

LITTLE HOOVER COMMISSION

Real Lives, Real Reforms:
Improving Health and Human Services

Executive Summary

May 2004

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California has made a noble commitment to help people overcome challenges that have long plagued individuals and communities, from mental illness to physical disabilities. Our ambitions are lofty. In many cases progress has been dramatic. And across the board, these programs save lives and restore opportunity.

But progress has stalled. The price tag for health and human services continues to grow, yet people are still turned away or do not receive the quality of care that could change their lives. In some cases, there are heart-breaking failures – children who are abused while in foster care or in state facilities – despite repeated investigations exposing these failures. Moreover, California is not performing well when compared with other states, as measured by an array of indicators that other states use to assess their own performance.

The reasons for these problems are numerous. And ironically, many of the flaws in the system are the unintended consequences of well-intended reforms. Researchers develop a new treatment, so the State creates a new program. An investigation uncovers an abuse, and so a new restriction is enacted. An unmet need is identified, and so a new program is launched; but dollars are limited and so only a few counties are funded. A problem is identified, but a solution is not – so a pilot project is born. A respected service provider needs permission to offer an innovative service – so another pilot project is born. A pilot project is completed, but going to scale would be costly, so the pilot is extended.

Rule upon rule, program upon program, year upon year. By trying to solve all problems, California solves none. By neglecting the evidence of which programs work and which do not, dollars flow based on the persuasive powers of special interest lobbyists – not the ability of their clients to save lives. By refusing to fix programs, new initiatives are layered on top of old initiatives, victory is declared and little improves.

In turn, the bureaucracy has grown large and complex. As fashioned, the Health and Human Services Agency has not been able to coordinate state activities among its 13 diverse departments. And the relationship between the state departments and local agencies that provide most of the actual services is defined by distrust and suspicion. One county representative described the relationship as “spy vs. spy.”

County health and human service agencies have scores of contracts with half a dozen state departments. For years, some counties have been working to develop a consolidated contract with just one department –

Health Services – but with limited success, perpetuating useless costs to administering programs. Just developing common reporting terms would ease tensions – and shift more resources to actually serving clients.

The state has five departments that license health-related facilities. And even if they were all using limited resources to their best ability, those resources are not being collectively used to steadily reduce the bad outcomes that licensing is intended to prevent.

The “system” of services has been hard-wired over decades of political compromises, necessary at the time, but never re-examined. Met by this convoluted bureaucracy, many Californians seeking help give up in frustration, if they are not denied assistance because of inefficiency.

Occasionally the State attempts to solve these interconnected problems, but has not been able to stay the course. For example, in the decade that followed Program Realignment, the State created scores of grant and other programs that targeted specific individuals with specific services, often in specific counties. Each one added administrative costs and complexity, and attempted to direct the counties to serve an unmet need.

Two of those programs had the same goal – keeping people with mental illness out of jails and prisons. Both programs were touted as cost-effective. But as funding has dried up, so have the programs – despite evidence that the programs saved money and lives.

These facts would be reason enough to reorganize these programs, but there is more. Given demographic and political trends, the health and human service system will be expected to do more for more Californians in the future. But unless the system is fundamentally restructured, clients will receive less and the public will benefit less.

Fundamental change holds the potential for multiple returns:

- A better performing system will help the State to live within its means. A foster care system that protects children and heals families stems the costly flow of victims and criminals.
- Reorganizing departments, restructuring state and local responsibilities, reforming funding mechanisms and creating accountability will do more to cure addiction, reduce crime and violence, and break the cycle of poverty than a hundred pilot projects.
- And a growing economy, supported by efficient and effective human services, will do what government services cannot do: Provide living-wage jobs with health benefits so individuals will become less dependent on public programs.

With that premise, the Commission examined how innovative providers, county governments and other local agencies are organizing their efforts. Many counties have demonstrated the benefits of a new business model: specific goals, coordinated bureaucracies, consolidated funding streams, integrated services, and accountability for outcomes. The Commission then examined how the State should re-engineer itself to best support these local efforts. Reforms are essential in these areas:

Goal-oriented leadership. The lack of focused and persistent leadership has resulted in sporadic and piecemeal reforms that often only made matters worse. The first task for leadership will be to forge an agenda for meaningful improvements by establishing shared goals and imposing a collective discipline to make difficult decisions to pursue those common objectives. Clear statewide goals should inform and drive county-based strategies for providing high-quality services that meet community needs.

State reorganization. State entities need to change what they do and how they do it. The focus of the Health and Human Services Agency, and its component parts, should be to build strong partnerships with counties to provide high quality services.

