

Governing the Golden State

***A Critical Path to Improve Performance
and Restore Trust***

Executive Summary

Little Hoover Commission

July 2004

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For more than a decade, there has been growing concern that California is “ungovernable.” Academics, pundits, and increasingly, elected leaders have voiced concern that the state is so large and diverse, that the political landscape is so treacherous, that meaningful solutions to fundamental problems are beyond reach.

The conclusion infers that California is on a steady, unstoppable slide toward economic, social and civic decline, and that individual Californians will survive or prosper despite the efforts of government, not with the assistance of government.

That assertion is untenable.

The public and opinion makers have acknowledged that individual leadership is essential to resolving public problems, while at the same time recognizing that the challenges are so momentous that California’s leaders must match its mountains.

The fiscal crisis, now in its fourth year, has elevated both concerns – intransigent problems and the leadership imperative – to a fateful point in time. And while a recovering economy will in part ease the budget woes, it will not by itself improve the performance of public policies and programs that are essential to the quality of life or the ability to economically compete and prosper.

California’s traffic congestion and air quality are among the worst in the nation – which is not news, but must be resolved.

California fourth-graders are ranked 46th in the percentage of students with basic math and 47th in basic reading skills. Eighth-graders rank 46th in basic math and 49th in basic reading skill levels. California ranks 42nd in its high school completion rate. Clearly, large numbers of immigrants increase the challenge for educators, but California simply cannot thrive in a global economy with bad educational outcomes.

While crime has declined across the nation, California still has more than its share of violence. The State ranks 24th in the nation for overall crime and 41st for violent crime.¹ California has among the highest rates of illegal drug use in the nation. And the State’s parole system has one of the lowest success rates in the nation, with two out of three parolees returning to prison. In 1980, it was only one out of four.²

These problems can and should be solved, and to do so will require examining how public policies are designed, how resources are allocated and how programs are administered. Some veterans of the policy-making and budget process blame system failures, the consequence of term limits, redistricting, campaign finance rules and other factors that influence how the Legislature functions. Other veterans blame structural defects, such as the dysfunctional state-local relationship, for breeding distrust and undermining the performance of programs that directly affect the lives of Californians.

Over the years there have been multiple efforts to address the structural issues, often with blue-ribbon commissions. But for discernable reasons – if not frustrating ones – those recommendations have largely not been implemented.

In this project, the Commission examined those efforts to assess how California leaders could more successfully resolve these issues. With the benefit of hindsight, much of it offered by those who were involved in these efforts, one can discern how to approach complex and contentious issues that should be solved through public and democratic means. In this report, the Commission uses those hard-learned lessons to define a critical path, a process that if followed would enable the leadership of California government to achieve a permanently balanced budget while delivering the highest quality public services at an affordable cost.

Why Previous Efforts Fell Short

The challenges of the legislative process and the apparent futility of blue ribbon task forces are a frequent topic in and around the Capitol. A close look at how reform efforts have been approached reveals some fairly obvious weaknesses. Among them:

- ❑ A lack of state-level leadership to drive reform efforts.
- ❑ A lack of meaningful public involvement that informs residents about public problems and consults with them about the universe of acceptable solutions.
- ❑ Inadequate agreement on the problem to be solved and the range of acceptable solutions.
- ❑ A lack of analytical resources to define the problem in detail, to assess alternatives and to support detailed negotiations.
- ❑ An unwillingness on the part of stakeholders and other participants to engage in a public process that vets alternatives, forges compromises, and holds people accountable to support those compromises as they solidify into policy.

For a reform effort to succeed, specific solutions must be fashioned that are technically sound and have broad public support. It is not a failure of the legislative process if lawmakers do not embrace conceptual and controversial solutions. At the same time, if policy-makers want to receive a fully mature solution, they must ensure that the necessary elements are in place when they initiate reform efforts.

