the Commission's arguments in favor of bills met with widespread approval from legislators, but this support did not translate into votes because of the State's dire fiscal situation. Almost all legislation results in added expenditures of one type or another, even when the overall goal is to reduce costs in the long run.

The tables below summarize all bills (by category in alphabetical order) the Commission supported during the past two years.

AIDS

| Bill, Author | Summary | Status |
|-----------------------|-----------------------------------------------------------------------------------------------------------|-------------------|
| SB 1070 (Thompson) | Originally provided regional coordination of AIDS services and individual case management but was amended | Support withdrawn |

Cal-EPA

| Bill, Author | Summary | Status |
|-----------------------|--------------------------------------------------------------|-------------------|
| AB 3072 (Wyman) | Uniform permitting for land, air and water regulatory bodies | Died in committee |
| SB 51 (Torres) | Implementation and clean-up of Cal-EPA reorganization | Died in committee |
| SB 2039 (Bergeson) | Uniform permitting | Died in committee |

Children's Services

| Bill, Author | Summary | Status |
|-----------------------|-----------------------------------------------------------------|-------------------|
| AB 77 (Moore) | Establishes the right to unpaid family leave for four months | Chaptered |
| AB 411 (Moore) | Expands the Runaway/Homeless Youth program in Los Angeles | Vetoed |
| AB 1500 (Woodruff) | Creates pilot centers for housing and counseling runaway youths | Died in committee |
| SB 479 (Morgan) | Establishes the Office of Child Development and Education | Died in committee |

Drugs

| Bill, Author | Summary | Status |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------------|-------------------|
| AB 2845 (Alpert) | Originally required all state funding of anti-drug programs to be in accordance with the California Master Plan but was amended | Support withdrawn |
| AJR 64 (Alpert) | Requests federal government to have anti-drug funds distributed in accordance with the California Master Plan | Chaptered |

Elder Care

| Bill, Author | Summary | Status |
|----------------------------|-------------------------------------------------------------------------------------------------------------------------------|-------------------|
| AB 95 (Friedman) | "Untie the Elderly" bill: Establishes an informed consent process for the use of physical restraints in skilled nursing homes | Died in committee |
| AB 1370 (Umberg) | Requires fingerprinting and criminal records check for skilled nursing facility employees | Died in committee |
| AB 1773 (Moore) | Improves In-Home Supportive Services program | Chaptered |
| AB 1793 (Moore) | Encourages a more intensive use of federal options that allow Medi-Cal to pay for in-home services | Chaptered |
| AB 2196 (Margolin) | Requires skilled nursing facilities to notify potential residents that citation records are available | Died in committee |
| AB 2688 (Peace) | Gives recipients of In-Home Supportive Services the option of using either contract care agencies or independent providers | Died in committee |
| AB 3781 (Bates) | Moves toward reorganizing elder care programs under one agency | Vetoed |
| SB 1550 (Rosenthal) | Eliminates the waiver of B citations for skilled nursing facilities | Died in committee |
| SB 1570 (Mello) | Reforms citation hearing process for skilled nursing facilities | Chaptered |
| SB 1634 (Calderon) | Companion bill to AB 2688 giving In-Home Support Services recipients freedom of choice | Died in committee |

Education

| Bill, Author | Summary | Status |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------|-------------------|
| AB 1200 (Eastin) | Establishes a new mechanism for reviewing budgets for troubled school districts and stepping in when districts are out of control | Chaptered |
| AB 3729 (Eastin) | Requires the development and use of a student identification and tracking database | Died in committee |

Homeless

| Bill, Author | Summary | Status |
|---------------------|-----------------------------------------------------------------------------------|-------------------|
| SB 639 (Russell) | Reforms gravely disabled standards to allow involuntary treatment of mentally ill | Died in committee |

Lottery

| Bill, Author | Summary | Status |
|-------------------|-----------------------------------------------------------------------------------------------|-------------------|
| AB 164 (Floyd) | Requires all unclaimed prize money from all lottery games to be turned over to education fund | Died in committee |

Medi-Cal

| Bill, Author | Summary | Status |
|-----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| AB 127 (Frizzelle) | Requires an existing health planning commission to prioritize Medi-Cal health care procedures | Died in committee |
| AB 336 (Hunter) | Fulfills many of the Commission's Medi-Cal recommendations by increasing the use of managed care | Chaptered |
| AB 501 (Margolin) | Provides presumptive eligibility for Medi-Cal for pregnant women to ensure faster treatment (this is the successful version of the four bills the Commission supported on this topic) | Chaptered |
| AB 568 (Hunter) | Requires an existing health planning commission to study a number of health issues related to Medi-Cal | Died in committee |
| AB 571 (Hunter) | Clean-up legislation for Medi-Cal case management and managed health care | Chaptered |

| Bill, Author | Summary | Status |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| AB 572 (Hunter) | Presumptive eligibility for pregnant women | Different version chaptered |
| AB 731 (Felando) | Requires streamlining of the Treatment Authorization Request process for drugs | Chaptered |
| AB 909 (Hunter) | Provides for the use of a uniform medical services billing claim | Chaptered |
| AB 1031 (Allen) | Requires the Department of Health Services to analyze statistical data for patterns of abuse and misuse of medical services | Vetoed |
| AB 1085 (Filante) | Modifies the Treatment Authorization Request system by requiring written standards and criteria | Died on floor |
| AB 1368 (Wright) | Requires the processing of Medi-Cal applications from SSI recipients even if the federal government does not respond within the required 60 days | Died in committee |
| AB 1460 (Wyman) | Presumptive eligibility for pregnant women | Different version chaptered |
| AB 1788 (Bronzan) | Requires the Department of Health Services to implement the approaches in the Commission's Medi-Cal report | Chaptered |
| AB 2229 (Wright) | Switches the current default mechanism so that recipients who do not specifically request fee-for-service are placed in a capitated health care plan | Amended into AB 336, which was chaptered |
| AB 2230 (Wright) | Revamps the process for computing share-of-cost amounts | Died in committee |
| SB 166 (Watson) | Presumptive eligibility for pregnant women | Different version chaptered |
| SB 574 (Rosenthal) | Streamlines eligibility process, streamlines billing process and encourages provider participation | Died; many provisions included in other chaptered bills |
| SB 635 (Bergeson) | Assists nursing home residents in establishing Medi-Cal eligibility | Chaptered |
| SB 1061 (Maddy) | Increases Medi-Cal's use of managed care | Amended into AB 336, which was chaptered |

Property Management

| Bill, Author | Summary | Status |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------|-------------------|
| AB 322 (Areias) | Gives the Department of General Services greater authority to improve the state property database | Chaptered |
| AB 323 (Areias) | Originally allowed long-term leasing of state property but was amended to discourage leasing | Support withdrawn |
| AB 324 (Areias) | Originally restructured the Public Works Board to have primary authority over property management but was amended and weakened | Support withdrawn |

