Improving Government Performance:

Recommendations from an Independent Voice

Little Hoover Commission

Report to the Legislature

November 2012

The Little Hoover Commission

... provides citizen and public oversight.

The Commission is a bipartisan and independent board comprised of volunteer citizens who scrutinize government programs and policies and make recommendations for improvement.

... pursues innovative solutions.

The Commission explores ways to accomplish more with the same or fewer resources by leveraging the knowledge of experts and leaders and examining best practices within California, across the country and around the world.

... urges performance-based outcomes.

The Commission focuses on the potential for strategic leadership, clear and measurable goals and the use of performance measurements to show results.

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Message from the Chair

Dear Governor and Legislators,

It is my pleasure to share with you the work of the Little Hoover Commission as you embark on the 2013-2014 legislative session. We know that you have much to do in the coming weeks, but we encourage you to consider the recommendations the Commission has developed to improve program outcomes, increase value for taxpayer dollars and restore Californians' confidence in government.

Each year, the Commission makes recommendations to the Governor and Legislature for action in specific areas. Many have been adopted through legislation, executive order, or Governor's reorganization. But important work remains. This report identifies actions that could be taken in key areas to produce lasting results. Many of these reforms involve controversial policy areas, difficult choices, and the potential that improved results may not appear for years, but these actions are the right steps to take.

The Commission, which this year celebrates its 50th anniversary, sees tremendous opportunities ahead for the next leaders of California. Please contact us for more information about any of the material presented in this report, as our members and staff stand ready to help you advance California government.

Sincerely,

Daniel W. Hancock
Chairman

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Reforms for Smart Management

Changes in key areas could maximize resources

California's economy is starting to pick up. That certainly is good news, but the reality of the state's revenue structure means that state government will continue to face profound budget challenges that will color virtually every decision that policy-makers will confront in the new legislative session.

New legislators enter an arena of uncertainty and flux, one in which state government is undergoing immense change and requires more, even as the consequences of previous actions remain unclear. Yet opportunities for significant improvement exist, though they may come in the guise of difficult choices.

Governor Brown and the Legislature now are more than a year into a reengineering of the relationship between state and local government, most prominently the realignment of responsibilities and funding for public safety and social services to county government. At the state level, entire departments are being dismantled and their duties and programs integrated into other programs, both in response to realignment and in anticipation of federal health care reform, which will shift some responsibilities from the county level to the state.

Such constrained conditions put a premium on ensuring every dollar is spent as efficiently as possible to get the greatest program outcomes. At the same time, state government must demonstrate to the public that it is delivering value for tax dollars, and directing spending responsibly. Given voters' skepticism of the state's stewardship skills, California's leaders must deliver efficiency, accountability and transparency to rebuild confidence that taxpayer money is being invested wisely.

Now celebrating its 50th year, the Little Hoover Commission identifies opportunities where government structure, management, or policy can be redesigned or reengineered to improve performance. Often, the Commission targets policies or organizational structures that have not kept up with change. Each year, the Commission makes recommendations to the Governor and Legislature for action in specific areas. Many involve controversial policy areas, and require choices that may not be popular. The Commission's recommendations often produce results that take time to emerge, but they have delivered important improvements for California.

Over the past two years, the citizen-based commission, relying on its open study process, has developed recommendations on key policy areas for the Governor and the Legislature. The Commission has recommended ways to focus the state's mission for community colleges and improve outcomes for students; it has recommended sensible and long overdue changes in the way the state manages its real estate, and it has studied ways to improve how the state provides long-term care for its aged and disabled residents as the Silver Tsunami hits.

Most significantly, the Commission recommended far-reaching reforms for public employee pensions to ensure state and local pension systems were sustainable and equitable. The Commission sought to ensure that governments could provide public employees with retirement security, while still being able to attract the next generation of workers and provide needed public services that taxpayers support. Many of these recommendations found their way into the compromise legislative package signed into law in 2012. As Governor Edmund G. Brown, Jr. said in signing it, the package is a good first step and more work needs to be done. The California Public Employees' Retirement System estimated that the reforms could save its member agencies between $42 billion and $55 billion over the next 30 years.

In the past two years, the Commission also has assessed the two major Government Reorganization Plans that Governor Brown submitted to the Legislature. One of those reorganizations, which created the Department of Human Resources, is almost complete. Governor Brown's 2012 reorganization plan, which creates a new Transportation Agency, a Business, Consumer Services and Housing Agency, and a Government Operations Agency, is on its way. As the Commission noted, however, the steps outlined in Governor Brown's 2012 reorganization "must be starting points for further restructuring to ensure that California's state government meets modern needs in the most efficient manner possible."

Among the challenges, California has struggled with a structural budget deficit and spends an increasing portion of its General Fund on debt service. The state's debt limits its ability to borrow, even as needs grow for investment in highways, classrooms, water projects and other public infrastructure.

The good news is that the changes the state's leaders have made in recent years have the potential to breed even more opportunities, given the right approach.

With this in mind, the Little Hoover Commission welcomes the 2013-14 California Legislature. We know that the new Legislature takes office with energy and ideas. New lawmakers take office under reforms that will allow them to serve 12 years with the possibility of spending their legislative career working entirely in one house. The Commission is optimistic that this change will enable officeholders to focus more on the state's most crucial needs and afford the possibility of developing greater expertise in targeted areas than under previous term limits. The sheer number of new lawmakers means more people with fresh eyes, innovative ideas and diverse life experiences.

Of the Commission's recommendations over the last decade, the following issues rise to the top as the most strategic measures that the Governor and Legislature can take now to make important and long-lasting improvements in California government and position the state and its people for the challenges ahead. More detail about each of the actions suggested below can be found in the full report cited, all available on the Commission's website at www.lhc.ca.gov, or by contacting the Commission.

