

Senator Jack Scott
Testimony to the Little Hoover Commission
May 24, 2007

Good morning,

Thank you for inviting me to testify before the Commission as it examines the governance structure of the State Allocation Board. I have represented the 21st Senate District since my election in 2000, and I currently serve as the Chair of the Senate Education Committee and the Chair of the Senate Budget Subcommittee on Education. I am also one of three Senate representatives on the State Allocation Board. I have served on the State Allocation Board for approximately three years, and was recently elected as its Vice Chairman.

As requested, I will attempt to provide some comment on my perspective regarding the State Allocation Board's governance structure, its composition, its rules of operation, and its fiscal relationship with the State.

The current governance structure of the State Allocation Board calls for the Executive Director of the Office of Public School Construction and the State Allocation Board to be appointed by the Governor. The vast majority of public boards and commissions operating within the State of California have the authority to select their own executive officers, ensuring that executive officer's actions are guided by, and reflect, the priorities of the public board being served. The State Allocation Board is one of the few public boards lacking the authority to appoint its own Executive Director. The State Allocation Board does have the statutory authority to appoint an Assistant Executive Director who reports directly to the Board, to fix the salary and compensation of this individual, and to employ staff and resources to support the Assistant Executive Officer in the performance of his/her duties.

I believe this dual reporting structure creates a challenge to the effective functioning of the board. Specifically:

- It creates a subtle pressure for the Executive Director, who serves at the pleasure of the Governor, to give an undue weight

to priorities and agendas other than those of the State Allocation Board.

- There exists the potential for tension between the Assistant Executive Director, who reports to the Board, and the Executive Director, who is responsible to and serves at the pleasure of the Governor. This potential tension can be exacerbated by the personalities of the staff involved.

The current organizational structure places the Executive Director in a difficult position. Modifying that structure so that the Executive Director reports directly to the State Allocation Board would provide for a cleaner method of organization and reporting than currently exists for the Board.

With regards to the board composition, the current make-up is statutorily prescribed and specifies that the Board shall include the Director of Finance (the traditional chair), the Director of the Department of General Services, one appointee by the Governor, the Superintendent of Public Instruction, three members of the Senate, and three members of the Assembly. This structure ensures that the Governor indirectly has three appointments on the board, as two are representatives of the administration and one is a direct gubernatorial appointee. The current composition also appropriately includes a representative of the Superintendent of Public Instruction and representatives of the majority and minority parties in both houses. While this structure appears to provide a balance of representation of the interests of the Governor and the two houses, any change in the reporting structure of the Executive Director may result in the need to change the composition of the Board in order to ensure a balance of perspectives.

It is unclear to me how the tradition of the Director of Finance assuming the role of the chairmanship of the State Allocation Board evolved. In most instances a board chooses its own chair, and establishes its own rules of operation. Deferring the chairmanship of the Board to the Director of Finance places a great deal of power in the hands of a state agency over a public board. The State Allocation Board, a public entity with fiduciary responsibility for administering

and disbursing public bond funds, should be responsible for selecting its own chairman from its members and for adopting its own rules of operation. I would only caution that the board should adopt rules of operation which maintain its flexibility to adjust to changing circumstances and membership.

As regards the state's fiscal relationship with the State Allocation Board, I am aware that a portion of the bond funds is paid to the Department of General Services for administrative and operational expenses for services provided to the Office of Public School Construction. Unfortunately, I am unable to comment on the appropriateness of such payments since it is not clear to me what administrative and operational costs are involved.

These remarks suggest why the present governance of the State Allocation Board may hinder its effective functioning. I appreciate the Hoover Commission reviewing this matter and look forward to your recommendations.