Revenue Collection

| Bill, Author | Summary | Status |
|---------------------|---------------------------------------------------------------------------------------------------------------------|-------------------|
| SB 1685 (Kopp) | Abolishes the Franchise Tax Board and the Board of Equalization and creates a new centralized Department of Revenue | Died in committee |
| SCA 25 (Kopp) | Provides constitutional changes necessary to consolidate the Franchise Tax Board and the Board of Equalization | Died in committee |

Transportation

| Bill, Author | Summary | Status |
|------------------------------|---------------------------------------------------------------------------|-------------------|
| AB 3093 (Katz) | Originally fine tuned the Congestion Management Plan law, but was amended | Support withdrawn |
| AB 3600 (Costa) | Creates an Intercity Rail Commission | Vetoed |
| SB 1700 (Kopp) | Creates an Intercity Rail Commission | Vetoed |
| SCR 72 (Bergeson) | Requires a Caltrans management study | Chaptered |
| SJR 43 (Kopp) | Requests federal funds for high-speed trains | Chaptered |

Studies

Studies

The Little Hoover Commission issued 11 reports and conducted 14 public hearings during 1991 and 1992. Issues ranged from large-scale topics such as education, procurement and property management to more narrowly focused issues such as the labor apprenticeship program and programs to discourage the use of drugs. In addition, the Commission devoted a special two-day hearing in 1991 to an evaluation of the Governor's plan to reorganize environmental protection functions into a single entity, the Cal-EPA.

Altogether, the Commission's reports set forth 37 findings and made 88 recommendations.

The charts on the next two pages graphically depict the hearings conducted and the reports issued by the Commission during 1991 and 1992.

1991 Activities

| Month | Hearings | Reports |
|-----------|---------------------|----------------------------|
| January | Apprenticeships | |
| February | | Residential Care Homes |
| March | Elder Care At Home | |
| April | Drug Use Prevention | Skilled Nursing Facilities |
| May | Cal-EPA | |
| June | | Cal-EPA |
| July | | Education |
| August | Transportation | |
| September | | |
| October | Transportation | Drug Use Prevention |
| November | Foster Care | Elder Care At Home |
| December | | |

1992 Activities

| Month | Hearing | Report |
|-----------|-----------------------|----------------------|
| January | Foster Care | Transportation |
| February | | |
| March | School Facilities | |
| April | | Foster Care |
| May | School Fiscal Issues | School Facilities |
| June | Property Management | Property Management |
| July | | School Fiscal Issues |
| August | Workers' Compensation | |
| September | Procurement | |
| October | | |
| November | Procurement | |
| December | | Biennial Report |

As the charts on the previous pages indicate, the Commission has carried out an ambitious agenda of studies and reports on topics that have an impact on the daily lives of Californians. The Commission's main focus throughout those studies can be summarized as follows:

* ***Protecting the quality of life for the State's many vulnerable citizens.***

The Commission continued its long-term commitment to the oldest and youngest members of society. Elder care was examined in reports on residential care homes, skilled nursing facilities and in-home care. The plight of children was investigated in the Commission's foster care study.

* ***Safeguarding the State's future as a place where people can live safe and productive lives.***

Studies in this category ranged from protecting the State's environment with a new, unified Cal-EPA to ensuring that anti-drug programs are working effectively. But the primary focus for the Commission continued to be ways to improve the education system, which has a critical impact on the ability of future citizens to be happy and productive.

* ***Promoting efficiency in the delivery of state services.***

The Commission examined the need for better funding mechanisms for school facility construction, for more aggressive commitment to meeting transportation needs and for better management of the State's real assets as a means of providing greater resources to meet other needs.

The next section of this report describes each of the Commission's studies during the past two years, in chronological order, summarizing the findings and recommendations.

Report Summaries

Residential Care Homes

Despite year's of investigations and legislative changes, the fate of elderly Californians who leave their homes to live in residential care facilities remains uncertain at best. The affluent or lucky may find a well-run facility; unfortunately, those whose means are limited may instead be relegated to facilities that do not meet state standards and that are neither safe nor comfortable.

The Little Hoover Commission has tracked the State's performance in ensuring the quality of facilities since 1983, and while some improvements have been made, problems persist. In particular, the pace of regulations -- and therefore reform itself -- has lagged far behind statutory changes that have been brought about through the legislative process. In some cases, implementation of regulations has taken more than five years after a bill was signed into law. In addition, the State has failed to crack down on unlicensed facilities in an expeditious manner.

The Commission believes it is time for the State to shift emphasis from reform to enforcement; in essence, the State needs to devote more resources to carrying out the mandate of existing state laws through stronger enforcement efforts and speedier adoption of regulations.

Findings and Recommendations

The Commission's report, entitled *The Snail's Pace of Reforming Residential Care Facilities for the Elderly*, two findings and two recommendations.

FINDING 1: The Department of Social Services has not created regulations at a fast enough pace to keep up with legislative changes regarding residential care facilities.

Recommendation 1: The Department of Social Services should place top priority on completing regulatory packages for all laws that have been enacted as of January 1, 1991 and should report to the Governor and the Legislature on January 1, 1992 on the status of all necessary regulatory packages.

FINDING 2: The Department of Social Services has failed to move quickly and effectively to stamp out unlicensed facilities, which are an ongoing threat to the health, welfare and safety of thousands of elderly citizens.

Recommendation 2: The Department of Social Services should track its regional-office campaign against unlicensed facilities and report the results to the Governor and the Legislature by January 1, 1992.

Skilled Nursing Homes

Close to 120,000 elderly Californians living in skilled nursing facilities find that all aspects of their daily lives are dependent on federal policy makers, state regulators and private facility operators. After 15 years of investigations, the Little Hoover Commission continues to be dismayed at the quality of care received by this vulnerable, fragile population despite the expressed good intentions of each of those parties.

In this report, the Commission focuses on the State's refusal to implement federally mandated reforms, the rights of the elderly to informed consent processes before physical and chemical restraints are used, and the State's flawed enforcement efforts of a citation-and-fine system that has failed to protect the elderly. But the true focus is on human suffering and the lack of dignity that overshadows the lives of too many residents of skilled nursing facilities.

Findings and Recommendations

The report, entitled "Skilled Nursing Homes: Care Without Dignity," contains three findings and seven recommendations.

FINDING 1: California has failed to implement nursing home reforms dictated by federal law, and in so doing has threatened the health, safety and well-being of an unknown number of nursing home residents and jeopardized the State's federal Medi-Cal funding.