New Energy Era Requires Greater Coordination and Oversight

California has undertaken an ambitious strategy to increase the use of renewable energy sources to 33 percent of all retail sales of electricity consumption by 2020 as it also works to reduce greenhouse gas emissions to 1990 levels. In addition, Governor Brown has signaled his goal to reach 12,000 megawatts of distributed solar energy by 2020. Achieving these goals requires new wind and solar generating plants, and baseload renewable energy such as geothermal, biomass and biogas. It also requires new transmission facilities to collect and deliver this renewable power. Potentially, it also may create the need for new fossil fuel-powered plants to serve as back-up for cloudy days or windless nights.

Each piece of the plan requires approvals through various state boards and commissions. The array includes the California Energy Commission, the California Public Utilities Commission, the California Independent System Operator, the Air Resources Board and the Water Resources Control Board. Layering in complexity, the air board must enforce the federal clean air laws, which influences siting of new fossil fuel plants, and the water board must enforce the federal water quality laws, which influences how power plants use water for cooling. Both complicate the timing of the transition and add requirements that reduce flexibility. These boards and commissions are aware of each other's actions and processes, and coordinate where possible, but the state lacks an overarching plan for implementing its various goals in a way that maximizes promised benefits. And while each board and commission has authority and responsibility for its piece of the plan, none have both the authority and responsibility to ensure affordability or reliability of the strategy as a whole.

The Commission recommends that the Governor require an all-in assessment of the cost and reliability issues of the state's transition to renewable power and an evaluation of what trade-offs exist, if any, between its various goals for affordable renewable power, reduced greenhouse gas emissions, the creation of green jobs, energy independence and cleaner air. The Commission recommends that the Governor task the appropriate parties to develop an implementation plan that lays out what actions need to be taken in what order to maximize the state's progress toward meeting its energy and environmental goals and minimize costs. The Commission also recommends that the state begin the process of modernizing its energy governance structure and enhance consumers' ability to better manage their own energy use and electricity bills. (*Rewiring California: Integrating Agendas for Energy Reform,* December 2012).

State Needs Broader Portfolio of Infrastructure Planning and Financing

California faces immense challenges in maintaining its current infrastructure and building new projects to support its larger population. Money raised through a 2006 bond package is largely assigned to projects and federal stimulus funds provided through the American Reinvestment and Recovery Act are all but exhausted. And still, the state needs to upgrade its freeway system, update the State Water Project and plan for new school facilities for which it shares in the cost. In its 2010 report, *Building California: Infrastructure Choices and Strategy,* the Commission called for a broader, more strategic approach to the planning, delivery and financing of public infrastructure. The Commission recommended the state integrate infrastructure financing and planning into the work of the then-newly-formed Strategic Growth Council to improve coordination among state agencies and link sustainability with infrastructure planning. The Commission also pushed for greater use of demand management to help the state avoid costs of new infrastructure by using incentives such as congestion pricing to encourage Californians to be smarter in how they use the state's physical assets, rather than building more freeway lanes to reduce commute traffic. The Commission also called upon state leaders to consider expanding the use of public-private partnerships where they make sense and provide value to Californians.

In September 2012, the Commission heard from experts from around the state who reported that California has made little progress in implementing these recommendations. Further, progress that had been made in 2009 and 2010 had seen setbacks and stalled since that time. The Strategic Growth Council had not been directed to look at infrastructure planning and financing. And the Public Infrastructure Advisory Commission, created in 2009 to help define the state's use of public-private partnerships for infrastructure projects, had not met recently and its work had stalled. Witnesses told the Commission that the state's use of public-private partnerships had been limited, and the most visible example of such a project – San Francisco's Doyle Drive Extension – was the subject of considerable controversy and, as it was not a good example of a public-private partnership, it served as a poor test case for the concept. Transportation experts told the Commission that such partnership made sense for only a small portion of the state's project portfolio. This leaves the state and its regional partners the challenge of

California Transportation Needs and Revenue

Preservation

Cost: $341,106,420
Revenue: $147,707,000
Remaining Need: $193,399,420

System Management and Expansion

Cost: $196,960,805 ($13,525,518 for management, $183,435,287 for expansion)
Revenue: $94,693,000
Remaining Need: $102,267,805

Total Cost: $538,067,225

Total Revenue: $242,400,000

Total Remaining Need: *$295,667,225*

Percent Funded: 45 percent

Source: California Transportation Commission. November 2011. "Statewide Transportation System Needs Assessment." Page 1-3.

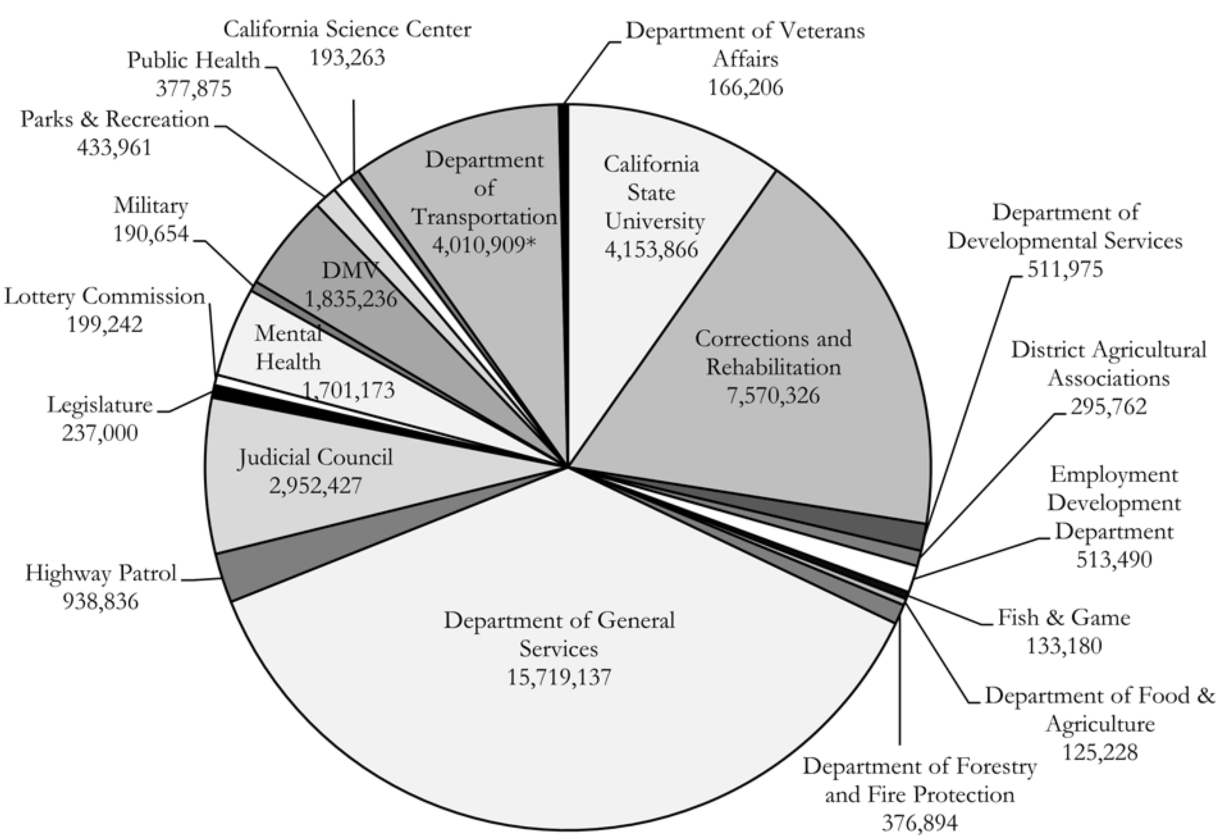
finding the money to pay for its projected infrastructure needs over the next decade, a funding gap estimated at nearly $300 million by the California Transportation Commission.