The Necessary Elements

Developing sound solutions that can be widely supported requires a combination of analytical capacity and political skill. Reformers must have the political sponsorship to get the right stakeholders to the table and clear direction to solve specific problems. The process itself must be framed with integrity – via meaningful involvement of the public and civic leaders, good faith negotiation to resolve differences, and the courage to stand by agreements.

The Commission identified eight essential steps that a reform process should follow to do this:

1. ***Recognize and define the problem and set the reform goal.*** The Governor, Legislature and other elected leaders must formally agree on the problem that needs to be solved and the goals for reform.
2. ***Create a structure for success.*** The reform process could be managed by the executive branch, or a collaboration of executive and legislative resources or regional and local leaders. A State Executive Council could be established to define statewide issues, help to define specific goals for reform and acceptable solutions, and facilitate agreements at the local and regional level.
3. ***Establish the parameters of an acceptable solution.*** The Governor and the Legislative leaders should validate or amend the problem and validate the scope and schedule for work by formally establishing the parameters of an acceptable solution.

Essential Values

At every step of the critical path, everyone involved in the reform process must be guided by essential values.

Leadership. Commit to a reform, prioritize the goal with the public and enact the reform.

Trust. Build trust among participants and the public by honestly working toward common goals and keeping promises.

Transparency. Clearly and openly evaluate all issues, identify goals, acknowledge agreements and establish ground rules.

Public Involvement. Educate and engage the public in identifying problems and solutions.

Inclusiveness. Identify and include all stakeholders throughout the process.

Commitment. Commit to reform and prioritize the goal. Participants in the process must obtain agreement and a commitment from constituents.

Timeliness. Accomplish reforms while there is consensus on the need for reform. Establish a timeline for the reform process and the implementation.

4. **Identify and agree on solutions.** Through a series of public meetings, informed by the best available analysis, key stakeholders should explore alternatives and develop the best solutions with broad public support.
5. **Validate and vet solutions.** The Executive Council needs to make sure that the proposed solutions are technically sound and politically viable. The product at the end of this stage should be a technically sound solution that has a critical mass of solid support.
6. **Enact the proposal.** The Legislature needs to assess the proposal based on the established parameters and the support stated by interest groups throughout the process, and, if consistent with the parameters, enact it.
7. **Implement and monitor reform.** The Governor and the Legislature should support the implementing agencies by providing clear direction, adequate resources, and an effective means for communicating progress and making refinements to the plan.
8. **Refine the reform as necessary.** The Governor and the Legislature should periodically assess the need for refinements or the next generation of large-scale reform, and be willing to repeat all or part of the critical path to ensure progress toward desired goals.

This critical path is detailed on pages 27 to 29, and is graphically presented on pages 30 and 31.

Applying the Critical Path

The principles embedded in these steps can be applied to resolve many of the problems plaguing state government. Each problem presents unique factors, and the process needs to be tailored to account for them. The Commission explored two of those problems: the State's revenue system, and the allocation of those resources among state and local agencies. A well-performing revenue system is essential to fairly and efficiently taxing Californians and reliably providing state and local government with the resources to fund essential services. Those resources also must be distributed in a fair and efficient manner among the levels of governments responsible for providing those services. The level of taxation – whether taxes should be increased or lowered – is a distinct issue for policy-makers to consider, separate from the structure of the tax system and was not considered by the Commission. In this report, the Commission describes how the critical path could be adapted to take on those two problems, which have been the subjects of so many previous reform efforts.

Particularly when it comes to the state-local relationship, one reform effort will not be enough. Beyond the basic allocation of revenues, the State has many different program relationships with many different local agencies; health and human service programs, education, and public safety programs are three large examples. Each of these relationships is unique, each is defined by complex legal and other issues, and each needs to be improved if California government is to keep pace with the economic and technical changes that are redefining markets, communities and lifestyles.

The ultimate lesson embedded in this critical path is that fundamental reform is possible, provided that we commit ourselves and our resources to a process that values trust and transparency. The critical path could demonstrate that California is governable, as well as restore the faith and confidence of Californians in their government.