Little Hoover Commission

Executive Director: James P. Mayer ♦ (916) 445-2125 ♦ Internet: www.lhc.ca.gov/lhc.html

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.). 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 Assembly members. 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.

In 1993, LHC was renamed in honor of former Senator Milton Marks, who authored the legislation originally creating the Commission.

In January, the Commission appointed James P. Mayer to serve as its Executive Director. Mayer joined the Commission's staff in 1994 as Project Manager II, and served as Deputy Executive Director since 1997.

Also in January, the Commission welcomed two new members: Assemblymember Bill Campbell, who was appointed by Assembly Speaker Antonio Villaraigosa; and Sean Walsh, former Deputy Chief of Staff and Press Secretary to Governor Pete Wilson, who was appointed to the Commission by then-Governor Wilson. In February, the Senate Rules Committee reappointed Senator Charles Poochigian to the Commission.

MAJOR PROJECTS

Of the People, By the People: Principles for Cooperative Civil Service Reform

In this report released in January 1999, LHC examined civil service reform in California, a state which employs 276,000 people. Despite the overwhelming importance of the state's human resources, LHC noted some of the results of that failure: Lawmakers and appointed officials are frustrated that innovative new policies are not implemented with the ambition with which they were conceived; public managers are frustrated by an organizational sclerosis that thwarts the potential of their programs; rank-and-file workers are frustrated that anachronistic procedures diminish their ability to serve the public as they have dedicated their careers to doing; and the public's confidence in government is eroding away.

LHC noted that "California's executive branch departments are laboring under a personnel system that is increasingly complex and dysfunctional." According to LHC, the state has struggled and failed to modernize its procedures and practices for recruiting, selecting, training, and managing the people who are the collective face of California government. LHC noted some of the results of that failure: Lawmakers and appointed officials are frustrated that innovative new policies are not implemented with the ambition with which they were conceived; public managers are frustrated by an organizational sclerosis that thwarts the potential of their programs; rank-and-file workers are frustrated that anachronistic procedures diminish their ability to serve the public as they have dedicated their careers to doing; and the public's confidence in government is eroding away.

LHC previously commented on the state's civil service system in reports released in 1979 and 1995 [15:2&3 CRLR 16]; among other things, both of those reports called for elimination of the State Personnel Board, the agency constitutionally established in 1934 to oversee the state's civil service system. Those recommendations were strenuously opposed by state employee unions and, as a result, were not implemented; the 1999 report makes no such recommendation. Instead of enumerating specific and detailed reforms, LHC's 1999 report presents "Principles for Reform," a recommended process through which California's leaders and state employees can cooperatively determine the precise changes that are needed to the current civil service system, and how those changes will be made.

LHC's Principle for Reform 1, Executive Vision, states that before specific reforms can be crafted, and for those...
reforms to be effective, the state’s top leaders need a shared understanding of how the overall personnel system should help individual departments fulfill their particular missions. This executive vision should clarify commonly held values and define desired outcomes, which should guide the reform process. The initial vision, by necessity, may have to be vague—allowing the specifics to be added as trust is developed, a mutually acceptable understanding of the problems is defined, and detailed reforms can be derived. The vision must address the tension that exists between the rule-based protections that are intended to guard against patronage and fiscal abuse, and the flexibility required for performance by private and public organizations. Because the vision will evolve, it should be crafted, promoted, guarded, and amended by a consensus-based council of executive-level leaders and union officials convened by the Governor. Finally, LHC recommended that all parties recognize that the sole purpose of reforming the civil service system is to improve services to the public. That purpose should be the lens through which all reforms are viewed, and only those reforms that will advance the public interest should be pursued.

LHC’s Principle for Reform 2, Cooperative Problem-solving, recommends that the state establish and nurture a process for managers and workers to cooperatively identify and implement improvements to productivity, customer service, and job performance. These efforts cannot succeed unless they are sponsored and supported by top leaders within the executive and legislative branches and within labor. They also require technical assistance, clear guidance, and financial resources so that they can develop the capacity and sustain efforts to make productive change. LHC also suggested that labor-management committees be established at the workplace level within departments to identify obstacles to performance and to craft solutions that are aligned with the principles articulated in the executive vision. Also, an all-party steering committee should be established to address system-wide and other cross-cutting issues.

Principle for Reform 3 states that California needs a coordinated personnel infrastructure. According to LHC, the “evolution of government has provided the state with a confusing, inefficient, and ineffective personnel infrastructure. The state needs to redefine what functions it needs from centralized personnel agencies and thoughtfully analyze the options for providing those functions. Through deliberations, it can then craft a structure that is both technically sound and acceptable to all of the parties.” The infrastructure should enforce the merit principles and civil service laws, help managers and workers cooperate to improve outcomes, and coordinate recruitment, examination, selection, and training. The state needs to evaluate the functions that are now performed by oversight agencies, and through a consensus-based process determine which of those need to continue at a system-wide level. The state should determine which additional functions should be performed at a system-wide level—either because departments cannot adequately perform those activities or because coordination can yield synergies. The process should determine which centralized functions can be grouped and which, if any, must be performed by different agencies; determine the appropriate management structure for these agencies; consider ways to adapt California’s existing oversight infrastructure, ways to adapt a structure used in another state or by the federal government, or a new system based on these collective experiences; and be conducted through all-party deliberations informed by independently conducted analysis.