Drawing on the testimony of experts from public and private organizations that specialize in transportation and economic development, the Commission renews its call for more innovative approaches to project finance, design and delivery, and again calls for a look to demand management strategies. The Commission urges greater integration of its infrastructure planning with the work of the Strategic Growth Council, to ensure the state makes maximum progress on its greenhouse gas reduction goals and its planning and development goals in accordance with SB 375, the Sustainable Communities and Climate Protection Act of 2008. The Commission also urges reviving the Public Infrastructure Advisory Commission to assess opportunities for the use of alternate project funding models. (*Building California: Infrastructure Choices and Strategy,* January 2010).

Stronger Tools Needed for State Property Management

The state's need for more long-term strategic thinking does not end with public infrastructure. California lacks a comprehensive approach to managing its owned and leased office space, and does not have a statewide plan for managing its other property assets. During difficult budget years, leaders have regularly searched for "surplus" property that could be sold to offset revenue shortfalls. On taking office, Governor Brown shelved plans to sell a package of state office buildings that would have been leased back to the state, concluding that the deal would cost the state money in the long run. Selling assets to cover ongoing operating costs is poor

Control of Office Space Among State Agencies(in square feet)



*Does not include Highway Operating Right of Way and Airspace

Source: Department of General Services. "SPI Inventory Summary." http://www.dgs.ca.gov/resd/Home/SPIhomepage/SPISummary.aspx. Website accessed on October 7, 2011.

management. If truly surplus property is sold, the better practice is to apply one-time revenues to pay down debt, backlogged maintenance or new capital investment.

The state does not know exactly what property assets it has or how they are used, and it lacks a statewide system to align changing space needs with opportunities for innovation and greater efficiency. With state government realigning responsibilities to local governments, new technology revolutionizing the workplace, and demand for government services shifting to new population centers, an overarching property management strategy is essential.

To improve efficiency and transparency, the Commission recommends that the Governor reorganize the state's property management functions and start the process for building a modern property management policy and strategy for implementing it. The Commission recommends the creation of a Department of Asset Management within the newly formed Government Operations Agency, and equipping it with the appropriate tools for conducting productive property management.

As part of the process, the Commission recommends that the Legislature request the State Auditor to audit all state departments for their property holdings to provide a detailed picture of what assets the state owns and how they are being used. The audit also should examine departments' property management practices, including, where appropriate, their practices for leasing state property to non-government entities. The results should be used to update and enhance the Statewide Property Inventory. (*Building Value: Modernizing Property Management,* September 2012).

Successful Realignment Requires More Oversight and Funding

In its past work, the Commission has encouraged the shifting of parole responsibilities for some offenders to the local level, where they can be better supervised and have more access to programs that have the potential to reduce the likelihood that they will reoffend and return to state prison. In its recommendations to reform state parole policies, the Commission also encouraged the state to stop the revolving door that resulted in overcrowded prison reception centers, as parolees were sent back to state custody for minor violations. These offenders can and should be handled at the local level through a range of evidence-based practices that can assess risk and, by reducing the chance of a parolee reoffending, improve public safety. Parolees who commit serious offenses should be charged and prosecuted, rather than returned to the state for a parole violation.

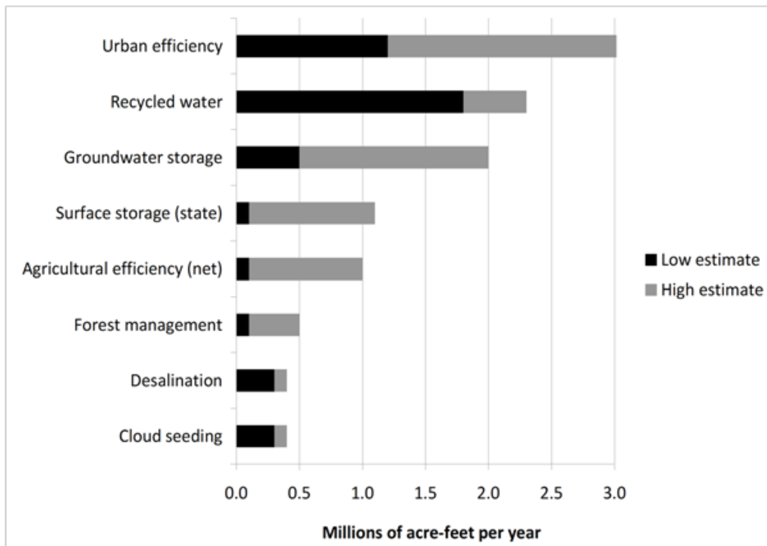
The state enacted public safety realignment in 2011 through AB 109, under pressure from federal courts to reduce prison overcrowding. At the time, the Commission expressed concern that the state had not made sufficiently stable funding provisions, planning and coordination had yet to be done, and the state did not require counties to report back on their results. The Commission urged the Governor and Legislature to dedicate a reliable, sufficient funding source to local government agencies for implementation of the realignment plans. The Commission also expressed concern that, without oversight and strategy, realignment could lead to 58 different systems of justice, as well as jail overcrowding and other problems.