- The Agency needs to be equipped to streamline requirements and define quality standards, gather and disseminate information on best practices, advocate for California's concerns with the federal government, and help state and community policy-makers to provide research-based policies, budgets and accountability.
- Administrative and support functions – such as fiscal operations and data management – should be consolidated strategically and over time into service centers, reducing expenditures and organizing the Agency's operations to support state and local activities.
- Departments, relieved of bureaucratic tasks, should dedicate smaller staffs to helping counties build high-quality systems of care.

Strong state-local partnership. California must give counties the authority to competently provide the services that they are responsible for administering. Clarifying the roles of state and local agencies and simplifying the system are essential to improving performance and accountability. Counties should develop individual plans that will accomplish broad state goals and minimum standards, are largely based on local needs and priorities, and will improve outcomes at less cost.

Effective funding. The State needs to align federal and state dollars with its priorities and give counties greater flexibility in how those dollars are used to serve Californians. The State can begin by systematically consolidating state-only programs and funds to provide that flexibility.

Meaningful accountability. State, local and civic leaders must make decisions based on outcomes: where to allocate resources, how to change structures, when to change programs. To do this, California must reclaim the vast resources spent on compliance activities and focus them to provide meaningful accountability mechanisms.

These “structural” solutions are essential to bringing focus to these important programs. But the ultimate success of these reforms will rest on the caliber and competencies of public employees – and managers, in particular – who with clear direction, the necessary training, and the required authority will be able to get the job done.

The scale and scope of these changes are daunting, but the case for change is compelling. And how California government responds to the fiscal crisis will echo throughout our communities for years to come.

Fundamental Reforms Essential

Finding 1: California cannot sustain its existing health and human services. An overly complex organizational structure, perverse funding incentives and weak oversight undermine efforts to better serve more Californians with limited resources.

California cannot afford to operate health and human services as presently designed. Existing programs are serving too few Californians. And demands are increasing even as policy-makers are scaling back on existing obligations to people receiving care.

There are important and on-going roles for the Governor and the Legislature, because every budget decision, every bill will either move California closer to its goals or farther away.

Some of this political focus needs to be used to build stronger bridges; with counties and other local partners, and the federal government.

Recommendation 1: The Governor and Legislature should champion health and human service reforms that involve local and federal officials, civic leaders and the public. Reforms should restructure state operations, realign state-local roles and responsibilities, streamline funding and enhance accountability.

California’s elected leaders must make reform a priority

- ***The Governor, in consultation with other California leaders, should declare clear goals for Californians.*** California’s goals – such as all Californians should be self-sufficient, safe, healthy, and

emotionally well, in adequate housing, ready to learn and work – should drive fundamental reform, as well as ongoing policy-making, budgeting and oversight.

- ***The Governor should target state resources to address statewide goals.*** Public resources should be dedicated to providing efficient, effective, accountable health and human services. Specifically:
 - ✓ **Organizational reform.** The Governor should reorganize state entities in the Health and Human Services Agency to better position the State to improve outcomes, as outlined in Recommendation 2.
 - ✓ **State-local realignment.** The Governor and Legislature, working with county officials and other local leaders should consolidate services into a responsive, seamless system-of-care under county authority, as discussed in Recommendation 3.
 - ✓ **Fiscal reform.** The Governor should advance proposals for fiscal reform that will increase flexibility, stability and incentives for excellence in public funding, as outlined in Recommendation 4.

- ***The Legislature should adopt into statute and the budget clear goals for Californians.*** Goals should guide legislative action, particularly policy-making, budgeting and oversight. Policy and budget analyses performed by the Legislative Analyst, the Department of Finance, and the policy and fiscal committees of the Legislature, in particular, should reflect those goals. Specifically:
 - ✓ **Improve policy analysis.** The policy-making process should be based on rigorous analysis of whether proposals will move California toward the State’s goals. Analyses should clearly identify the objectives of proposed policy changes, who is responsible for meeting those objectives, and how progress will be monitored by the administration and the Legislature. Particular attention should be dedicated to the following issues:
 - **Recognize proven and promising practices.** Analyses should document whether proposals reflect proven and promising practices and indicate what evidence has been cited.
 - **Encourage seamless services and tailored care.** Analyses should document whether proposals will enhance or restrict efforts to collaborate, coordinate or integrate services for purposes of tailoring services to the needs of individual Californians.
 - ✓ **Bolster fiscal analyses and deliberation.** Budget and funding decisions should be based on rigorous analyses that recognize

priorities, facilitate reallocation decisions and ensure that fiscal policies promote stability, flexibility and improvement.