LHC’s Principle for Reform 4, Unified Management, states that California needs a management corps comprised of the best available talent, trained to achieve goals, compensated to reward performance, and protected by a system of graduated tenure. The parameters of the new corps must balance the tension between the desire to develop a unified, responsive, and well-trained management corps with the need to protect the public from incompetent patronage hiring. The state needs to recruit the best person for the job. Although—as with many organizations—the best candidate may already be employed by the organization, the selection process should not ordinarily limit the pool of potential talent to the state workforce. Currently, there are artificial distinctions between supervisors, managers, career executive assignment, and exempt employees that are the product of political compromises rather than an appropriate balancing of public protections and good management practices. Finally, while effective organizations need well-trained employees in all positions, it is particularly important to train managers to effectively bring change, deal with people, and improve services to the public.

LHC’s Principle for Reform 5, Productive Bargaining, declares that the state should explore interest-based negotiations and other modifications to the collective bargaining process to increase the opportunities to timely reach mutually beneficial agreements. The stalemate in recent years has prompted many personnel officials, managers, and labor representatives to believe that changes to the structure of the bargaining process or in negotiating methods could increase the chances that acceptable agreements could be reached. A growing concern is the type of issues that are brought to the table. Disputes have arisen between control agencies over the jurisdiction of issues such as discipline. Because there are so many bargaining units, unique provisions can greatly complicate the ability of departments to effectively manage personnel, and make it hard for union officials to inform and assist members. Finally, LHC recommended that one way to accomplish this review would be for the Governor to empanel a group to analyze the issue and develop a consensus-based alternative. The panel could include labor, management, legislative representatives, and academic experts, who through analysis-based deliberations could agree on structural changes or negotiating practices that would better serve the state.

In Principle for Reform 6, Effective Compensation, LHC recommended that the state needs compensation strategies that (1) routinely adjust wages to changes in the marketplace, (2) link step increases to an employee’s growing capabilities,
assignments. In recent years, substantial efforts have been made to coordinate training strategies and opportunities, but support re-engineering efforts, and prepare workers for new evolution of the wage-setting process has left the state without a common understanding on how salaries and benefits can and should compensate, motivate, and reward workers. In particular, the state needs to analytically consider how well compensation is attracting and retaining the caliber of worker needed to increase the productivity of state operations.

LHC's Principle for Reform 7, Flexible Classification, suggests that the state needs a flexible classification system that accurately reflects job assignment, appropriately compensates workers, and enables managers to better use the state's human resources. As the backbone of the civil service system, the classification plan has been relied upon to provide for merit-based selection, job assignment, and compensation. But the plan has to be flexible enough to allow for managers to efficiently and effectively fill positions and assign work, and for employees to excel in the workplace. Classification is one aspect of the system where significant experimentation has occurred. But for these efforts to be useful, they must be honestly evaluated and, when successful, widely replicated.

LHC's Principle for Reform 8, Coordinated Recruiting, finds that the state needs a coordinated and effective way to ensure that the most qualified candidates know about opportunities in state employment and are encouraged to pursue those opportunities. In both good and bad economic times, the state needs to lure talent into its workforce. While the needs of individual departments change from year to year, the state's overall recruitment effort should be consistent and coordinated. Because of the reliance on promotion to fill higher classifications and because of the nature of public employment, the state's recruitment efforts should manifest the values and social importance of a career in the civil service.

The Commission's Principle for Reform 9, Accurate Selection, finds that the state's examination and selection process should be adaptable to the needs of individual departments and specific positions, while more effectively allowing for merit-based decisions. While the traditional system has been an effective barrier to patronage, it frequently fails to identify and allow the state to hire the most qualified candidate. Further, many of the state's departments have unique personnel needs, and the examination and selection process should efficiently meet those needs. Finally, a fundamental shortcoming of the existing selection system is its cost of operation. In addition to the drain on budgets, the costs prompt managers and personnel officers to find ways around the system, encouraging decisions to be made on ease rather than merit.

LHC's Principle for Reform 10, Supportive Training, states that policymakers and program managers need to better use training to improve the effectiveness of organizations, support re-engineering efforts, and prepare workers for new assignments. In recent years, substantial efforts have been made to coordinate training strategies and opportunities, but the potential benefits of coordination have not yet been realized. Too often, program managers view training as a reward for good workers and a punishment for bad ones. Too often, policy makers view training as a luxury, easily cut in lean years. But training has the capacity to increase efficiency, allowing departments to do more with less.