To avoid the repeat of the state's failures at the local level, the Commission urges the Governor and Legislature to provide oversight and establish performance measurements based on evidence-based practices. To truly create safer communities and more effective corrections and rehabilitation programs, counties will need to be able to integrate law enforcement, public health, substance abuse and mental health treatment, education, employment and housing programs. The state should ease this integration by reducing unnecessary barriers and structuring funding to encourage the use of evidence-based practices. (*Letter to Governor Brown and the Legislature on Community Corrections,* September 2011.)

Realignment has helped the state address its prison overcrowding problem, though it may not have solved it. Realignment also has done little to fix California's tangle of sentencing laws. A rigorous appraisal of the past 30 years of sentencing laws and sentence enhancements is long overdue, and California is behind such states as Virginia, North Carolina, Minnesota, Alabama, Louisiana and Georgia in modernizing its sentencing structure to ensure the state is making efficient spending choices to protect public safety. To best accomplish this, California should establish an independent sentencing commission to develop guidelines for coherent and equitable sentences and to ensure that public resources are used wisely. (*Solving California's Corrections Crisis: Time is Running Out,* January 2007).

Water Management System Needs Modernizing

Focused Management Needed to Harness New Sources of Supply



Source: California Department of Water Resources. 2010. Bulletin 160-09.

The new Legislature will take office as discussions intensify about a new conveyance system for water through the Sacramento-San Joaquin River Delta to pumping stations near Tracy for the State Water Project and the federal Central Valley Project. Part of the discussion very likely will turn on who should build the new conveyance system, who should operate it, who should pay for it and how responsibility for environmental remediation should be allocated. The Governor and the Legislature should take the opportunity to rethink California's water governance structure, one built for a different purpose in a different time. California cannot hope to meaningfully address the supply and environmental challenges it faces unless it has a way to comprehensively manage its existing water resources and plan for a future in which the state can thrive while using less. California would benefit from a water agency with the sole mission of managing and planning for that future. At the same time, the state needs to ensure that the State Water Project, which supplies drinking water to 25 million Californians from the Bay Area to San Diego as well as farms, functions at its highest level of efficiency. These two functions often conflict within the Department of Water Resources, an entity established more than five decades ago to build the project, but not to run it.

It is time to start thinking of the project as the enterprise that it is. It needs flexibility to ensure reliability for contractors as well as the state as a whole, given the project's importance to California's economy and quality of life. The Commission recommends moving the project into a publicly-owned authority under an independent board of directors selected by the Governor, and forming a new Department of Water Management that would include the Division of Water Rights to create an integrated, comprehensive approach to water management, water planning and water rights administration. (*Managing for Change: Modernizing California's Water Governance,* August 2010).

Making it Happen

Commission recommendations lead to important changes

Commission recommendations provide a foundation of information and guidance for changes that often need legislative, administrative, or stakeholder action to implement. Commission-suggested changes are rarely easy; many involve controversial policies, complex operations that must be reorganized, or a shift in thinking that may take years to develop. But, change happens. The following are areas where Commission recommendations became reality in the last legislative session, and where California government has been changed for the better.

State Strives for More Sustainable Public Pensions

The Governor and Legislature in August 2012 reached an agreement on public pension reform. The deal enacts an array of changes designed to address sharply rising pension costs that were forcing tough budget choices, particularly for cities and counties, which responded by cutting services and programs and laying off employees. Some reform supporters argue the new Public Employees' Pension Reform Act of 2013 does not go far enough, as it does not allow governments to change future unaccrued benefits of current employees. The Commission recommended this reform in its study, *Public Pensions for Retirement Security,* and acknowledged that such a move would face steep legal hurdles, but felt it was essential to sustaining public pension plans, while meeting its obligations to provide public services.

Pension Reforms of 2012

The Public Employees' Pension Reform Act of 2013 will take effect on January 1, 2013, for all public employers and pension plans that participate in the California Public Employees' Retirement System. The reforms include, but are not limited to:

- Require contributions from employees to defined-benefit plans equal to half of the normal cost of the plan;
- Require additional contributions for various bargaining units and other employees who have not yet achieved equal sharing of normal cost;
- Require CalPERS to develop a monitoring system for certain excessive salary increases;
- Cap the amount of compensation that can be used to calculate a retirement benefit at $110,100 for employees who participate in the Social Security system and $132,120 for those who do not;
- Require retirement systems to adjust the cap based on changes in the Consumer Price Index;
- Allow employers who established alternate tiered plans or defined-contribution plans for new hires to continue offering them;
- Change retirement formulas to 2 percent at 62 for all new non-safety employees, with the options of 1 percent at 52 and 2.5 percent at 67;
- Change retirement formulas for teachers to 2 percent at 62, with the option being 2.4 percent at 65;
- Increase the retirement formula for new state miscellaneous employees who opt into the second tier program from 1.25 percent at 65 to 1.25 percent at 67;
- Require that new employees' formulas be calculated based on the highest average annual compensation over a three-year period;
- Prohibit including in the calculation: compensation paid to enhance a retirement benefit, "in-kind" compensation that is converted to cash in the final comp period, one-time or ad-hoc payments, terminal pay, pay for unused leave or time off, pay for work outside of normal hours, uniform, housing or vehicle allowances, overtime pay (with a few exceptions), employer contributions to defined-contribution plans, and bonuses;
- Prohibit retroactive enhancement due to a formula or classification change;
- Ban the purchase of "airtime";
- Prohibit the suspension of employers' or employees' contributions necessary for normal costs;
- Eliminate the Alternate Retirement Plan for new hires, putting them automatically into the reformed pension program;
- Allow more flexibility for bargaining for increased cost sharing between employers and existing employees;
- Require CalPERS contracting agencies and school employers to achieve specific cost sharing goals by January 1, 2018.