- ✓ **Monitor progress.** The Legislature should bolster its ability – as well as the ability of the public – to monitor progress. Policy-makers should continuously track efforts, monitor progress, and make decisions based on goals for children, adults and families.

Seek federal and local support

- **Seek federal authority to further reforms.** The Governor and Legislature should enlist California’s congressional delegation to become a persistent, unified advocate for federal reforms needed to achieve California’s goals for children, adults and families. Congressional approval is needed to shift state and local roles and responsibilities, to infuse greater flexibility into federal dollars and link funding with outcomes.
- **Locally elected officials should become full partners in reforms.** The Governor and Legislature should tap locally elected officials to guide reforms in State operations, and align local operations with statewide goals for children, adults and families.

Public agencies must develop a cohesive network of services to achieve goals for children, adults and families

- **The Health and Human Services Agency secretary and department directors should implement reforms.** Senior public administrators should assist in the development and implementation of organizational, fiscal and operational reforms. Recommendations 2, 3, 4 and 5 outline the role of administrators in reforms.

Establish a Reform Team

California’s health and human services require reforms of an unprecedented scale. Success will require a strong commitment from the Governor and Legislature, a vision for excellence and a detailed understanding of current operations. The reform process must build upon the strengths of public employees and institutions and minimize the personal and organizational risks associated with change.

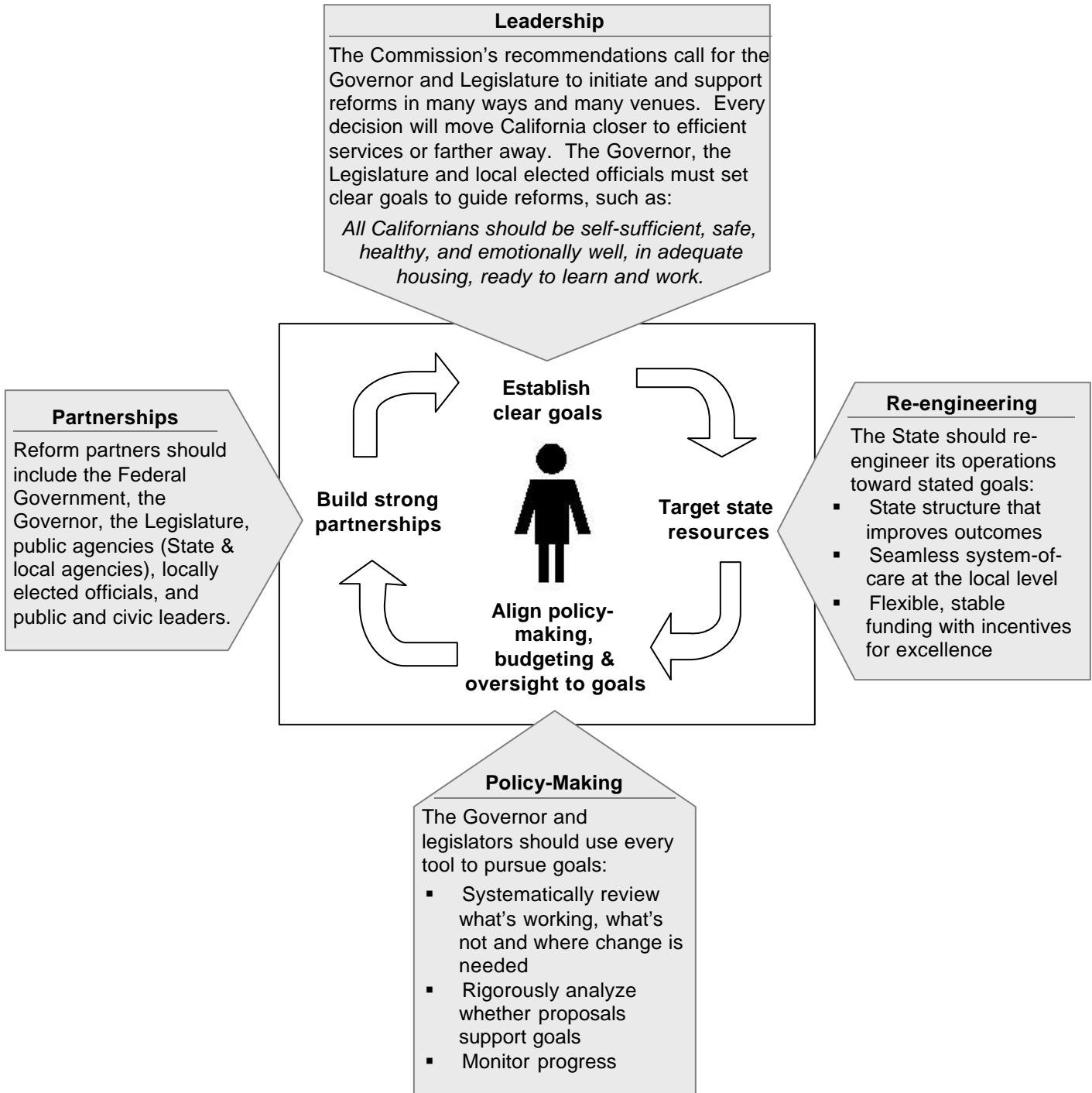
To make reforms reality, the Governor and Legislature should establish a leadership team. Reforms should be led by the Governor, with detailed involvement of legislative leaders, guided by experienced public administrators and clients, and implemented in conjunction with community partners.

