

Executive Summary

The Little Hoover Commission supports Governor Edmund G. Brown, Jr.'s Government Reorganization Plan No. 2 and recommends that the Legislature allow the plan to go forward. The plan represents an important and essential first step toward a larger restructuring of California state government to make it more effective, efficient and transparent by improving coordination and communication between departments

The plan comes to the Commission at a critical time in the state's history. Several years of short-term budget fixes have failed to address the state's fundamental need to change the way it operates to match expenses to revenues. The Governor's proposal creates clarity to start that process, reducing the total number of state agencies to 10 from 12 by eliminating two agencies. The plan also reorganizes departments into three new agencies that can better focus on specific missions by bringing together similar departments in the Transportation Agency, the Business and Consumer Services Agency and the Government Operations Agency. In other changes, the plan proposes consolidating departments within the Department of Consumer Affairs and creating a new Department of Business Oversight by combining the Department of Corporations and the Department of Financial Institutions.

California's reorganization statutes give considerable deference to the Governor as the state executive to make changes in the structure of the executive branch to improve efficiency, a deference noted in the Constitution as well. The Commission recognizes this prerogative as both appropriate and essential to good management.

The question before the Commission, and now the Legislature, is not whether the plan is perfect. The Commission's job is to consider whether the plan promotes greater efficiency and improves services to the public and thus warrants further analysis and action on the part of the Legislature. In making its recommendation, the Commission believes that this plan shows promise. We do not have the luxury of seeking perfection, or letting that search become the enemy of a good first step.

Because of the size of the plan, it does not contain the level of detail some may wish to see. This consideration leads us to recommend that the Legislature monitor implementation of the reorganization through its

traditional budget oversight role. In addition, the Commission will also monitor and report on implementation of the reorganization as part of our regular follow-up responsibilities. With these commitments to ongoing oversight, we now undertake a broader evaluation of the plan's stated goals and potential, informed by testimony from witnesses and written comment the Commission has read and weighed.

The Commission finds that the reorganization of departments in the three new agencies is potentially valuable and should encourage more collaboration and innovation by improving communication and cooperation among departments.

Importantly, it should set the stage for agency secretaries and department directors to better manage their operations.

The Commission took a hard look at comments it received in addition to the testimony it solicited. Much of what the Commission heard centered around the fear of a diminution in the power or prestige of a particular department or agency or of its top officer through a consolidation or combination. There also were concerns expressed about the potential loss of independence. Such concerns merit notice, as perceptions matter, and the witnesses' comments speak to the public's concern as to whether state agencies can be honest brokers and remain faithful to their core mandates. As the plan is developed, the administration should extend its outreach to address these concerns.

Recognizing this, the Commission also acknowledges that change is difficult and often disruptive. However imperfect or inefficient our existing bureaucracies are, stakeholders and our civil servants learn to work within these existing frameworks as best they can. During implementation, their input should be solicited and considered.

The sheer size of the proposal will put a premium on leadership as well as communication both in agencies and departments and between the administration and the Legislature. The Commission urges the timely appointment of top agency and department personnel to maintain the reorganization's momentum and to minimize transition pains.

As next steps, the Governor must set easily communicated goals and specific tasks to be accomplished by these new agencies and reorganized departments, as well as a timetable for meeting them. In the best case, the Governor also would develop performance measurements to gauge progress. In testimony to the Commission, the Governor's Office and agency secretaries said that actual cost savings and workforce efficiencies should not be expected in the short term as a result of this reorganization. The Commission recognizes that reorganizations can

take time to gel, particularly in times of fiscal uncertainty. In monitoring this reorganization's progress, the Commission will look for how agencies and departments focus their missions and priorities and align their activities to improve program outcomes.