Recommendation 1: California should take immediate steps to implement federal nursing home reforms in the manner prescribed by the Health Care Financing Administration.

FINDING 2: The Department of Health Services has failed to clearly define a skilled nursing facility resident's right to give or withhold informed consent for physical and chemical restraints.

Recommendation 2: The Governor and the Legislature should fulfill federal nursing home reform mandates by guaranteeing residents the right to participate in treatment planning and to grant or withhold informed consent for physical and chemical restraints.

Recommendation 3: The Governor and the Legislature should restrict the use of "as needed" prescriptions for medications that are subject to abuse in nursing homes.

Recommendation 4: The Governor and the Legislature should direct the Department of Health Services to create a Medi-Cal drug approval system that will meet the needs of long-term care patients.

Recommendation 5: The Department of Health Services should gather statistics annually on the number of nursing home residents who are physically or chemically restrained and on the number who are incapable of giving informed consent and have no representative to make decisions on their behalf.

FINDING 3: California's citation and fine system has not proven effective as a deterrent to poor quality care in skilled nursing facilities.

Recommendation 6: The Governor and the Legislature should reform the citation and fine system to streamline the process and increase its deterrence value.

Recommendation 7: The Governor and the Legislature should direct the Department of Health Services to investigate and respond to complaints promptly and to keep complainants informed of all steps taken.

Cal-EPA

Under California statutes, the Governor may propose the reorganization of state agencies to consolidate, transfer, coordinate or abolish agencies. According to the statutes, a reorganization should accomplish one or more of the following goals:

- * To promote better execution of laws.
- * To reduce expenditures and increase efficiency.
- * To group agencies by major functions.
- * To reduce the number of agencies.
- * To eliminate overlapping and duplication of effort.

Under the reorganization process, proposals undergo two levels of review, one by the Little Hoover Commission and the other by the Legislature.

In 1991, the Governor submitted a reorganization plan that created the California Environmental Protection Agency as an umbrella for all state environmental programs. The Commission conducted two days of hearings and interviewed dozens of experts in the process of evaluating the plan for Cal-EPA.

Findings and Recommendations

The Commission's report, "CAL-EPA: An Umbrella for the Environment," has seven findings and seven recommendations.

FINDING 1: The formation of a Cal-EPA has the potential to strengthen the environmental policy-setting process and streamline regulatory and enforcement activities.

Recommendation 1: The Cal-EPA reorganization plan should be implemented as a first step toward better coordination of California's environmental policies.

FINDING 2: Uniform guidelines for and centralized control over risk assessment activities is critical to ensuring the integrity of environmental policies and retaining public confidence.

Recommendation 2: The Governor and the Legislature should implement legislation concurrently with the Cal-EPA plan that would place all environmental risk assessment functions in one Cal-EPA unit, and should direct the Cal-EPA Secretary to establish uniform risk assessment procedures and guidelines.

FINDING 3: To be both effective and economically efficient, environmental policies must be based on a risk management decision-making process that takes into account all potential risks, benefits and costs. This should specifically include input from the Department of Food and Agriculture on the benefits derived from the use of pesticides and the societal costs of forgoing their use.

Recommendation 3: The Governor and the Legislature should implement legislation concurrently with the Cal-EPA plan that ensures that the risk management decision-making process includes adequate input from the public, those who are regulated, and other state entities.

FINDING 4: Achieving maximum compliance with state environmental policies depends on clear, cohesive regulations coupled with an even-handed vigorous enforcement effort.

Recommendation 4: The Governor and the Legislature should implement legislation concurrently with the Cal-EPA plan that creates a

uniform permit process and a uniform hearing and appeals process for all environmental protection entities. In addition, the Governor and the Legislature should direct Cal-EPA to undertake a comprehensive, integrated overhaul of environmental regulations.

FINDING 5: Since the Cal-EPA does not include all state programs that deal with environmental issues, ultimately the ability of the agency to be the lead entity for all state environmental policies may be affected.

Recommendation 5: The Governor and the Legislature should direct Cal-EPA to report within six months about the feasibility, desirability and consequences of bringing other state programs into Cal-EPA.

FINDING 6: Costs, savings and sources of revenue associated with the creation of a Cal-EPA cannot be determined based on the plan submitted.

Recommendation 6: The Governor and the Legislature should direct Cal-EPA to report within six months about short- and long-term costs and savings associated with Cal-EPA, as well as anticipated sources of revenue.

FINDING 7: The prevention and interdiction of pollution before it occurs and the promotion of alternative pollution-free technology are key steps to protecting the environment.

Recommendation 7: The Governor and the Legislature should create the Office of Pollution Prevention within Cal-EPA to promote pollution interdiction, market incentives and alternative technologies.

K-12 Education

The costs and casualties of California's education system are rising even as the State sinks further and further into fiscal quicksand. In this report, the Commission examines where the education dollars are spent and how the State has failed to keep dropouts in school.

In fiscal year 1991-92, total education revenues for California were approximately \$27 billion. These revenues, of which more than 63 percent are provided by state government, are supposed to be used to educate approximately 5.5 million students in 1,010 school districts.

Much criticism has been leveled at the quality of education in California. Academic performance indicators can be described as mixed at best, with enough evidence to support a proponent's argument that California is doing incredibly well considering the circumstances, while at the same time backing a critic's contention that K-12 education in California is in crisis. The reality may best be captured by the business community, which complains that the available labor pool is adversely affected by dropouts, functional illiterates and high school graduates who require extensive remedial training.

Another specific concern relates to the spending of the education revenues. Studies conducted in other states indicate that substantial amounts of money are

wasted on vast educational bureaucracies. While on a percentage basis this does not appear to be true in California, nonetheless adequate funding is not reaching the classroom in ways to best meet the needs of students.

Findings and Recommendations

The Commission's report, entitled "Costs and Casualties of K-12 Education in California," contains five findings and 11 recommendations.

FINDING 1: Current school funding methods prevent school districts from shifting priorities and allocating more money for instruction.

Recommendation 1: To allow more flexibility in the decision-making of the districts and to further coordinate funding for special programs, the Governor and the Legislature should allow additional block grant funding to local school districts. Such a block grant program must include sufficient safeguards to ensure that the funds ultimately accomplish the objectives of programs identified as being necessary in statute. Further, revenues for the block grant program must be tied to the positive results from the districts' special programs.

FINDING 2: The collective bargaining process improperly controls how school districts spend the majority of general fund monies.