Source: Conference Committee on Public Employee Pensions. August 2012. "Summary of the Conference Committee Report on Public Employee Pensions."

"The more bipartisan institutions that come forward and acknowledge how severe our pension crisis is, the more attention our Legislature will be forced to pay to the issue. We desperately need pension reform, and we need it now."

Then-Assemblymember Mimi Walters, R-Laguna Hills
February 25, 2011

Since then, voters in two California cities have moved to change pension plans for current employees and the cities, San Jose and San Diego, now are engaged in closely watched legal challenges. City bankruptcies in Stockton and San Bernardino also are being watched to determine how the proceedings will affect pension plans. San Bernardino in October said it would stop making payments to CalPERS, a move that the pension fund said was illegal. Firms that insured pension bonds issued by San Bernardino also have sought to establish the priority of their claims. The outcomes of these court cases and bankruptcy proceedings may well require further legislation. The Commission recognizes that the reform package signed in August 2012 was a major step. More work, however, is needed on pension reform, particularly to ensure that pension boards feature more independent voices, as the Commission recommended. (*Public Pensions for Retirement Security,* February 2011).

Coordinated Economic Development Can Boost Economy

Seeing the need for a more strategic approach to spur job growth and help businesses, the Commission in early 2010 recommended creating a new, lean economic development unit within the Governor's Office to focus economic development functions and lead the state efforts in this area. (*Making Up for Lost Ground: Creating a Governor's Office of Economic Development,* February 2010).

Governor Schwarzenegger issued an executive order in April 2010 that created a Governor's Office of Economic Development, a one-stop shop to help businesses seek guidance, information, and resources they need to invest, succeed and expand in California. The office also aimed to facilitate and stimulate economic growth through the development and implementation of strategic policies and partnerships with the private sector, as well as community, local and national organizations that enhance human and capital infrastructure and California's competitive advantage in the global marketplace. (Executive Order S-05-10).

In 2011, a bill authored by Speaker of the Assembly John Pérez codified the office and renamed it the Governor's Office of Business and Economic Development. (AB 29 [Pérez], Chapter 475, Statutes of 2011). The following spring, in a March 2012 Government Reorganization Plan, Governor Brown proposed merging the California Film Commission, Office of Tourism, Infrastructure and Economic Development Bank and the Small Business Loan Guarantee Program into the economic development office in an effort to combine and streamline the organizations' operations. The Commission endorsed the merger in its May 2012 review of the proposal, and the Legislature allowed the plan to go into effect. (*A Review of Government Reorganization Plan No. 2,* May 2012).

Voters Deserve Information on Bond Measures

California voters have shown that, when an investment matters for health, safety, better schools or better transportation, they are willing to pass a bond measure to make it happen. What many voters do not know, however, is how the state repays this debt. Further, debt service on General Obligation bonds is one of the fastest growing segments of General Fund expenditures. It is critical that bond money be effectively managed to ensure that funds are spent wisely and as voters intended.

The Commission, in its 2009 report *Bond Spending: Expanding and Enhancing Oversight,* recommended the Governor and Legislature create an oversight committee and audits for the state's bond spending, improve communication and accountability through a website created by former Governor Arnold Schwarzenegger, reconstitute the California Water Commission and charge it with overseeing some aspects of natural resources bond spending, and reform ballot measures so that voters are better educated on bond measures' financial implications. The Commission also told the Governor in a 2011 letter on ongoing policy needs that greater bond oversight could increase taxpayer confidence in the state's use of borrowed money and ensure increased value for that borrowing.

Separately, as part of the 2009 water reforms, the state's bond accountability website breaks down financial allocations by project and program, with descriptions and tables of the amounts allotted, but it needs additional monitoring and upkeep. Progress has been made on the final recommendation, which aimed at better informing voters. A bill during the 2011-12 legislative session proposed adding an explanatory table to a statewide election ballot pamphlet that includes a bond measure, and it was passed and signed by Governor Brown. (AB 732 [Buchanan], Chapter 453, Statutes of 2011). In addition, the California Water Commission resumed its meetings in 2010 and provides some oversight on bond spending.

Colleges Need Focused Mission

California lacks a clear mission for its community colleges and clear expectations for what they must achieve, a weakness that has been made more apparent in the current environment of scarce resources and competing demands. Increased competition for fewer classes and course sections has packed classrooms, forcing motivated students onto waiting lists. Some take courses they do not want in order to stay in school, in the process displacing students who want and need those courses. California needs more of its students to succeed, to persist and to complete their studies with a certificate or degree they can use to take the next upward step in their lives.

Open access combined with current enrollment priorities at many community colleges give long-term students first choice of classes ahead of new students such as recent high school graduates trying to begin their educational careers or returning workers seeking to enhance their skills. Further, many students who enroll do not complete their programs. Research by the California State University, Sacramento's Institute for Higher Education Leadership and Policy shows that approximately 65 percent of the students who enroll seek a skill-related certificate, an associate-level degree or to transfer to a four-year college or university. A 2009 study found, however, that only 3.3 percent of students earned a certificate and only 7.9 percent earned an associate's degree while enrolled at a community college.

Access must be preserved for all who are pursuing higher education goals, or who are

Top Recommendation: Focus Priorities

California's community colleges face many demands and many opportunities. The state's 112 community college campuses are centers for continuing education and skills development for members of California's workforce. They are a gateway to higher education for many high school graduates. They are a transitional opportunity for those looking for a few additional classes. Finally, they are an opportunity for those looking to develop a hobby or interest area or broaden their knowledge base.