- **Local agencies should become partners in reforms.** Local agencies must ensure that statewide reforms support the needs and realities of health and human service clients.
- **Federal agencies should facilitate reforms in federal policies and practices.** Federal cooperation is essential to reforming California’s health and human service networks. Federal agencies must be full partners in efforts to improve efficiency, effectiveness and accountability.

The public and civic leaders should monitor outcomes, expenditures

- **Public oversight is key to improvement.** Public officials and senior administrators should consult with the public and civic leaders on California’s goals, the progress of reforms and outcomes.

Reform that Leads to Results for Clients



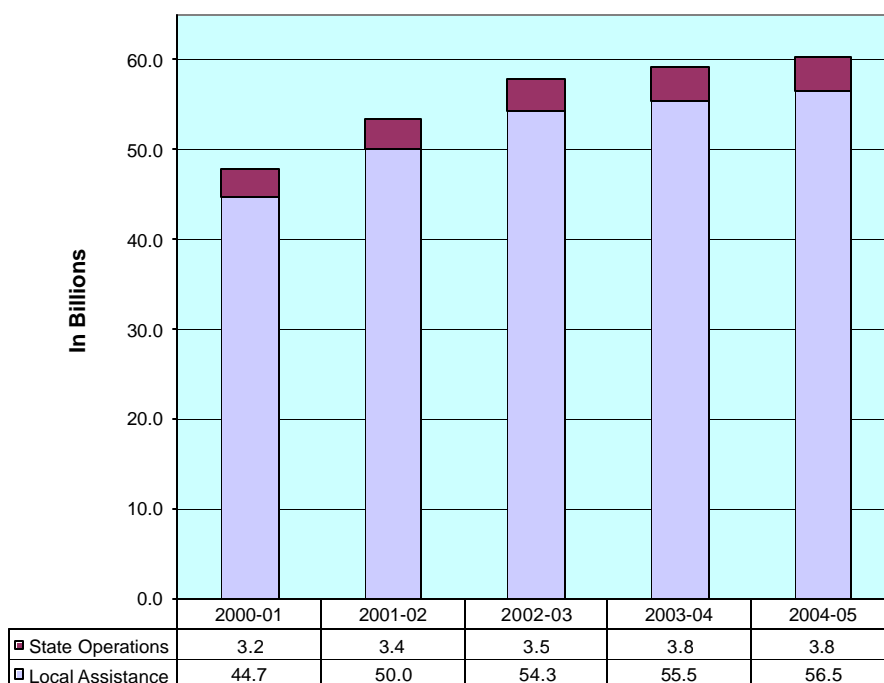
Focus State Operations on Outcomes

Finding 2: State operations are not designed and equipped to improve efficiency, effectiveness and accountability.

The Budget Act divides the resources of the Health and Human Services Agency and the 18 entities under its authority into two general categories: 1) state operations, and 2) funding that goes to local agencies to provide services, which is commonly referred to as local assistance. State operations encompass a variety of activities including policy development, fiscal administration, oversight, and technical assistance.

As displayed in the chart, far more resources go to communities each year than for state operations. To improve outcomes, the State must reorganize state functions to streamline operations, enhance the capacity of state departments to support improvements in local operations and improve internal efficiencies.

**Health & Human Services Expenditures
State Operations & Local Assistance**



Source: Governor's Budgets for 2002-03, 2003-04 and 2004-05. These figures represent the budgets for the Agency and 13 major departments. Does not include the Employment Development Department or the California Workforce Investment Board which were reorganized into the Labor and Workforce Development Agency.