Recommendation 2: To reduce the adverse fiscal effects of unsound agreements reached through collective bargaining at the district level, as well as to make the collective bargaining process more cost-efficient, the Governor and the Legislature should require a study examining the feasibility of the establishment of a statewide council of recognized exclusive bargaining representatives to carry out the collective bargaining process with a joint council of school districts. The study should assume that the statewide councils would delegate local issues, including cost-of-living adjustments, to local employee representatives and districts for the negotiation of subsidiary agreements. In addition, recognizing that the State provides the majority of education funding, and to ensure uniform and fiscally sound agreements are reached, all agreements would be

subject to the approval of the State Board of Education, the governing body of the State Department of Education.

Recommendation 3: To allow districts greater flexibility in managing their costs, the Governor and the Legislature should enact legislation to review the current parameters of what can be included in the collective bargaining process so as to identify areas that might be better removed from the realm of negotiations. Once these areas are identified, the Governor and the Legislature should exclude them from the collective bargaining process.

Recommendation 4: To provide an incentive for districts to scrutinize and minimize their costs associated with collective bargaining, the Governor and the Legislature should make the statutory changes and, along with the people, the constitutional changes necessary to limit the amount that districts may be reimbursed for Mandated Cost Claims related to collective bargaining costs. Districts should not be precluded from spending more on collective bargaining; they should only be limited in what they may be reimbursed for by the State. Each district will have to determine how they will cover additional collective bargaining costs from their unrestricted revenues.

In addition, if, in the negotiation of a new contract, no agreement is reached within 60 days prior to the expiration of the existing contract, the negotiating parties should submit to mandatory and binding dispute settlement mechanisms under the auspices of the Public Employment Relations Board.

FINDING 3: California's K-12 education system continues to operate without adequate controls and with no accountability at the top.

Recommendation 5: To avoid an increasing problem of district financial failure stemming from the deficit spending, the Governor and the Legislature should enact legislation that would provide the State's Superintendent of Public Instruction or the State Board of Education with additional authority and responsibility for financial recovery when it appears that a district is in

jeopardy of failing to meet its financial obligations. Suggested measures include giving the Superintendent of Public Instruction or the State Board of Education the authority to proceed with cost containment measures once a district submits to the State Department of Education a qualified certification. Another possible measure would be to give the Superintendent of Public Instruction or the State Board of Education greater authority to ensure the fiscal soundness of budgets proposed by local school boards. For example, if a budget review committee is established and does not recommend approval of a school district budget and, instead, proposes an alternative budget that subsequently is not adopted by the local school board, the Superintendent of Public Instruction could be given the option to either accept the district's proposed budget, accept the budget review committee's proposed budget, or prepare an alternative budget and approve it.

Recommendation 6: The Governor and the Legislature should enact legislation providing for penalties against any school board member who votes to approve a budget or expenditure in knowing violation of current statutory standards and criteria developed by the Superintendent of Public Instruction, the State Controller and the Director of the Department of Finance and reviewed and approved by the State Board of Education for the use by local educational agencies in the development of annual budgets and the management of subsequent expenditures from that budget.

FINDING 4: The State's dropout rate now exceeds 20 percent; current statistics fail to reveal the total picture.

Recommendation 7: To account for the sizable number of students who drop out prior to the 10th grade, the Department should implement its plan to collect dropout data for grades 7, 8 and 9 beginning with the school year 1991-92.

Recommendation 8: To facilitate data collection on dropouts at all grade levels as well as the tracking of dropouts once they leave school, the Governor and the Legislature should enact legislation for the design and implementation of a statewide, student-level data base that will incorporate the use of standard student

identification numbers, such as social security numbers. Once the data base has been established and reliable figures are generated from dropouts who eventually return to some form of formal education or pass a diploma equivalency test, the Department should publish those figures along with the dropout rate.

Recommendation #9: To ensure the accuracy of the dropout data in the California Basic Educational Data System, and thus the calculation of the dropout rate, the Department should periodically review and confirm the accuracy of the dropout data sent to the Department by school districts.

FINDING 5: If California fails to reduce the dropout rate, the State's economy will be severely affected.

Recommendation 10: To effectively address the dropout problem, the Governor and the Legislature should enact legislation supporting current successful efforts at dropout prevention and recovery, such as the SB 65 programs and the California Partnership Academies, so long as those efforts are directed at the aspects of the problem demanding the highest priority, such as the unique problems associated with Hispanic dropouts based on projected trends. In addition, to the extent possible, efforts aimed toward at-risk youth should be consolidated and coordinated to achieve the most efficient and effective use of limited education dollars. Finally, legislation should be enacted to provide sufficient resources to further the efforts of promising initiatives, such as the Every Student Succeeds initiative, that will effectively address the highest priorities of the dropout problem.

Recommendation 11: Within existing resources, the Department should continue its efforts to develop and implement initiatives that will substantially contribute to the alleviation of the dropout problem. In particular, given that population and dropout figures show Hispanics as having a high dropout rate while becoming the largest single ethnic or racial group in the State, the Department's efforts should place special emphasis on the unique problem of Hispanic dropouts.

Drug Prevention

In response to the threat of drug abuse, all levels of government have brought to bear substantial amounts of funding and a multitude of programs directed at drug abuse prevention, intervention, treatment and recovery. So abundant were the programs and entities administering them that in 1988 the Little Hoover Commission conducted a study on the coordination of programs and their responsibilities. The Commission found that administrative authority, funding and responsibility for drug programs was fragmented among several state departments and that, as a result, there was a lack of coordination and control over the use of funding, which undermined the success of the State's anti-drug efforts.

The Commission returned to this topic in 1991 to determine if recommendations for change had been implemented. The Commission determined that the programs are now being coordinated more effectively but that further steps need to be taken.

Findings and Recommendations

"Coordinating the Spending on Drug Prevention Programs" has two findings and four recommendations.

FINDING 1: The State appears to adequately coordinate its efforts against drug and alcohol abuse, but it has not yet evaluated the success of its efforts.

FINDING 2: Funding for drug abuse prevention needs to be further coordinated.

Recommendation 1: The Governor and the Legislature should support the efforts that go into the development and execution of the *California Master Plan for Reducing Drug and Alcohol Abuse*, and should support the operations of the Governor's Policy Council on Drug and Alcohol Abuse and the Superintendent's Committee on Drug, Alcohol and Tobacco Education.

Recommendation 2: The Department of Alcohol and Drug Programs should continue its endeavor to develop and conduct a bona fide study evaluating the State's efforts against drug and alcohol abuse. The Governor and the Legislature, to the extent possible, should support the study.

Recommendation 3: The Governor and the Legislature should mandate that state funds can be spent only on drug or alcohol programs or pilot projects that are components of the *California Master Plan for Reducing Drug and Alcohol Abuse*.

Recommendation 4: The Governor and the Legislature should aggressively lobby the federal government to remove or loosen existing restrictions that are required as a part of federal funding for reducing drug and alcohol abuse.