All of these objectives are worthwhile, the Commission argued in a 2012 report on the community college system, but because of funding shortages, limitations and the state's needs, the schools must channel their efforts and spending so that they target the greatest educational success. Currently, many high-schoolers enter college ill-prepared for the work. Simultaneously, the workforce lacks certain skills – and the future workforce likely will as well.

The Commission's first recommendation in its 2012 report on community colleges outlined a message about priorities that it argued should apply across California community college campuses.

Recommendation 1: To meet the needs of students and the state, and make the best use of finite educational resources, California must make explicit that the primary goal of the California Community Colleges is to foster measurable student progress in three core areas of study: preparation for transfer to four-year institutions, career technical education and adult basic education. Other missions, while valuable, are secondary to these three.

Source: Little Hoover Commission. February 2012. *Serving Students, Serving California: Updating the California Community Colleges to Meet Evolving Demands.*

building the skills to enable them to pursue those goals, and are willing to prepare themselves to meet those goals. The focus of community colleges should shift from one of increasing enrollment numbers and, instead, leading students to educational and career successes. The Commission recommended in early 2012 that the schools, the students and the Board of Governors demonstrate a commitment to success. (*Serving Students, Serving California: Updating the California Community Colleges to Meet Evolving Demands,* February 2012). The recommendations included restructuring enrollment in community colleges to give priority to: current and new students who demonstrate preparedness by participating in orientation, taking a standardized statewide diagnostic assessment and participating in counseling to develop educational plans; returning students who demonstrate progress toward achieving their goals; and students, including workers, who are returning to upgrade their career skills and who had developed an educational plan.

The Commission's recommendations also emphasized encouraging students to demonstrate commitment to their educational goals through study plans, capping the number of class credits allowed at the standard tuition level, restructuring tuition for those who exceed the cap or who take a course solely for enrichment. The Commission also recommended restructuring the governance of the community college system, channeling funding so that it promotes students' success, and moving the state's Adult Education programs and funding from K-12 schools to community colleges.

Legislation passed and signed into law during the 2011-12 legislative session requires a community college student who is interested in receiving a Board of Governors fee waiver to meet academic and progress standards, as well as demonstrating need. It also called upon the Legislature to recognize that student success is the responsibility of the institution and student, supported by well-coordinated and evidence-based student and instructional services designed to foster academic success. Among other programs, it called for student counseling and education planning services, to assist students with developing education plans, assessment of aptitude and interests, and referrals to needed services. (SB 1456 [Lowenthal], Chapter 624, Statutes of 2012).

Stronger Career Technical Education Leads to Success

During its study on career technical education, the Commission found that California high schools were seeing high dropout rates, and that CTE programs helped keep students engaged. Some students who otherwise would leave high school before graduation were opting instead for these career-oriented classes and finding success. The programs themselves, however, were not designed to promote as much success as they could. Some were not meeting the state's highly acclaimed CTE standards, many did not have enough qualified teachers or counselors, and many were not aligned in a way that led students into higher education institutions or job opportunities.

Prior to the Commission's 2007 report, the state had an opportunity to spend nearly $1 billion in one-time funding and bond money on CTE programs and infrastructure. The Commission urged the Governor and the Legislature to ensure the money would be spent in ways that promoted success for these students. The Commission recommended the state use grant money to create, expand and reward successful CTE programs, and use funding to develop and expand partnerships designed to transition students into the workforce upon completion of the programs. The Commission also recommended CTE programs that did not fit California's CTE standards be upgraded so that students who completed them were eligible for admission to community colleges and universities, and that the state ensure enough qualified teachers and counselors worked in the programs. (*Career Technical Education: Creating Options for High School Success,* November 2007).

During the 2011-12 legislative session, Governor Brown signed a bill that asked the regents of the University of California, subject to funding availability, to establish and maintain the

University of California Curriculum Integration Institute. The institute would collaboratively develop and promote career-oriented integrated academic and technical education courses that meet course requirements for admission to the University of California and California State University, according to the bill. (SB 611 [Steinberg], Chapter 631, Statutes of 2011).

Reformed Juvenile Justice

The Commission found in 2008 that the state was spending nearly $1 billion on its juvenile justice system. That worked out to $250,000 for each of the 2,000 youth offenders in state facilities, and the remaining half-billion for the nearly 100,000 youth supervised by counties. Under SB 81 (2007), the state had undergone realignment of some youth correctional programs to the county level, but the Commission learned during its study on juvenile justice that the shift lacked oversight, coordination, transparency and accountability. "As Californians see policy-makers choose to cut budgets for higher education, health care and services for the rest of the population, they deserve an accounting for their return on this investment," the Commission wrote. In fact, citizens were not getting a return on their investment, the report continued, citing that three out of four youth who left state facilities committed new crimes within three years. (*Juvenile Justice Reform: Realigning Responsibilities,* July 2008.)

The Commission recommended several avenues for the state to play a stronger role in oversight, accountability and organization of California's newly realigned juvenile justice system. The reforms covered guidance, management and oversight; the creation of a Governor's Office of Juvenile Justice; a more consistent and comprehensive strategy statewide; use of evidence-based services; adherence to policies regarding block grant funding; extending the existence of a state-level oversight and policy organization; and discontinuing the current state-level juvenile justice system.

Many of the Commission's recommendations on juvenile justice reform have not been implemented, but during the 2011-12 legislative session, the Legislature and Governor enacted two bills that gave counties additional tools for improving their programs and adopted two aspects of the state budget that aimed at shrinking the state juvenile prison population. One piece of legislation provided, subject to federal financial assistance, that Medi-Cal benefits may be offered to individuals awaiting adjudication in county juvenile detention facilities if they are eligible to receive Medi-Cal benefits at the time they are admitted to detention facilities. It also called for the continuation of Medi-Cal benefits until the date of adjudication. (SB 695 [Hancock], Chapter 356, Statutes of 2011). The other bill required the Board of State and Community Corrections to move toward consolidating youth delinquency and prevention grants and to develop incentives for local governments to establish regional partnerships for youth crime and violence prevention and intervention programs. (AB 526 [Dickinson], Chapter 850, Statutes of 2012).