Recommendation 2: State operations should be reorganized to provide unified leadership, efficient support of local programs and to focus on improving quality.

Unified leadership

- **Bolster the Health and Human Services Agency.** The Agency should ensure consistency across state operations, promote collaboration among departments and track progress toward the State's goals for children, adults and families. To fulfill these obligations, departmental resources currently dedicated to budgeting, policy-making, legal and external affairs should be shifted to the Agency and department directors should come together as an agency cabinet.

Efficient support

- **Create service centers around functions shared by multiple state departments.** Strategically and over time, the State should consolidate shared functions into service centers that report to the Agency and are responsive to the departments. Service centers should be established for the following functions and designed to enhance state support for local health and human services.
 - ✓ **Fiscal Operations.** State functions associated with payments, audits, eligibility, and benefit computation now handled by each department should be consolidated into a fiscal service center. The center should be charged with streamlining operations, reducing costs and improving accountability.
 - ✓ **Licensing and Certification.** Facility and personnel licensing and certification activities should be consolidated. Standards and regulations governing licensees should continue to be established by programmatic departments.
 - ✓ **Data Collection and Management.** Data collection and management activities should be consolidated, strategically and over time, to streamline state requirements, improve data analysis and identify opportunities to use data to enhance outcomes.

Enhance Management Capacity

The Agency Secretary should develop a strong leadership team and management structure to implement reforms, continuously improve internal operations and enhance state support for local operations. Among the components:

- **Designate chief operating officers for each department.** A chief operating officer should be established for each department and service center. The COO should report to the director and be charged with professionally managing operations under the direction of the department director. Chief operating officer positions should be required to meet rigorous minimum qualifications.
 - ✓ Significant experience managing public sector operations.
 - ✓ Comprehensive understanding of mission and operations of department or service center.
 - ✓ Demonstrated leadership applying principles of performance management and continuous improvement.
- **Establish an Agency Management Council.** The Agency Secretary should appoint a panel of public and private experts on health and human service management to provide advice on state-of-the-art management practices applicable to state and local agencies.

- ✓ **Technical Assistance and Training.** Multiple technical assistance and training efforts should be consolidated to improve the quality and consistency of services provided to state and local agencies. The Technical Assistance and Training Service Center should develop benchmarks and training programs for fiscal operations, licensing and regulatory compliance, and data collection and management. The center should initially receive General Fund support, but over time should be funded primarily through client fees.

Departments focused on improving service quality

- **Refocus the departments.** California's health and human service departments – smaller and more focused following organizational reforms – should enhance the effectiveness and efficiency of health and human services received by Californians. The strategic efforts of each department should provide leadership, planning, research and capacity building, to enhance the ability of local agencies to improve quality, efficiency and accessibility.

Advanced Research Office

The Office should report to the Agency Secretary, be small and flexible, infused with substantial autonomy, and be able to draw technical staff from state and local agencies, universities and the private sector. Activities should be project-based, typically 12 to 36 months, but longer when necessary. Project managers, who should be the core staff, should be technically outstanding and chosen for their vision and entrepreneurial spirit. Management should provide good stewardship of taxpayer funds but focus on enabling project managers to be successful. The Office should operate and be held to standards that allow failure in areas where the payoff of success is sufficiently high to require significant risk taking.

Invest in innovation

- **Establish an Advanced Research Office.** California must invest in improving the delivery of services. The Advanced Research Office should lead the State's efforts to identify innovative practices and create incentives to improve and enhance accountability. Initial tasks of the Advanced Research Office should include:

- ✓ **Scrutinize the distribution of responsibilities.** Once shared functions are consolidated, the Office should scrutinize the remaining state operations and submit a plan to the Agency to further reduce areas of duplication and overlap. State departments should be maintained where there is a uniqueness of client need, disorder or disease that cannot be addressed adequately through combined departmental efforts.

- ✓ **Expand the number of Californians with appropriate, affordable private sector insurance coverage.** The Office should document the adequacy and penetration rate of private sector insurance for health and human service

needs – including physical health care, addiction treatment and mental health care – and propose to the Agency ways to increase the number of Californians covered by private insurance.

Realign State-Local Relationships

Finding 3: The complexity of California’s health and human services increases costs, inhibits flexibility, limits improvement and undermines accountability.