Elder Care At Home

A man's home is his castle. But if the man or woman is an elderly Californian who needs assistance with the activities of daily living, that home may well turn into a trap of indignity, abuse and neglect. The State's efforts to help this vulnerable population may instead leave the frail elderly at the mercy of untrained, unreliable and even abusive caregivers who are largely unmonitored by either the State or the counties.

In the past, the Little Hoover Commission has focused its energies on elderly citizens who, through ill health and unfortunate circumstances, have been forced to enter institutions to receive care and protection. In turning its attention to the frail elderly who are able to remain in their own homes despite disabilities, the Commission has found a flawed system that fails to meet the needs of too many senior citizens who have turned to the State for protection and care.

The flaws of a single state program -- In-Home Supportive Services -- are not the Commission's only concern. In addition, the Commission has found that the vast array of services that are supposed to provide a continuum of care for the elderly are not well-integrated and may be difficult to access since they are scattered among a variety of state departments.

Findings and Recommendations

In a report entitled "Unsafe in Their Own Homes: State Programs Fail to Protect Elderly from Indignity, Abuse and Neglect," the Commission made three findings and five recommendations.

FINDING 1: In-Home Supportive Services has inherent structure and funding limitations that prevent the program from working well. The result is that frail elderly people are left at the mercy of untrained caregivers, may be preyed upon by criminals in their own homes and may be subject to abuse, neglect and indignity.

FINDING 2: The State has failed to put uniform mechanisms in place that would allow it to fully implement the goals of the California State Plan on Aging; The elderly in need of assistance thus are left to navigate a fragmented system of programs run by a diversity of state and county entities.

FINDING 3: The effect of "County Realignment" remains uncertain; while it may pose risks for the future of elder care programs, it also presents opportunities for improvements.

Recommendation 1: The Governor and the Legislature should enact legislation to require each county to adopt one of several approaches that will provide accountability, worker training and reliability in the Individual Provider mode of care.

Recommendation 2: The Governor and the Legislature should enact legislation to encourage counties to place new non-severely impaired, low-hour cases into the Contract Care mode of service.

Recommendation 3: The Governor and the Legislature should enact legislation to institute other IHSS improvements and set standards that will allow the program to work more smoothly and responsively.

Recommendation 4: The Secretary of the Health and Welfare Agency should move aggressively, across departmental lines, to implement the integration of services outlined in the California State Plan on Aging and, in the process, maximize federal funding of programs.

Recommendation 5: The Governor and the Legislature should closely monitor the effect of county realignment on IHSS and other programs that protect the frail elderly.

Transportation

A Twilight Zone version of Hell is a man trapped for eternity behind the wheel of his car in a traffic jam as a punishment for his driving misdeeds. For many Californians, that Hell feels like reality as they face the daily frustrations of the State's inadequate freeways and highways.

The State has taken steps to address this situation, but an intensive investigation by the Little Hoover Commission has concluded that a lack of leadership and inadequate planning continue to thwart the improvements that are needed.

Specifically, the State fails to perform adequate cost/benefit analyses of projects, has been unable to develop a high-speed train program, allows poor project management to waste badly needed funds, and has shown itself incapable of coping with the transportation demands created by growth.

Findings and Recommendations

The Commission's report, "Transportation: Keeping California Moving," has six findings and 12 recommendations.

FINDING 1: The state consensus to develop a system encompassing a variety of transportation modes is

hindered by a highway bias in Caltrans and a lack of advocacy in the Governor's Cabinet.

Recommendation 1: The Governor and the Legislature should enact legislation to establish a new Transportation Agency.

- a) The secretary of the Transportation Agency should provide policy and budget direction to the Governor to promote the efficient development of a multi-modal transportation system.
- b) The Agency should be staffed with existing personnel positions from Caltrans and the Business, Transportation and Housing Agency.
- c) The Business, Transportation and Housing Agency should become the Business and Housing Agency.

Recommendation 2: The Governor and the Legislature should enact legislation requiring a management study to determine how Caltrans can be reorganized to promote the development of a multi-modal transportation system.

- a) The study should recommend how Caltrans' headquarters and districts can be organized to work most effectively with local and regional transportation agencies in developing a statewide, multi-modal transportation system.
- b) The study should recommend clearly delineated responsibilities for Caltrans and local agencies in the development of travel modes, particularly commuter and urban transit systems.
- c) The study should be conducted by an independent management consultant.
- d) The study should be reviewed by the Governor and the Legislature for their approval.

Recommendation 3: The Legislature should adopt a resolution indicating that, in any future revision

of the federal Surface Transportation Reauthorization Act, the State of California favors:

- a) Maximum flexibility in the use of federal transportation funds.
- b) A requirement that regional and local transportation agencies coordinate their transit systems with state plans as a condition of receiving federal funds.

The resolution should be transmitted to Congress and the President.

FINDING 2: The State has not adopted an adequate long-term plan for the state transportation system, thus hindering the cost-effective development of a system that will improve future mobility.

Recommendation 4: The Governor and the Legislature should enact legislation directing Caltrans to develop a transportation improvement plan that can promise improved mobility to Californians over the next 20 years.

- a) The plan should address the economic factors that perpetuate highway congestion and make recommendations to control the growth in vehicle miles traveled.
- b) The plan should establish priorities for the development of a statewide, multi-modal transportation system.
- c) The plan should address how transportation costs can be distributed equitably among users of the system.
- d) The plan should be based on the consensus principles established by the public and private transportation officials on the California Transportation Directions Committee.
- e) The plan should establish realistic funding estimates and financing mechanisms.
- f) The plan should be developed in consultation with regional transportation planning agencies.

- g) The plan should be submitted to the Governor and the Legislature for their review and approval.

FINDING 3: The State does not adequately evaluate transportation alternatives based on cost-effectiveness, thus leading to unnecessary delay and expense for transportation projects.

Recommendation 5: The Governor and the Legislature should enact legislation that mandates the establishment of a 20-year horizon for planning and funding of the transportation system.

- a) This time frame will assist Caltrans and local transportation agencies in establishing transportation priorities in a cost-effective manner.
- b) Caltrans' right-of-way acquisition requirements should be limited to a level achievable in the 20-year time horizon.

Recommendation 6: The Governor and the Legislature should enact legislation directing Caltrans to develop cost/benefit criteria that could be used by state, regional and local transportation agencies in evaluating transportation options.

- a) The criteria should include as factors the operations and maintenance costs of transit and highway systems.
- b) The study should investigate whether cost/benefit analysis could become a component of the existing environmental review process, so as not to add another layer of review to project development.

FINDING 4: The State has not been effective in developing a high-speed train system, thereby preventing an alternative to auto and air travel.

