The Little Hoover Commission (LHC), more formally known as the Milton Marks Commission on California State Government Organization and Economy, was created by the legislature in 1961 and became operational in the spring of 1962 (Government Code section 8501 et seq.). In 1993, LHC was renamed in honor of former Senator Milton Marks, who authored the legislation originally creating the Commission. Although considered to be within the executive branch of state government for budgetary purposes, state law provides that the Commission “shall not be subject to the control or direction of any officer or employee of the executive branch except in connection with the appropriation of funds approved by the Legislature” (Government Code section 8502).

The Commission’s enabling act provides that no more than seven of its thirteen members may be from the same political party. The Governor appoints five citizen members, and the legislature appoints four citizen members. The balance of the membership is comprised of two Senators and two Assemblymembers. This unique formulation enables LHC to be California’s only truly independent watchdog agency. However, in spite of its statutory independence, the Commission remains a purely advisory entity only empowered to make recommendations.

The Commission’s purposes are to promote economy, efficiency, and improved service in the transaction of public business in the various departments, agencies, and instrumentalities of the executive branch of the state government; and to make the operation of state departments, agencies, and instrumentalities and all expenditures of public funds more directly responsive to the wishes of the people.

The Commission seeks to achieve these ends by conducting studies and making recommendations as to the adoption of methods and procedures to reduce government expenditures, the elimination of functional and service duplication, the abolition of unnecessary services and functions, the definition or redefinition of public officials’ duties and responsibilities, and the reorganization or restructuring of state entities and programs. The Commission holds hearings about once a month on topics that come to its attention from citizens, legislators, and other sources.

**MAJOR PROJECTS**

**Mental Health System Reforms**

In *Being There: Making a Commitment to Mental Health* (November 2000), LHC examined the mental health system in California and questioned why so many people in need of mental health services do not have access to care. A generation ago, California shifted from a policy of institutionalizing persons with mental illness to allowing them to live in their communities. According to LHC, however, “[i]t is painfully clear that we have failed to follow through with all that was required by this noble decision.” Those who suffer from mental illness represent a disproportionate number of people who are homeless, jobless, or in jail. An estimated 1.5 million Californians who are in need of mental health care are not receiving it.

LHC identified four core areas of reform needed to improve California’s response to mental illness: (1) raising public
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expectations for mental health services; (2) promoting early intervention and more comprehensive resources for the mentally ill; (3) rather than relegating the mentally ill into the criminal justice system, creating a better support system for mentally ill individuals who have been in trouble with the law; and (4) ensuring that policymakers are accountable for supporting mental health programs.

LHC made seven findings with recommendations regarding mental health reforms:

• No one who needs care should be denied access to high-quality, tailored mental health services; the public and policymakers must have a shared commitment to care for people with mental illness. To fulfill this goal, the Commission recommended that the Governor and legislature establish a California Mental Health Advocacy Commission (CMHA) to serve as a catalyst for change, set expectations, and establish responsibility for mental health services. Specifically, LHC recommended that the CMHA, the public, and policymakers develop an improved understanding of mental health and strategies to overcome the stigma surrounding the mentally ill; evaluate the adequacy of existing mental health programs and the magnitude of the additional need; assess the costs of failure to invest in adequate mental health services; and provide for ongoing mental health policy creation.

• The Department of Mental Health (DMH) is not organized or funded to ensure that all Californians have access to mental health services when they need care. To remedy this problem, the Commission recommended that DMH become the state’s “mental health champion” by advocating for a policy framework that results in continuous improvement in the availability and quality of mental health care; advocating for local mental health programs and, in particular, their provision of housing, employment, and substance abuse treatment services; identifying statewide and local barriers to improved care and promoting change; developing an adequate mental health workforce capable of providing culturally competent, professional mental health services throughout the state; and assessing options for managing the state hospital system.

• Communities must move away from “rule-bound” mental health systems, which offer fragmented and poorly coordinated care, and instead provide a comprehensive array of mental health and support services to ensure access to high-quality mental health care. To achieve this goal, LHC believes the state must assertively promote cost-effective, efficient approaches to providing care; and DMH must ensure that local mental health programs have the tools and assistance necessary to improve the cost-effectiveness of their programs. DMH should use the resources of the existing California Mental Health Planning Council to identify barriers to care, identify best practices, explore incentives for providers, evaluate innovative programs, and report progress.

• Mental health funding is inadequate to ensure that all Californians who need mental health services have access to care. Further, existing resources fail to create uniform incen-

tives for improvement and can prevent local authorities from providing cost-effective, efficient care. To address this problem, LHC stated that the first step is for the Governor and the legislature to reform the present funding streams. The state must provide stable base funding that motivates quality outcomes; provide incentive funding that encourages local agencies to adopt best practices; provide innovation funding to encourage local agencies to explore new approaches; and expand services through the private sector as well as the public sector.