Health and human services are provided through federal, state and local agencies, often working with non-profit and for-profit contractors. In some areas, the federal government is a direct service provider, as with services for veterans. In other areas, the State is a direct provider; the State operates mental hospitals and vocational centers. In most instances, however, federal and state agencies fund programs that are locally operated, often through the counties, but sometimes through regional entities, school and community college districts, or through direct contracts with private providers. In no two communities are the bundles of services provided in the same way.

“To move forward, the State and local agencies must bring clarity and simplicity to health and human services and the state-local relationship.”

California has debated the right mix of state and local responsibilities for years, without resolution. To move forward, the State and local agencies must bring clarity and simplicity to health and human services and the state-local relationship.

Recommendation 3: California should transition to a strong county-based system of care for providing health and human services. Start with willing and capable counties, refine efforts and rollout statewide.

Simplify responsibilities

- ***The State should ensure adequate funding, personnel and other resources to support county programs and monitor progress toward statewide goals for children, adults and families.*** The Health and Human Services Agency should ensure the necessary elements are available to counties to improve outcomes, including sufficient qualified personnel, adequate and stable resources to meet needs and appropriate training and technical assistance to adopt and adapt proven and promising practices.
- ***Each county should develop a responsive, seamless system of care.*** Local systems of care should prioritize prevention, tailor services to needs, consistently improve, and produce high quality outcomes in line with California’s goals for children, adults and families. Each county Board of Supervisors should designate a lead agency and position responsible for developing and operating its system of care.

Support counties as hubs for health and human services

- **Realign state direct services to the counties.** The Health and Human Services Agency should systematically review those direct services currently provided by the State and develop a transition plan to realign programmatic responsibilities and funding to the counties. That review should include services offered through state hospitals, developmental centers and vocational centers. The Agency should provide clear and compelling analyses – linked to goals for children, adults and families – to justify any decision to maintain the State’s role as a service provider.

- **Shift funding and programmatic authority to counties.** The Health and Human Services Agency, in conjunction with the counties and other local agencies, should develop a transition plan to realign all local health and human services and funding to the counties. The plan should shift all local health and human services currently provided by non-county entities to the counties – including services offered by regional centers, Area Agencies on Aging and others – unless the Agency determines that doing so would inhibit progress toward California’s goals for children, adults and families. The counties should be given complete discretion to contract out or broker services through non-county providers, including the option to continue the existing network of services but under county direction. Pages 49 and 50 include four maps which reflect four disparate service delivery systems and the state’s role as service provider.

Move with determination

- **Start with early adopters, rollout statewide.** The Health and Human Services Agency, in conjunction with local officials and program administrators, should initiate reforms with a small number of counties, refine those efforts and rollout reforms statewide. A system of care should be in operation in all counties within five years. The State should provide support and inducements to encourage counties to invest in reforms, shoulder additional responsibilities and accept the inherent risks and rewards.
 - ✓ **Planning support.** Reforms will require adequate planning and consultation, which should be funded by the State.
 - ✓ **Technical and programmatic assistance.** The Health and Human Services Agency should provide technical assistance, consultation, support and regulatory relief to address any and all barriers in state and federal policy that would limit opportunities to develop an integrated system of care.

- ✓ **Shared liability.** The State should take responsibility for liabilities it creates and share with counties the risks of federal liabilities associated with reforms.
- ✓ **Discretionary funding.** The State should buy-out an appropriate portion of state, federal or other funding that restricts local efforts to integrate services.

Undertake Fiscal Reform

Finding 4: The demand for public health and human services far outpaces capacity. Yet the State is not managing public dollars to spur private sector investment, target limited resources to priority needs, and ensure the use of cost effective strategies to improve outcomes.

California annually spends nearly one-third of its General Fund expenditures on health and human services. Adding in federal funds, California spends upwards of \$60 billion a year on programs tied to the health and well-being of Californians that are administered through the Health and Human Services Agency.

Many spending decisions are on auto-pilot – driven by entitlements, court rulings, the state constitution, federal rules and contracts. Thus the annual budget exercise focuses on the margins: how to allocate new revenue or make necessary cuts. But policy-makers have more latitude than they recognize in deciding how much to spend and where it should be spent. And how money is allocated is just as important as how much.

Recommendation 4: Shift health and human service funding to counties. Align programmatic and fiscal authority to recognize priorities and target the cost-effective use of limited public funds.