Recommendation 7: The Governor and Legislature should enact legislation requesting a franchise to build, operate and finance a high-speed train system to include Sacramento, San Francisco, Fresno, Bakersfield, Los Angeles and San Diego. The legislation should establish a commission, appointed by the Governor and the Legislature and

chaired by a high-speed train expert, to review proposals and award a franchise.

- a) The commission should give priority to awarding the franchise to a wheels-on-rail proposal.
- b) The commission should give priority to awarding the franchise to the entity that proposed the least amount of public funds.
- c) The commission should be funded by the Proposition 116 funds for the Bakersfield - Los Angeles study.

Recommendation 8: The Governor and the Legislature should place before the voters a revenue bond proposal to partially pay for the construction and initial operations of the high-speed train system awarded to the franchise.

Recommendation 9: The Legislature should adopt a resolution urging Congress and the President to allow federal airport and highway trust funds to be used to provide partial financing for a high-speed train system in California.

Recommendation 10: The Governor and the Legislature should enact legislation to establish a consortium that would guide development of the high-speed train system.

- a) The consortium should be led by the franchisee, who would be responsible for planning and financing the system.
- b) The consortium should include project managers from Caltrans and the Public Utilities Commission, who should guide the system through the State's regulatory and development process.
- c) The consortium should include subcontractors responsible for constructing the system.
- d) The consortium should include representatives from local jurisdictions impacted by development of the system.

FINDING 5: Caltrans has not assigned project managers to major highway projects, thus leading to project delay and higher project costs.

Recommendation 11: The Governor should issue an executive order requiring Caltrans to reorganize its district operations to ensure that a project manager is assigned to every major project. A major project should be defined as emergency projects or projects that are the most cost-effective in moving people.

- a) Given the personnel limitations in assigning a project manager to every project, Caltrans should assign project managers to major projects only.
- b) Caltrans should determine which projects are major projects in consultation with local and regional transportation agencies.
- c) District directors should hold project managers accountable and responsible for getting major projects out on time and on budget.
- d) Caltrans should establish a procedure allowing a project manager who moves to another assignment to transfer project management responsibility to another district employee.

FINDING 6: The Congestion Management Program (CMP) has several flaws that may prevent linking transportation and land-use planning.

Recommendation 12: The Governor and the Legislature should enact legislation to improve the Congestion Management Program through a state growth management program. Improvements in the Congestion Management Program should include, but not be limited to, the following:

- a) Coordinate the goals and functions of existing planning agencies to streamline the planning process;
- b) Require consistency between jurisdictions in the identification of principal arterial in CMPs and standardization of traffic forecast models;

- c) Establish strategies that encourage local governments to prevent traffic congestion in addition to the CMPs current requirement to mitigate traffic congestion after it occurs;
- d) Allow CMP "maintenance of effort" requirements to be averaged over a multi-year period and exclude from the maintenance of effort calculation maintenance or emergency expenses; and
- e) Establish provisions to minimize and mechanisms to resolve conflicts between jurisdictions within the CMP process.

Foster Care

Taking a child away from his or her natural parents is a last-resort decision that the State sometimes must make. The weight and importance of this wrenching decision is such that all logic dictates that the State must then see that the child has a better, fuller, healthier life than is possible with the natural parents.

Unfortunately, the Little Hoover Commission has seen compelling evidence that this is not occurring. Children too often are case adrift in a foster care system that fails to safeguard their lives and their futures. Despite spending \$1.4 billion on welfare services for abused and neglected children, the State has failed miserably to ensure that these children, ripped from their troubled homes, are given the necessary nurturing for them to become well-rounded adults and productive citizens.

The Commission has reviewed California's Child Welfare Services Program for the second time in five years and is dismayed to discover that many of the same problems and trends are still evident. The State needs to more aggressively pursue family preservation where appropriate, ensure that foster parents are suitable and well-trained, and increase its oversight once children are placed in homes.

Findings and Recommendations

"Mending Our Broken Children: Restructuring Foster Care in California" has five findings and 16 recommendations.

FINDING 1: The State's foster care system runs contrary to the preservation of families.

Recommendation 1: The Governor and the Legislature should enact legislation that would ensure that greater emphasis is focused on placement prevention programs and associated family preservation services from those families whose problems do not stem from sexual or physical abuse. Such programs and services must focus on ensuring the safety and well-being of the child, however, and not mindlessly concentrate on preserving families at any cost.

Legislation should include, but not be limited to, increased funding for home- and community-based family preservation and placement prevention services so that local agencies have the ability to address the problems of families without having to resort to out-of-home placement.

Funding in addition to current levels could be made available only to the extent that savings are expected to be realized through a decrease in out-of-home placements, and only with a commensurate decrease in funding for those placements.

Recommendation 2: The Legislature should enact a resolution stating California's support for federal legislation that would provide additional federal funding for family preservation services.

Recommendation 3: The Governor and the Legislature should continue to re-examine and monitor the effects of state-county realignments and enact any legislation necessary to ensure the realization of realignment's intended effect of encouraging counties to invest in family preservation programs and place children out of their homes only when warranted.

FINDING 2: Training, support services, screening and rates of reimbursement are woefully inadequate for the State's foster parents.

Recommendation 4: Despite budget constraints, the Governor and the Legislature should enact legislation that makes training and a psychological evaluation a prerequisite to the licensure of foster parents.

The training should include basic information on the goals and activities of foster care services and the rules, regulations, policies and expectations of the county agency supervising the foster children. Other topics covered should include, but not be limited to: understanding of human behavior; familiarity with normal and exceptional child development; and practical parenting and behavior management skills.

The psychological evaluation should be comprehensive enough to provide an indication of the suitability of individuals for use as foster parents.

Recommendation 5: The State Department of Social Services should provide the leadership necessary to encourage counties to maximize the use of federal Title IV-E funds for the purposes of training foster parents.

Recommendation 6: The Governor and the Legislature should provide additional funding for the Foster Parent Training Program administered through the California Community Colleges.

Recommendation 7: The Governor and the Legislature should enact legislation that increases the statewide basic foster care rates of reimbursement to adequately cover the costs of raising foster children. The increase could be established only to the extent reliance on group homes and foster family agencies can be reduced.

Recommendation 8: The Governor and the Legislature should aggressively lobby Congress and the President to enact legislation that would make all foster children federally eligible for AFDC-Foster Care.

FINDING 3: More attention needs to be paid to the needs of ethnic minority children in foster care.

Recommendation 9: The State Department of Social Services should reinstate funding for its

Minority Home Recruitment Program and concentrate its recruitment efforts on ethnic minority foster parents. The Department should, to the extent possible, emphasize working with counties to utilize methods that have proven to be effective in particular areas of the State or in other states, and that can be replicated statewide.