Finally, in Principle for Reform 11, Fair and Efficient Discipline, LHC finds that the state needs a graduated disciplinary system that resolves issues as early as possible, at the lowest level possible, and in ways that benefit both the employee and employer. A traditional failing of state service is that small personnel problems become complicated discipline problems. Many of these issues can be resolved earlier by improving the skills of supervisors and managers to deal with competence and behavioral issues. Increasingly, the fractured personnel system is divided over how disciplinary appeals will be resolved and who will resolve them. According to LHC, the appeals process cannot be substantially improved until this issue is resolved. Further, the traditional system has developed elaborate procedures to ensure protections, but those protections have gone far beyond the need to insulate workers from political retribution, and the procedures prevent the swift and fair resolution of disputes that would benefit employer and employee.

In conclusion, LHC noted that "the dedication, ambition, and skills of public employees are the essential ingredients of effective public programs... In large measure, the success of public endeavors relies upon these workers as individuals and upon public agencies as teams of individuals." LHC urged state government to learn from civil service reform successes in cities and in federal agencies, and agree upon how to "balance legitimate and competing interests and learn better ways to perform the public's work."

CADA: An Opportunity to Advance and Protect the State's Investment

In this study released in January 1999, LHC reported on the activities of the Capitol Area Development Authority (CADA), which was established in 1978 to implement the housing and commercial components of the Capitol Area Plan (CAP), an official master plan for development of state buildings and facilities in downtown Sacramento. CADA fulfills its role by managing and developing the state-owned property around the State Capitol until it is needed for office buildings. This seemingly temporary mission has evolved over time, and CADA has become a property manager for the state and, more recently, the state's development partner in implementing the CAP. Because CADA's functions have changed over the years, LHC recommended that the Secretary of the State and Consumer Services Agency immediately conduct a "sunset review" of CADA, and report the conclusions of that review to the Governor and legislature.

LHC also found that CADA does not adequately explore alternatives for implementing the goals of the CAP, reducing the state's opportunity to maximize its return on its investment.
LHC thus recommended that the Governor and legislature enact legislation requiring CADA to prepare a development plan that defines a broader array of alternatives for developing CADA property as a whole, blocks of CADA property, and individual parcels. This plan should identify the policy and fiscal impact of alternatives on the state, CADA, the City of Sacramento, and the Sacramento Housing and Redevelopment Authority, and provide a timeline for implementation. The development plan should be consistent with the land use plans and mixed-use principles outlined in the CAP; assess the feasibility of selling all or portions of the property directly to the private sector for development in accordance with the CAP and local zoning; and assess the revenue generated from each proposed alternative and provide for the revenue to be returned to the state general fund. Finally, the legislation should direct the Department of General Services to more aggressively pursue ways of integrating the CAP’s mixed-use principles into proposed office development projects.

Further, LHC found that CADA cannot effectively manage the property in its care, partially because it lacks the information necessary to maximize the state’s investment in the property. Accordingly, LHC recommended that, as a first step, CADA should develop baseline information about its properties. Minimally, this baseline should include a by-parcel assessment with original purchase price and a description of current improvements, existing zoning requirements, current revenue stream, and projected lifecycle for each building that CADA manages. On an annual basis, CADA should update by-parcel assessments. Additionally, CADA should calculate a rate of return on each parcel, a summary of maintenance costs and projected expenses and proposals for intended use, and a timeline for implementation. The information should be reported on an annual basis as part of a consolidated financial statement to the legislature, the Department of General Services, and the City of Sacramento. Additionally, LHC recommended that CADA identify long-term preventive maintenance needs for each of its buildings and include provisions for making those capital improvements.


Also during this period, LHC supported 81 pieces of legislation in nine different policy areas; in some cases, the bills were outgrowths of studies conducted by LHC. The Commission withdrew its support from fifteen of those bills when amendments made them no longer compatible with LHC recommendations. Of the remaining 66 bills, 37 passed both houses of the legislature. The Governor signed 25 of those measures, and vetoed twelve LHC-supported bills.

Legislative Analyst’s Office

The Legislative Analyst’s Office (LAO) has been providing fiscal and policy advice to the Legislature for more than 55 years. It is known for its fiscal and programmatic expertise and nonpartisan analyses of the state’s budget. Overseen by the 16-member bipartisan Joint Legislative Budget Committee (JLBC), LAO currently has a staff of 49 people. The analytical staff is divided into seven subject area groups of fiscal and policy experts.

The Office serves as the legislature’s “eyes and ears” to ensure that the executive branch is implementing legislative policy in a cost-efficient and effective manner. The Office carries out this legislative oversight function by reviewing and analyzing the operations and finances of state government. Historically, one of the most important responsibilities of the LAO has been to analyze the annual Governor’s Budget and publish a detailed review at the end of February. This document, the Analysis of the Budget Bill, includes individual department reviews and recommendations for legislative action. A companion document, Perspectives and Issues, provides an overview of the state’s fiscal picture and identifies some of the major policy issues confronting the legislature. These documents help set the agenda for the work of the legislature’s fiscal committees in developing a state budget. LAO staff works with these committees throughout the budget process and provides public testimony on the Office’s recommendations.

LAO also reviews requests by the administration to make changes to the budget after it is enacted; prepares special