



*State of California*

# LITTLE HOOVER COMMISSION

June 14, 2005

The Honorable Arnold Schwarzenegger  
Governor of California

The Honorable Don Perata  
President pro Tempore of the Senate  
and members of the Senate

The Honorable Fabian Núñez  
Speaker of the Assembly  
and members of the Assembly

The Honorable Dick Ackerman  
Senate Minority Leader

The Honorable Kevin McCarthy  
Assembly Minority Leader

Dear Governor Schwarzenegger and members of the Legislature:

Few jobs are more important than those entrusted to state government. Public employees are responsible for safeguarding food and water, ensuring educational and work opportunities, and responding to the chronic dangers of crime, disease and disasters. And that's just for starters.

In turn, the resources at hand are substantial: A workforce of more than 200,000 women and men. An annual budget of more than \$100 billion. And nearly unbridled authority to structure policies, design programs and apply technology to achieve success. Still, on some of the most important outcomes, the State's performance is dismal.

Strong public programs begin with evidence-based and politically supported policies. Implementing those policies, in turn, requires highly skilled administrators - who can work under the spotlight and within the inherent restrictions of government agencies. For many years, however, the State has neglected its management workforce. Calcified personnel practices that were intended to measure "merit" discourage highly qualified people from applying for and landing state jobs. Training and development are afterthoughts. And in the name of fairness, compensation rules do little to distinguish between good and bad performance.

In this study, the Commission examined procedures for hiring, training, managing and rewarding state managers and found a system that is engineered for failure.

To improve performance, the State must hire the best and the brightest. But the entry-level professional position, staff services analyst, is essentially closed off to anyone who is not already in the civil service system. In the last six years, 94 percent of new SSA hires have been drawn from the existing state workforce, often from clerical positions. So rather than recruiting top university grads, the State promotes from classifications that do not require college degrees.

This practice is especially troubling because it is even harder to break into state service at the managerial level. Since 1999, the State has not hired a single manager from outside of state service into its core management classification. Even if accomplished managers from the private sector wanted to do the public's work, they would be discouraged at every turn.



These promotions within the state service are supposed to be based on merit – thwarting favoritism and giving taxpayers their money’s worth. But departments routinely invoke transfer rules to fill management positions, circumventing rules intended to ensure that jobs go to the most qualified applicants.

This over-reliance on internal promotion is then undermined by the State’s negligence toward training. While other states retooled managers to deal with fiscal and performance crises, California in 2004 ended its partnership with the University of Southern California to improve leadership and mothballed the State Training Center.

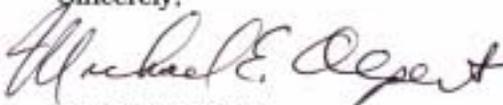
Finally, management and compensation practices are not used to motivate achievement. Weak performance is ignored, tolerated and hidden by management systems that do not adequately track inputs or outputs – let alone results. Managerial compensation is not competitive, even with other public sector employers, and does not recognize contribution or accomplishment. One program designed to reward the top 1 percent of employees – those who demonstrate two years of sustained exemplary performance – provides for bonuses of no more than \$250.

The State is fortunate to have many committed and qualified managers – people who have dedicated themselves to a career in public service. Overshadowed by the failures, quality administrators deliver quality outcomes: California has one of the nation’s lowest rates of infant mortality. The State has the best record in the country for reducing youth and adult smoking. And despite a growing population and more vehicles on our roadways, air quality is improving.

Many of the best managers enlisted when California was a stand-out in public administration. They wanted to change the world and California government was the vanguard. But in recent years, the State has seldom been recognized for outstanding public management. The same high-profile failures that drive down public confidence drive away prospective managers. The State’s inability to balance the budget, keep the lights on, build bridges, teach children and operate prisons is a warning sign to those interested in public service: go elsewhere.

Simply put, solving these problems will require knowledge, skills and leadership in both policy-making and program administration. Toward that end, this report contains recommendations that could begin to immediately improve the ability of state departments to recruit, hire, develop, manage and compensate the administrators that California needs and Californians deserve. All of these recommendations are standard practice in some other public sector organization. Most of the proposals do not require significant fiscal investments, but all of them could contribute to a State that is more effective, and thus more efficient.

To break the cycle of failure, the State must enlist talented individuals capable of restoring California’s greatness. These recommendations provide a starting point for that imperative.

Sincerely,  
  
Michael E. Alpert  
Chairman

