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FOR IMMEDIATE RELEASE
July 1, 2009

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Commission Calls on State to Enhance Oversight of Public Investments

The Little Hoover Commission adopted recommendations on Wednesday, June 24, 2009, urging the governor and the Legislature to take steps to build a stronger state watchdog role given the recent explosion of bond-financed projects. In its report, *Bond Spending: Expanding and Enhancing Oversight* the Commission recommends strengthening oversight of bond expenditures to improve Californians' trust in how government spends taxpayer money.

"Californians have entrusted their government with tens of billions of dollars in bond capacity in just the past few years for long-overdue infrastructure investments," Little Hoover Commission Chairman Dan Hancock said. "It is imperative that government build confidence that this money is being spent wisely."

The Commission found that state agencies have taken steps to improve oversight of bond expenditures. Bond-administering entities have complied with a governor's executive order to implement a three-part accountability process. The Department of Finance established a Web site, www.bondaccountability.ca.gov and bond-administering entities provide information so the public and policy-makers can monitor projects and spending. But more must be done.

The Legislature must play a more active role in monitoring bond expenditures to hold bond-administering agencies and departments accountable and to ensure public money is being spent wisely. The Legislature also should require audits from entities independent of the executive branch, either private audit firms or the State Controller's Office or the Bureau of State Audits, that examine both the performance of the bond project as well as the dollar amount spent. The Web site provides a portal for required reporting functions for the bond-administering agencies, but could be improved by streamlining and standardization the data to ensure the public can quickly and easily find and compare information on how bond money is being spent.

The Commission identified existing models for allocating and providing accountability for bond money – such as the California Transportation Commission – that could be replicated in other investment areas. The natural resources arena, where bond money has been spent on less tangible projects such as habitat restoration and water quality improvement, could benefit from the transparency that comes with a public commission to set priorities and provide accountability.

The Commission found that in recent years, voters increasingly have turned to bond sales to finance important public projects, such as the \$43 billion infrastructure bond package authorized in November 2006, but that voters might not wholly understand the consequences and tradeoffs of this sort of financing strategy. To ensure that voters are fully engaged and educated on the financial decisions increasingly placed before them, the Commission recommends that the state establish fundamental criteria for ballot measures that are evaluated and included in an easy-to-understand format in the voter information guide.

The Commission also looked at opportunities to improve local bond oversight committees, which oversee local bond spending for schools and community colleges. Local school bond money is frequently matched by state bond money. At their best, these oversight committees help local districts stretch limited public money and provide a check on the districts to make sure money is spent as voters intended. Unfortunately, not all local bond oversight committees achieve this goal, though with education and training and further clarification of the roles and requirements of these local committees, local bond oversight could be improved.

In *Bond Spending: Expanding and Enhancing Oversight*, the Commission recommends that the state:

Improve oversight to ensure bond money is spent efficiently and effectively and as voters intended. Both houses of the Legislature should establish bond oversight committees to ensure bond money is spent efficiently, effectively and as voters intended. The Legislature also should require independent audits that are systematic and transparent and cover the performance of the bond project as well as the dollar amount spent. To improve transparency, the governor should charge the Office of the State Chief Information Officer with streamlining and managing the bond accountability Web site.

Revive and reconstitute the California Water Commission as the California Natural Resources Commission and charge it with prioritizing and overseeing bond-funded programs currently managed within the California Resources Agency. The California Natural Resources Commission should develop an overarching plan for funding state natural resource programs, address cross-cutting issues, and allocate money authorized for natural resource-related projects and programs.

Establish fundamental criteria for ballot measures. To improve transparency and clarity for voters the state should include criteria on a simple and easy-to-understand report card in the voter information guide for all bond measures placed on the ballot.

Bolster the capabilities of local bond oversight committees. To improve local oversight of school and community college school facility construction projects, the state should require mandatory training for bond oversight committee members, require civic groups to nominate local committee members, delineate the roles and responsibilities of the local oversight committees and define the purpose and objectives of the annual financial and performance audits.

The Little Hoover Commission is a bipartisan and independent state agency charged with recommending ways to increase the efficiency and effectiveness of state programs. The Commission's recommendations are sent to the governor and the Legislature. To obtain a copy of the report, *Bond Spending: Expanding and Enhancing Oversight*, contact the Commission or visit its Web site: www.lhc.ca.gov.