• One consequence of an inadequate mental health system is the criminalization of behavior associated with mental illness. The criminal justice system is too often the only resource—the only safety net—available to mental health clients and their families in times of crisis. Jails have become treatment centers. In order to decriminalize mental illness, and to ensure that no one ends up in jail solely because of inadequate mental health care, the Governor and legislature should improve and expand mental health crisis interventions. Specifically, LHC recommended that DMH, the Attorney General, and the Board of Corrections should analyze criminal justice and mental health data to identify priorities, develop promising programs, and inform policy decisions; identify needs in each county for services; and evaluate intervention programs.

• Local and state agencies have failed to integrate and coordinate mental health and criminal justice services. As a result, people with mental health needs leaving jails and prisons without having received adequate services are often rearrested. To alleviate this problem, LHC recommended that the state establish a California Council on Offenders with Special Needs to investigate and promote cost-effective approaches to meeting the long-term needs of mentally ill offenders. The Council, comprised of state and local officials, should identify treatment strategies; promote successful community-based programs for those who were previously arrested; provide technical assistance and resource centers to document best practices; and develop incentives that will motivate government agencies to coordinate mental health and criminal justice systems.

• California cannot ensure that all Californians have access to mental health care without clear and continuous accountability for outcomes. To create accountability, an accurate assessment of California’s progress toward its goals is needed. As the state’s mental health leader, DMH must continuously inform the public, program administrators, and policymakers on the performance of the system, whether quality and access are improving, and how both could be enhanced. LHC recommended that DMH inform decisionmakers of the availability, quality, and cost-effectiveness of mental health programs; provide information that compares performance and establishes responsibility for outcomes. To create accountability, an accurate assessment of California’s progress toward its goals is needed. As the state’s mental health leader, DMH must continuously inform

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According to LHC, “California’s unique position as the birthplace of the digital revolution also provides it a unique opportunity to transform government—an opportunity that so far has been squandered. The Commission believes that its recommendations, if fully and faithfully implemented, would put the State of California on what should be our predestined path toward technology-enhanced government—improved quality services at lower costs and with greater participation by the people themselves. The times demand these changes and the people deserve these changes.”

Special Districts in California

In many communities in California, services such as water, garbage collection, fire protection, and health care are not provided by state or county governments but by special districts formed to provide specific services to a specific area. In Special Districts: Relics of the Past or Resources for the Future? (May 2000), LHC studied these special districts to assess the efficiency of how government agencies control public resources. LHC’s report focused mainly on “independent districts.” Of the 3,800 special districts in California, three-fifths (2,200) are considered “independent” because they are governed by their own elected bodies, including park districts, water districts, hospital districts, and sanitation districts. In contrast, “dependent districts” are those governed by a larger entity, such as a county board of supervisors.

LHC’s report noted that the state created “local agency formation commissions” (LAFCOs) in counties and charged them with fostering the rational and orderly evolution of location government; they are also authorized to initiate special district consolidations. LHC opined that, if strengthened, LAFCOs hold the best promise for individual communities to shape their government. LHC made five findings regarding special independent districts:

- Special districts are often invisible to the public and policymakers, compromising oversight and accountability. To remedy this problem, LHC recommended that the Governor and legislature enact legislation that would make special districts more visible and accountable. Such legislation should require special districts to actively make their activities visible to the public, require special districts to submit information to other local governments, and encourage special district elections to be held as part of even-year general elections.

- By not aggressively scrutinizing the organization of special districts, LAFCOs have failed to promote the efficient and effective evolution of independent special districts. This problem is exemplified by 24 health care districts in California that no longer operate hospitals. Despite the fact they have sold, leased, or closed their hospitals, the districts endure. Nearly half of them pay meeting stipends or benefits to elected board members. However, LAFCOs consistently fail to examine these districts to determine whether they should be eliminated. To address this problem, LHC recommended that the state provide LAFCOs with the direction and resources necessary to make them a catalyst for the effective and efficient evolution of independent special districts. Specifically, LHC recommended that the Governor and legislature require periodic and specific reviews of independent special districts; enhance the independence of LAFCOs; require shared funding of LAFCOs among cities, counties, and special districts; and require special districts that are the subject of a required LAFCO study to fund the study.

- Policymakers and community leaders lack the analytical tools necessary to assess the benefits of special district consolidation, impeding their ability to advocate effectively for change and overcome the tenacity of the status quo. To solve this problem, LHC recommended that the Governor and legislature establish a program at the California Policy Research Center, or a similar institute, to develop guideline: and protocols for special district consolidations; study the long-term outcomes of consolidations and reorganizations; establish a cadre of experts to provide training and technical assistance to LAFCOs, enabling them to perform periodic reviews and analyze and facilitate special district consolidations; and develop performance measures as a means of building public understanding and support.