Other progress in implementing the Commission's recommendation to reduce the state's role in housing and supervising youth offenders has been achieved through the budget process, through enacted budget trailer bills. The enacted 2012-13 budget package eliminated the state's ability to add time to parole consideration dates for youth offenders, reduced the maximum age of state jurisdiction for youth offenders from 25 to 23 and, going forward, charges counties $24,000 per year, per offender committed to the state. Additionally, the budget language accelerated the date to eliminate state parole supervision of youth offenders from July 2014 to January 2013.

Commission Charge

What We Do

The Little Hoover Commission is tasked to examine state government operations and policy and make recommendations to the Governor and the Legislature to promote efficiency, economy and improved service in the way the state operates.

Commission Role

The Commission has broad and independent authority to evaluate the structure, organization, operation and functions of every department, agency and instrumentality in the executive branch of state government along with the policies and methods for appropriating or administering public funds. Unlike fiscal or performance audits, Commission studies look beyond whether programs and activities comply with existing requirements, and instead explore how programs and activities could and should function in today's world. The Commission selects its own studies but may consider requests from the Governor, members of the Legislature and the general public.

Governor's Reorganization Process

The Commission is a key player in any Governor's reorganization plan submitted to the Legislature and is statutorily required to review the reorganization plan within 30 days of submission. The Commission gathers information, solicits input from experts and assesses the plan in terms of whether it promotes economy, efficiency and improved public service. The Commission then issues a recommendation to the Legislature as to whether the reorganization should go into effect and what additional actions might strengthen implementation. Since 1968, every Governor has submitted at least one reorganization plan, for a total of 36 submissions; 23 plans have taken effect.

Open Study Process

Once the Commission selects a project, staff conducts in-depth research and consults top experts, academic and research organizations, and current and former state and federal officials. Many dozens of experts donate hundreds of hours of time to assist with our research efforts. The Commission leverages the expertise of Commission members, who are business, management and policy experts themselves, and engages outside experts in interviews, meetings and site visits, and public hearings to gather information and create a forum for dialogue, collaboration and the exploration of ideas. The Commission seeks out successful leaders and model programs within California, across the country, and around the world for ideas and best practices. A list of the experts who participated in a particular study can be found on our website as well as in an appendix of each report, and witnesses' written testimony to the Commission can be found on our website.

Recommendations for Improvement

In conducting its work, the Commission focuses on how the state may improve program outcomes, reduce expenditures without sacrificing services, eliminate duplication or wasteful practices, consolidate services, or abolish, create, or reorganize organizations to better meet the needs of the state and its citizens. Once the Commission has fully explored the study field and engaged in a public process to receive input from stakeholders and the public, the Commission releases a final report with recommendations for the Governor and Legislature. The Commission has issued hundreds of recommendations on such topics as education; energy and environment; health and human services; infrastructure; public safety; and general government areas such as bond oversight, economic development and information technology.

The Commission welcomes the opportunity to work with the Governor, legislators and staff to discuss policy or organizational options, past or potential reforms, and legislation. We can offer official support for legislation that implements our recommendations. All of the Commission's reports can be downloaded from our website, www.lhc.ca.gov, or picked up at our office across from the State Capitol.

Commission Reports

A recap of our work in 2011 - 2012

Public Pensions for Retirement Security. Growing pension obligations are threatening financial security for the state and for California cities and counties. The Commission urged the adoption of several measures designed to curb pension costs generated by existing and future public employees, including altering future unaccrued benefits for current workers, considering a "hybrid" retirement plan, a cap on salaries used to calculate pensions and other reforms. *February 2011.*

A Long-Term Strategy for Long-Term Care. Noting the rising number of Baby Boomers reaching retirement age, the Commission called for better preparation and a more comprehensive strategy for meeting seniors' needs while maintaining their independence. The Commission recommended the state create a single point of contact, name a leader for long-term care, and develop a strategy for a seamless continuum of care. *April 2011.*

Letter to Governor Brown and the Legislature on Community Corrections. Facing budget constraints and pressure from federal courts, California's leaders embarked on a broad realignment of responsibilities for low-level offenders to the county level to reduce the number of offenders sent to state prison. The Commission supported the realignment, but expressed concerns that the state's plan lacked sufficient funding, planning and oversight to ensure a safe and successful transition. *September 2011.*

Letter to Governor Brown and the Legislature on Information Technology Governance. The Commission urged the state continue its commitments to information technology investments. The Commission recommended continuing the momentum gained through the creation of the California Technology Agency, and urged the Legislature to monitor five areas: communication, oversight, systems integration, procurement and performance management. *September 2011.*

Better Regulation: Improving California's Rulemaking Process. The Commission urged the Governor and Legislature to update the state's process for developing regulations, to ensure more rigorous and consistent assessments of the economic impact of potential rules and more discussion with stakeholders to develop the most cost-effective approach to meeting statutory goals that new regulations seek to achieve. *October 2011.*

Serving Students, Serving California: Updating the California Community Colleges to Meet Evolving Demands. The Commission found that the state's policies ration access because of an outdated funding mechanism that emphasizes enrollment and does not consider completion. The Commission urged the state to give the Board of Governors and Chancellor more authority to set goals and to create incentives to drive student success in developing basic skills, career technical education, and transferring to four-year institutions. *February 2012.*

Building Value: Modernizing Property Management. The Commission in this report reiterated a message it has urged for three decades: The state must do a better job of managing its property assets. The state has much to gain from more proactive, more comprehensive management of its lands, buildings and leases. The Commission recommended moving real estate management operations into a new, stronger agency. *September 2012.*

Rewiring California: Integrating Agendas for Energy Reform. The Commission urged the Governor to direct the state's energy organizations to assess how much, in the aggregate, recent major policies related to energy will affect electricity rates and reliability and whether these policies are achieving California's goals. It also urged the state develop an overarching cohesive strategy for energy and a plan to modernize energy governance. *December 2012.*

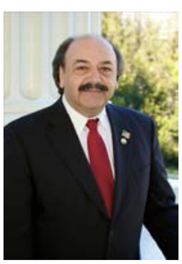
Little Hoover Commission

Who We Are

The Little Hoover Commission is an independent panel of professionals from a variety of public and private sector settings, including business, law, policy, management, government and nonprofit organizations. The Commission is composed of 13 members: five are appointed by the Governor, two by the Senate Committee on Rules and two by the Speaker of the Assembly. The remaining four members are State Legislators, two from each party and from each house.