Recommendation 10: The State Department of Social Services should monitor counties' administration of the foster care program to ensure the counties are making placements in accordance with the law.

FINDING 4: The State's foster care system suffers from inadequate monitoring and oversight.

Recommendation 11: The Governor and the Legislature should enact legislation establishing a statewide foster care ombudsman program. The foster care ombudsman program should be patterned after the ombudsman program for the elderly in that it should be administered under contract by regional agencies under the control of a State Ombudsman. The regional agencies should utilize a network of volunteers operating at the county level. Further, to the extent possible, the ombudsman program should work in conjunction with existing Court Appointed Special Advocate programs.

Recommendation 12: The Governor and the Legislature should enact legislation eliminating the ability of the State Department of Social Services to contract with counties to perform the licensing functions in the foster care system, thus making the Department solely responsible for those functions.

Recommendation 13: The State Department of Social Services should complete the foster care performance standards in accordance with Chapter 1294, Statutes of 1989. Once the standards are developed, the Department should monitor counties' adherence to the standards, while allowing counties discretion in how to meet those standards.

Recommendation 14: The Governor and the Legislature should enact legislation requiring a bona fide longitudinal study of California's foster

care system and its clients to determine the long-range effectiveness of the system.

FINDING 5: Counties lack sufficient interagency screening of children coming into the foster care system.

Recommendation 15: The Governor and the Legislature should enact legislation to establish the Child Development and Education Agency.

Recommendation 16: The Governor and the Legislature should enact legislation providing start-up funds for counties to establish systems that institute interagency coordination. The legislation should also allow counties flexibility in using the funds.

Property Management

For the past seven years, the Little Hoover Commission has analyzed and suggested improvements in the system by which the State manages its real property. Reports issued by the Commission in 1986 and 1990 contained recommendations that, if implemented, could save or gain the State hundreds of millions of dollars. To date, a few steps have been taken toward the goals embodied in the reports, but the broad reforms that are badly needed have yet to be implemented. Consequently, the State continues to forgo significant, long-term financial potential.

At the height of the State's crisis in attempting to form a 1992-93 budget, the Commission produced an issue paper based on its past report and a June 1992 public hearing that was designed to assist the Governor and the Legislature. The Commission said that the modification of certain policies held the key to as much as \$115 million in additional revenue in the new fiscal year alone.

Recommendations

The issue paper, entitled "Squeezing Revenues Out of Existing State Assets," contained three recommendations for immediate action.

Recommendation 1: Grant the Department of General Services time-limited authority to dispose of surplus state lands without the existing level of review by the Legislature.

Recommendation 2: Similarly for a finite span of time, give the Department of General Services the authority to negotiate lease-purchase agreements and long-term leases without preview by the Legislature.

Recommendation 3: Independently review the results of these policy changes after five years to determine whether the policies are serving the needs of the State and should become permanent.

School Facilities

Schools throughout the State are threadbare and bursting at the seams. Crowded districts bus students long distances, sometimes right past vacant facilities owned by other school districts. School officials complain bitterly that there is never enough state funding for needed new construction and maintenance of existing facilities. Faced with an anticipated increase of two million students by the year 2000, California is struggling with a school facilities crisis.

As the Little Hoover Commission examined the school facilities situation, two factors became clear:

- * School districts want to keep control of facility decisions but are demanding that the State foot the bill. Nowhere is this more clear than in Los Angeles, where the school district expects the State to pay for a \$100 million downtown high school despite the existence of cheaper alternatives.
- * School officials for the most part have developed little expertise in caring for existing facilities and proactively managing real property assets. Nothing compels school districts to use their assets wisely or fully before turning to the State for a handout.

The Commission focused on three areas in its study: the source of funding for facilities, the state approval process for building schools, and state policies that constrain districts from maximizing the use of their assets. In each area, the Commission developed recommendations designed to return facility decisions and the responsibility for funding to local districts so that authority and responsibility will rest in the same hands.

In addition, the Commission recommendations move away from state micro-management and toward the setting of general standards so that any necessary approval processes will be simplified. Finally, the recommendations aim to free the hands of school districts that have the initiative, knowledge and willingness to manage assets proactively and well.

Findings and Recommendations

"No Room for Johnny: A New Approach to the School Facilities Crises" has four findings and 16 recommendations.

FINDING 1: The State cannot afford to be a bottomless pocket for school facilities spending; its primary interest in school facilities is to ensure equity for students.

Recommendation 1: The Governor and the Legislature should modify the Leroy F. Greene State School Building lease Purchase program to return the responsibility of funding new school facilities to the local school districts, limiting the State's financial role to ensuring equity and providing a safety net.

Recommendation 2: The State Department of Education should convene a task force to determine advisory (rather than prescriptive) standards for adequate, modern school facilities that can be adopted by the State in place of the current minimum standards.

Recommendation 3: The Governor and the Legislature should place a constitutional amendment before voters to modify the approval threshold of local general obligation school bonds in a manner consistent with the most cost-effective use the bonds issued.

FINDING 2: The State has created a cumbersome program that micro-manages school construction projects.

delaying the completion and driving up the cost of school facilities.

Recommendation 4: The Governor and the Legislature should create a one-stop shopping system so that school districts have a single point of contact for facility projects.

Recommendation 5: The Governor and the Legislature should set workload parameters within which the State Architect could exercise independent authority to use school fees to hire retired employees or contract out for plan checking services.

Recommendation 6: The Governor and the Legislature should require the Office of the State Architect to convene a panel to review and receive input about interpretive guidelines and operating procedures.

Recommendation 7: The State Architect should proceed with administrative changes to address the delays and inconsistencies he has identified in the school facility plan check process.

FINDING 3: The Field Act limits school district flexibility in meeting classroom needs and increases school construction costs, but provides an added assurance of safety.

Recommendation 8: The Governor and the Legislature should establish an inspection process that would allow a 10-year waiver for school districts to use UBC Type I and Type II buildings as classroom space when enrollment projections exceed available or expected resources to meet those projections.

Recommendation 9: The Governor and the Legislature should establish an inspection process that provides school districts with a permanent Field Act equivalency certificate for UBC Type I and Type II buildings that offer joint education opportunities.

Recommendation 10: The Governor and the Legislature should augment the inspection budget of the Office of the State Architect and give the office increased enforcement powers to deal with

school structures and portables that are not in compliance with the Field Act.

Recommendation 11: The Governor and the Legislature should extend the existing three-year waiver to a more reasonable time frame that would allow school districts to pursue realistic plans to eliminate the need for a waiver.

FINDING 4: State policies and requirements have either blocked or not promoted long-range planning and creative asset management practices for school districts.