Shift funding control to the counties

- ***Create a local trust fund for health and human services.*** The Health and Human Services Agency should systematically review all health and human service funding to identify state, federal, legal and other barriers to consolidating funding into a trust fund. The Agency should propose strategies for addressing those barriers and, to the extent possible, shift fiscal authority for those funds to the counties.
- ***Identify a baseline and growth formula for health and human service funding.*** The Health and Human Services Agency, in conjunction with local agencies, should propose a baseline and

growth formula and a distribution formula for local health and human service trust funds.

- ✓ **Stabilize funding.** The growth formula proposal should include provisions to stabilize funding across economic cycles. Options to be explored should include State pre-payment of future growth obligations during periods of economic strength in exchange for foregoing payments during periods of economic shortfall.
- ✓ **Create incentives to reduce state costs.** Funding formulas should include incentives for local agencies to reduce State costs. The Agency should develop formulas that promote prevention, encourage the adoption of proven and promising practices, motivate local agencies to develop innovative strategies to address complex needs, and result in a reduction in the number of people who move from local programs to state-operated programs.
- **Create an innovation block grant program for health and human services.** Ten percent of trust funds should be set aside for state control. Innovation funding should provide block grants to counties to address persistent challenges to improving outcomes.
- **Inventory and seek federal waivers.** The Health and Human Services Agency should report to the Legislature within 60 days on federal waivers currently available that would infuse greater flexibility into funding streams. The Agency should indicate which waivers are in place in California, which are in place in other states, and which additional waivers it intends to pursue and justify its decisions not to pursue others, if any.
- **Strengthen the sunset review process.** The Legislature should extend its sunset review process to review funding not included in the local health and human service trust fund. No less than once every three years, each categorical program and its funding should be reviewed and one of three options exercised: 1) Reauthorize the categorical program and funding. 2) Sunset the categorical program, but shift funding into the trust fund. 3) Sunset the categorical program and funding.

Enhance revenue authority and options

- **Create local government revenue options to support programs.** The Health and Human Services Agency, in conjunction with county officials, should transmit to the Governor and Legislature proposals to develop local revenue streams to support health and human services. County specific alcohol taxes, vehicle license fees and other potential revenue sources should be explored.

- ❑ **Seek federal reimbursement for unallocated Social Security taxes.** The Governor and Legislature should work with California's congressional delegation to secure the return of Social Security taxes paid on behalf of undocumented immigrants working in California who will not benefit from Social Security. Recovered revenue should be dedicated to reimbursing the State and local agencies for providing services to immigrants and other clients not eligible for federal support.

Unallocated Social Security Taxes

The State may have an opportunity to claim \$10 billion or more paid to the federal government by Californians for benefits that the federal government is not providing. Significant research remains to be done to determine the viability of this opportunity.

The Social Security Administration reports that a small percentage of social security tax payments cannot be linked to workers because of mismatched or false Social Security numbers. Rough calculations suggested that \$57.3 billion has been paid on behalf of workers who cannot be identified. Thirty-five percent of those payments came from California. And a significant percentage was paid on behalf of undocumented immigrants, who are not eligible for Social Security or Medicare. In essence, employers and workers have paid an insurance premium for a benefit that does not exist.

While employers have been paying Social Security taxes for undocumented immigrants, the State and local governments have been providing health care and other services to these workers. Had Social Security benefits been available, State and local costs could have been greatly reduced.

The Commission has urged the Governor and Legislature to advocate for increased federal support. The State could ask the federal government to return to the State those premiums that Californians have paid on behalf of undocumented immigrants who are not eligible for federal benefits but are receiving state and local services. Reimbursement would require congressional approval.

A number of arguments support California's claim:

1. States are in a better position to link unallocated taxes with services. Unallocated Social Security taxes are theoretically held in trust by the federal government. In reality, the federal government spends against those funds with no direct link between the payer and services to the payer. States also can hold funds in trust, and in the meantime use them to support retired and disabled individuals as the Social Security law intends. Counties currently provide health and human services to undocumented immigrants in line with public health and safety needs.
2. Californians are taxed twice. Employers and employees each pay half of mandated Social Security taxes. Social Security benefits allow individuals to pay for medical and other essential needs. In the absence of those benefits, the State and counties tap the General Fund to provide essential services. California employers and workers are essentially taxed twice to pay for these services.
3. California has an opportunity to recognize the dignity of undocumented immigrants. Social Security was designed to help workers prepare for retirement and address their needs should they become disabled. Millions of Californians rely on Social Security without stigma. In contrast, undocumented immigrants who are denied benefits but need public services are derided as not paying their fair share for community programs. Directly drawing upon the tax payments of undocumented immigrants to reimburse the State and local governments for health and human services would recognize the contributions of these workers to California.
4. Improve accountability for Social Security taxes. Californians pay billions in Social Security taxes with no clear accounting of where the money goes. Preliminary research suggests that the federal government has never explored the ownership of unallocated funds. The employees on whose behalf the payments were made have a clear claim on those funds, as do employers. But returning funds to employees is problematic because the Social Security Administration cannot identify them. Returning the funds to employers would create perverse incentives in the labor market. The states and federal government also have claims but in the absence of dialogue, the mounting payments go unnoticed and their ownership uncontested.