- Hundreds of independent special districts have banked multimillion dollar reserves that are not well publicized and often not considered in regional or statewide infrastructure planning. In 1996–97, the most recent year for which data were available from the State Controller, independent special districts reported $19.4 billion in retained earnings and fund balances. “Enterprise districts,” which charge fees for their services, reported $18.2 billion in retained earnings. Currently, there is virtually no oversight by state or local governments of the investment policies and practices of special districts, and no standards guiding the size and use of reserve funds. To make independent districts more accountable, LHC recommended that the Governor and legislature enact policies that will ensure prudent management of special district reserve funds and incorporate these resources into regional and statewide infrastructure planning. Specifically, LHC recommended that the state require the districts to publicize their reserves; require policymakers to integrate enterprise district reserve information into infrastructure planning; and create a panel to establish guidelines for prudent reserves.

- Property tax allocations to some enterprise districts create inequities among districts and distort the true costs of services. A significant portion of the property tax allocated to all enterprise districts subsidizes districts with the highest reserves. To address this inequity, LHC recommended that policymakers consider the appropriateness of maintaining property tax allocations to enterprise districts. In this regard, LHC suggested alternatives such as requiring the State Controller to report the level of property tax support annually, appointing a task force to examine all allocations to enterprise districts, requiring a state audit of some districts, allowing counties to reclaim and reallocate property tax revenues, or providing information on special district services and funding on property tax bills to enhance public understanding of property tax allocations.
set forth measurable standards of performance that programs must meet.

According to LHC, the goal of ensuring that people who need care have access to high-quality, tailored mental health services is achievable, but will require fundamental reform of existing systems and a sustained commitment to providing care to those in need.

Technology-Enhanced Government

Over the last decade, California has sought to reform technology procurement, but is nearly last among the states in harnessing technology to better serve the public. Better Government: Engineering Technology-Enhanced Government (November 2000) focuses on the state’s use of technology to better serve the public. In its report, LHC noted that the revolution of powerful and affordable technologies has delivered fundamental economic and social changes. Some states are reinventing themselves to use digital technology to serve constituents better, faster, and cheaper by using “e-government.” Those states are using the Internet to offer government services to businesses and individuals seven days a week, 24 hours a day. According to LHC, California—the birthplace of the technological revolution—should go beyond what other states have accomplished and be a “showcase of e-government.”

The report noted that Governor Davis has initiated important first steps to develop a system of e-governance in California. Through Executive Order D-17-00, the Governor appointed a director of e-government, set some goals for putting state services online, and sent the message to personnel and procurement agencies to renew efforts to streamline procedures and improve performance. LHC believes its findings and recommendations in four areas could help the Governor and the legislature fully develop the administration’s initiative:

- According to LHC, creating e-government—using technology to improve the quality of services to the public—will require a new vision, committed leadership, and dedicated talent. To fulfill this goal, LHC recommended that the Governor and legislature establish a vision for the state to be a leader in technology-enhanced government that reduces costs, improves public service, and supports California’s success in the new economy. To implement technology-enhanced government, the Governor should provide executive leadership to bring together and develop e-government, process reengineering, and technology management. LHC suggested that a commission composed of private and public leaders oversee initiatives to use technology to improve operations.
- The state needs an enterprise-wide infrastructure to deliver technology-enhanced government services to the public. To create such an infrastructure, LHC recommended that the legislature enact legislation incorporating the following elements: an e-government director, an executive steering committee composed of key agency heads, a variety of public-private partnerships, comprehensive training for state managers and employees, advisory bodies of technology users and consumers to identify measures of success and evaluate major e-government initiatives, attention to the so-called “digital divide” (recognition of the differing levels of access that consumers have to technology), and service delivery across programs.
- To capture the benefits of technology, state departments need to reengineer how they deliver services to the public, with a focus on improving public services. LHC recommended that the Governor and the legislature consider legislation to require business process reengineering as a precursor to initiating major technology projects, and provide departments with appropriate resources to accomplish this task. Specifically, LHC believes the following elements should be incorporated: the creation of an Office of Reengineering; the establishment of reengineering standards; systematic collaboration between labor and management; consumer input; and a system of accountable implementation.
- Finally, LHC found that California has failed to create strong statewide leadership and has not made the systematic reforms needed to effectively develop technology projects and make the state a leader in using advanced technologies. Study after study has identified significant problems in the State’s procedures for personnel, project approval and development, procurement, and delivery of information systems. Major reforms have been enacted, including SB 1 in 1995, which created the Department of Information Technology (DOIT) and a state Chief Information Officer (CIO). However, the CIO has not been given direct authority over the managers within the departments that are developing technology projects, and does not have authority over the departments responsible for personnel and procurement. As a result, DOIT and the CIO have not been able to effectively lead state agencies through the fundamental reforms demanded by the digital economy and necessary to develop e-government.

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