Recommendation 12: The Governor and the Legislature should modify the Naylor Act to require full market value pricing for sale of land for the purpose of developing school facilities or, at the very least, give school districts an equal opportunity to purchase surplus land from other governmental entities at discounted prices.

Recommendation 13: The Governor and the Legislature should abolish unused-site penalties and requirements that discourage school districts from maximizing revenues from assets.

Recommendation 14: The Governor and the Legislature should direct the appropriate state bodies to determine the added cost to school construction of public policies that dictate the use of prevailing wage and that set goals for minority/women enterprise participation.

Recommendation 15: The Governor and the Legislature should enact legislation to allow students to attend school in any district when their own neighborhood schools are too crowded to allow them to attend.

Recommendation 16: The Governor and the Legislature should create a task force to examine the State's and school districts' approach to deferred maintenance and make recommendations that will place future building upkeep efforts on a sound foundation.

School Fiscal Issues

For the past 15 years, the Little Hoover Commission has examined California's K-12 education system with great regularity. In numerous reports, the Commission has made recommendations that if adopted by the State would result in more effective educational programs and more efficient use of taxpayers' money. Unfortunately, while some progress has been made, many of these crucial recommendations have never been implemented.

At the height of the budget crisis in 1992, the Commission released an issue paper designed to assist the Governor and the Legislature. The paper outlined five areas from previous reports where reforms could yield as much as \$383 million in savings in the 1992-93 budget year that could be redirected into the classroom for maximum impact on students.

Recommendations

Recommendation 1: Give the State more authority to move in quickly when school districts do a poor job of budgeting.

Recommendation 2: Create statewide collective bargaining for wage and benefits.

Recommendation 3: Ensure more dollars reach the classroom by eliminating categorical funding.

Recommendation 4: Consolidate small school districts and/or unify districts so that K-12 grade education is vertically integrated.

Recommendation 5: Eliminate or regionalize county offices of education.

Appendices

APPENDIX A

Chairman Nathan Shapell (D) Beverly Hills

Chairman of the Board of Directors/Chief Executive Officer of Shapell Industries, Inc., one of California's larger residential construction firms. Originally appointed to the Little Hoover Commission by the Senate Rules Committee on September 10, 1968. Chairman of the Commission since 1976.

Vice-Chairman Richard Terzian (R) Los Angeles

Partner in the law firm of Adams, Duque and Hazeltine. Originally appointed to the Little Hoover Commission by Governor Deukmejian in May 1986.

Senator Alfred Alquist (D) San Jose

Member of the California Legislature since 1962. Currently serves as Chair of the Senate Budget and Fiscal Review Committee, and Vice Chair of the Senate Constitutional Amendments Committee. Serves on the Senate Committees: Appropriations; Energy and Public Utilities; and Governmental Organization. Originally appointed to the Little Hoover Commission by the Senate Rules Committee on December 1, 1969.

Mary Anne Chalker (D) Los Angeles

Insurance broker and President of LFC Insurance Brokers and Agents. Originally appointed to the Little Hoover Commission by Governor Jerry Brown on April 30, 1982.

Assemblyman Gil Ferguson (R) Newport Beach

A member of the State Assembly since 1984. Eight years as Vice-Chairman of the Housing and Community Development Committee and six as a member of the Transportation Committee, he continues as a member of those committees plus committees on Education and Insurance. Appointed to the Little Hoover Commission in December 1992.

Arthur F. Gerdes (D) Yorba Linda

Owner of Gerdes Insurance and Real Estate and part-time lecturer in Public Administration/Management at several colleges and universities. Appointed to the Little Hoover Commission by Governor Deukmejian on July 17, 1990.

Albert H. Gersten (R) Encino

President of Gersten Enterprises. Originally appointed to the Little Hoover Commission by Assembly Speaker Willie L. Brown on October 16, 1981.

Continued on next page.

Haig G. Mardikian (R) San Francisco

Director of George M. Mardikian Enterprises and United Broadcasting Company. Originally appointed to the Little Hoover Commission by Governor Deukmejian on February 22, 1984. Served as Vice Chairman of the Commission from 1987 to 1992.

Senator Milton Marks (D) San Francisco

A member of the State Senate since 1967. Before his election to the Senate, he was a member of the State Assembly from 1958 until 1966 when he was appointed to the Municipal Court bench by Governor Edmund G. Brown. Currently serves as Chair of the Senate Elections and Reapportionment Committee. Serves on the Senate Committees: Banking, Commerce and International Trade; Housing and Urban Affairs; Judiciary; and Natural Resources and Wildlife. He has been a member of the Little Hoover Commission since January 1968.

Assemblywoman Gwen Moore (D) Los Angeles

A member of the State Assembly since 1978. Currently serves as Chair of the Assembly Committee on Utilities and Commerce. Serves on the Assembly Committees: Education; Consumer Protection, Governmental Efficiency and Economic Development; Governmental Organization; Insurance and Televising the Assembly. She has been a member of the Little Hoover Commission since February 1983.

Angie Papadakis (R) Rancho Palos Verdes

President of Papadakis Advertising. Freelance writer for Readers Digest. Gag-writer for cartoonists, comedians, and magazines. Appointed to the Little Hoover Commission by Governor Deukmejian in August 1990.

Abraham Spiegel (D) Beverly Hills

President of Spiegel Enterprises. Originally appointed to the Little Hoover Commission by the Senate Rules Committee in January 1986.

Barbara Shell Stone Ph.D. (R) Whittier

Professor of Political Science, CSU Fullerton. Originally appointed to the Little Hoover Commission by Governor Deukmejian in June 1987.

APPENDIX B

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LITTLE HOOVER COMMISSION FACT SHEET

The Little Hoover Commission, formally known as the Commission on California State Government Organization and Economy, is an independent state oversight agency that was created in 1962. The Commission's mission is to investigate state government operations and -- through reports, and recommendations and legislative proposals -- promote efficiency, economy and improved service.

By statute, the Commission is a balanced bipartisan board composed of five citizen members appointed by the Governor, four citizen members appointed by the Legislature, two Senators and two Assembly members.

The Commission holds hearings on topics that come to its attention from citizens, legislators and other sources. But the hearings are only a small part of a long and thorough process:

- * Two or three months of preliminary investigations and preparations come before a hearing is conducted.
- * Hearings are constructed in such a way to explore identified issues and raise new areas for investigation.
- * Two to six months of intensive fieldwork is undertaken before a report -- including findings and recommendations -- is written, adopted and released.
- * Legislation to implement recommendations is sponsored and lobbied through the legislative system.
- * New hearings are held and progress reports issued in the years following the initial report until the Commission's recommendations have been enacted or its concerns have been addressed.

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