Daniel W. Hancock (D) was originally appointed by Assembly Speaker Cruz Bustamante in 1997. He was elected chair in 2007. He is the Commission's longest serving member. He is a retired president of Shapell Industries of Northern California and is former director and past president of the Southern Division Building Industry Association.

David Schwarz (R) was appointed by Governor Schwarzennegger in 2007. He was elected vice chair in 2012. He is a partner in the Los Angeles office of Irell & Manella. He served as a U.S. delegate to the United Nations Human Rights Commission.



Assemblymember Katcho Achadjian (R-San Luis Obispo) was appointed by Assembly Speaker John Pérez in 2011 and elected to the 33rd Assembly District in 2010. Previously, he was a San Luis Obispo county supervisor. His legislative priorities include banking, the economy and transportation.

Former Commissioners Who Served in 2011-12

Victoria Bradshaw (R) Served from 2010-2012	**Martin Helmke** (D) Served from 2007-2011
Marilyn Brewer (R) Served from 2006-2012	**Eugene "Mitch" Mitchell** (R) Served from 2004-2012
Marshall Geller (DTS) Served from 2008-2012	

Virginia Ellis (D) was appointed by the Senate Rules Committee in 2011. She is a retired Sacramento bureau chief of the Los Angeles Times. Previously, she was a long-time reporter in the bureau and her investigative work included a series of award-winning stories on the activities of Insurance Commissioner Chuck Quackenbush. She also worked as a journalist in for the St. Petersburg Times and for the Dallas Times-Herald.

Jack Flanigan (R) was appointed in 2012 by Governor Edmund G. Brown Jr. Commissioner Flanigan is a member of the Flanigan Law Firm and founded California Strategies, a public affairs consulting firm. Previously, he was vice president of public affairs for the Irvine Company, served as development director for R&B Development and executive director of the California Housing Council and executive director of the Coro Foundation in Los Angeles.

Assemblymember Alyson Huber (D-El Dorado Hills) was appointed in 2010 by Assembly Speaker John Pérez. She was elected to represent the 10th Assembly District in 2008. Previously, she was a business litigator. Government reform and accountability, public safety, education and protecting the Sacramento-San Joaquin River Delta are among her legislative priorities.

Loren Kaye (R), appointed by Governor Schwarzenegger in 2006, is president of the California Foundation for Commerce and Education. He previously served in senior policy positions for Governors Pete Wilson and George Deukmejian. Prior positions include cabinet secretary to the Governor and undersecretary of the California Trade and Commerce Agency. He also has represented numerous private sector interests.

Tom Quinn (D), appointed by Governor Edmund G. Brown Jr. in 2012, is president of Americom Broadcasting Corp., chairman of Reno Media Group and chairman of City News Service Inc. He was Governor Brown's campaign manager during his 1974 run for Governor and advised him in his 2010 campaign. He also has served as chairman of the California Air Resources Board and served on the Tahoe Regional Planning Agency.

Senator Michael Rubio (D-Bakersfield) was appointed by the Senate Rules Committee in 2011. He was elected to the 16th Senate District in November 2010. Previously, he was a Kern County supervisor. Included in his legislative priorities are economic development, job creation, education and renewable energy.

Commission Staff

Stuart Drown Executive Director	**Carole D'Elia** Deputy Exec. Director
Wayne Davis Project Manager	**Beth Miller** Project Manager
Jim Wasserman Project Manager	**David Brandt** Research Analyst
Sherry McAlister Staff Services Analyst	

Origin of the Little Hoover Commission

The Little Hoover Commission, formally known as the Milton Marks "Little Hoover" Commission on California State Government Organization and Economy, is an independent state oversight agency created in 1962. The Commission's mission is to examine state government operations and promote efficiency, economy and improved service. The Little Hoover Commission was modeled after the federal Commission on Organization of the Executive Branch of the Government, nicknamed the Hoover Commission after its first chairman, former president Herbert Hoover.

Jonathan Shapiro (D), appointed by the Senate Rules Committee in 2010, is a writer and producer for NBC, HBO and Warner Brothers. He previously was chief of staff to Lt. Governor Cruz Bustamante and was a federal prosecutor for the U.S. Department of Justice Criminal Division. He served on the Commission for Impartial Courts, Task Force on Public Information and Education.

Mark Vargas (D), appointed by Assembly Speaker John Pérez in 2012, is president of Mission Infrastructure, a project management and construction services firm. He is a member of the Board of Governors of the California YMCA Youth & Government Model Legislature and Court. Previously, he served as special assistant to Governor Gray Davis and as an appointee of Mayor Antonio Villaraigosa.

Senator Mark Wyland (R-Escondido) was appointed by the Senate Rules Committee in 2011. He was elected in 2006 to the 38th Senate District. Previously, he was a state Assemblymember and local school board member. Included in his legislative priorities are education, job creation and state auditing.

The Little Hoover Commission

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For more information on the Commission or to obtain copies of Commission reports, email littlehoover@lhc.ca.gov or visit us online at www.lhc.ca.gov.

“Democracy itself is a process of change, and satisfaction and complacency are enemies of good government.”

Governor Edmund G. “Pat” Brown,
addressing the inaugural meeting of the Little Hoover Commission,
April 24, 1962, Sacramento, California