Promote Meaningful Accountability

Finding 5: Public agencies spend extraordinary resources on compliance, auditing and other “oversight” activities that do not provide meaningful accountability that leads to improved performance.

State and local agencies spend millions of dollars tracking expenditures, monitoring compliance with detailed rules and regulations and reporting their actions. Similarly, policy-makers and oversight agencies conduct sunset reviews, audits and evaluations and hold oversight hearings. These efforts are intended to ensure that departments and service providers are following the law, but they do little to determine whether people are being helped or if programs are successful.

Recommendation 5: The public, policy-makers and program administrators must have clear and easy access to reliable information on progress toward goals, the effectiveness of programs, and the agencies responsible for making improvements.

The Governor and Legislature should agree on benchmarks and measures

- ❑ ***Adopt performance indicators, outputs and efficiency measures.*** Policy-makers and the public must understand why public programs are in place and how well they are functioning. The Legislature and the Governor should adopt performance indicators, outputs and efficiency measures that chart the State’s progress in meeting core goals for children, adults and families.
 - ✓ **Performance Indicators.** Used to demonstrate whether the State is making progress toward its objectives, such as the poverty rate, recidivism, infant mortality rate, etc.
 - ✓ **Output Measures.** Reflects activities performed – units produced, services provided, or people served – to achieve goals.
 - ✓ **Efficiency Measures.** Describes the costs associated with efforts to improve performance.

The Administration should focus its advisory and monitoring efforts

- ❑ ***Establish and empower a Health and Human Services Advisory Board.*** The existing advisory and oversight boards are largely ineffective. They should be replaced with an agency-wide board with the authority and resources to monitor state operations and make recommendations for reform.
 - ✓ **Membership.** The board should be composed of citizens, clients, service providers and local government representatives with the

expertise to monitor programs and outcomes, and to identify and recommend opportunities for improvement.

- ✓ **Authority.** The board should be authorized to review any and all aspects of California's health and human service system. It should report directly to the Agency Secretary. Its meetings and reports should be easily accessible by the public.
- ✓ **Funding.** Funding for the board should be reliable and adequate to meet its mandate. To solidify the relationship between the board and the departments it oversees, board funding should reflect a percentage of the budget of each department and be drawn directly from those budgets.

The Administration should strengthen its response to weak performance

- ***Bolster the State's response to weak county performance.*** The State's response to weak performance should be clear, swift and compel action.
 - ✓ **Require Improvement Plan.** County agencies that fail to make progress toward statewide goals for children, adults and families should be required to submit an improvement plan that details strategies underway to bolster performance. The Health and Human Services Agency should provide technical assistance, training and other supports to enable counties to successfully address barriers to improvement.
 - ✓ **Require reform.** Counties that continue to show weak performance should be required to implement specific reforms developed by a state-local improvement team. The team should be appointed by the Agency, include representatives of counties with superior performance and state departments, and be authorized to review any and all practices, policies and information relating to the under-performing county.
 - ✓ **State takeover.** Counties that fail to show progress within five years, after efforts to initiate improvement plans and reforms have been unsuccessful, should be subject to state takeover. The Agency should be given the authority to appoint an administrator of county health and human services with the authority to make needed changes, spend federal, state and local funds allocated to the county for health and human services and shift additional county funds, as needed, to improve outcomes. The Agency should have the authority to bill the county for the costs associated with state takeover.

The Legislature should enhance its oversight activities

□ ***Establish an Inspector General for Health and Human Services.***

The Inspector General should be empowered with all the necessary authority to thoroughly investigate and monitor state and local health and human service programs. It should report directly to the Governor and its reports, except those involving criminal investigations, should be public.

The public needs clear and consistent information

□ ***Create real-time Web-based reporting on goals for children, adults and families.***

The Health and Human Services Agency should develop a Web-based reporting system to chart California's progress toward its goals for children, adults and families. The reporting system should clearly identify goals, progress by county and indicate which public officials are responsible for meeting those goals and the avenues available to the public to express their concerns when programs falter.