

MAKING GOVERNMENT MORE EFFICIENT

Building off of last year's measures to reduce waste and make the state more efficient, the Governor is proposing a comprehensive package of additional efficiencies. These include reorganizing state government to eliminate and consolidate agencies, departments, and programs; eliminating unnecessary boards, commissions, and advisory groups; changing the budget process to increase efficiency and focus on accomplishing program goals; permanently eliminating surplus positions; and implementing additional efficiencies.

REORGANIZING STATE GOVERNMENT

The state's current organizational structure lacks sense and cohesion. Agencies lack focus by having multiple missions, similar functions are scattered throughout several agencies, and some departments and programs are duplicative. The Budget makes government less costly and more efficient, more sensible, and easier to manage effectively. Among other changes, the proposal reduces the number of agencies from 12 to 10, eliminates 39 state entities, and eliminates 9 programs.

RESTRUCTURING AGENCIES

The proposal reduces the number of agencies from 12 to 10. It eliminates the California Volunteer Agency, and its programs will be subsumed into the Office of Planning and Research. It eliminates the California Emergency Management Agency and makes

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it an office reporting directly to the Governor. It eliminates the California Technology Agency and makes it a department under the new Government Operations Agency. To better focus the missions of the agencies, it restructures the State and Consumer Services Agency and the Business, Transportation, and Housing Agency as follows:

THE BUSINESS AND CONSUMER SERVICES AGENCY

Government entities that license or regulate industries or business activities are spread throughout state government. Consolidating entities will improve efficiency in shared areas such as automated licensing systems, investigation practices, regulatory and legal processes, licensing, and consumer complaints. Placing consumer protection entities under one agency will also help the public more easily access consumer protection programs. This new agency will include the departments of Consumer Affairs, Housing and Community Development, Fair Employment and Housing, Alcoholic Beverage Control, and the newly restructured Department of Business Oversight.

THE GOVERNMENT OPERATIONS AGENCY

Major components of state administration, including procurement, information technology, and human resources, are currently dispersed among different agencies. Combining these and other functions that assist in the general operation of state government into one agency will make state government more manageable and efficient. This new agency will include the departments of General Services, Human Resources, Technology, the Office of Administrative Law, the Public Employees' Retirement System, the State Teachers' Retirement System, and the newly restructured Department of Revenue. It also will include the State Personnel Board and the Government Claims Board.

THE TRANSPORTATION AGENCY

The state will benefit by focusing and consolidating transportation functions in one agency given their size, complexity, and importance. This new agency will include the Department of Transportation (Caltrans), the Department of Motor Vehicles, the High-Speed Rail Authority, the Highway Patrol, the California Transportation Commission, and the Board of Pilot Commissioners.

ELIMINATING AND CONSOLIDATING DEPARTMENTS, BOARDS, COMMISSIONS, AND PROGRAMS

- **Consolidate Revenue Functions** – The Employment Development Department and the Franchise Tax Board both collect taxes. To improve revenue collection and

better enforce tax laws, this proposal consolidates the Employment Development Department's tax collection functions (mainly personal income tax withholding and payroll tax administration) with the Franchise Tax Board in a new Department of Revenue.

- **Consolidate Oversight of Financial Businesses into a Single Department —** The Department of Corporations regulates a variety of entities involved in the financial industry including securities brokers and dealers, mortgage lenders that are not affiliated with banks, and financial planners. The Department of Financial Institutions regulates state-chartered banks, credit unions, and money transmitters. This proposal eliminates the Department of Financial Institutions and the Department of Corporations and consolidates their functions into a new Department of Business Oversight because both of these departments perform the same fundamental mission (i.e. the licensing and regulation of business entities). The new Department will be part of the Business and Consumer Services Agency.
- **Consolidate Business Programs into the Governor's Office of Business and Economic Development —** Chapter 475, Statutes of 2011, created the Governor's Office of Business and Economic Development to better coordinate and promote business development and foster job growth and private-sector investment in California. The proposal transfers the Infrastructure Bank, the Film and Tourism Commissions, the Small Business Centers, and the Small Business Guarantee Loan Program to the Governor's Office of Business and Economic Development.
- **Transfer Housing Finance Agency into Department of Housing and Community Development —** The Department of Housing and Community Development and the California Housing Finance Agency (CalHFA) both assist in the development and financing of affordable housing for Californians. While CalHFA is unique in making low-interest loans through the sale of tax-exempt bonds, both departments administer general obligation bond programs. By moving the CalHFA functions into the Department of Housing and Community Development, the state will continue to serve the housing needs of the state while achieving administrative efficiencies.
- **Eliminate the Office of Traffic Safety —** The Office distributes federal grants to state and local entities. This proposal eliminates the Office and transfers the functions to the Department of Motor Vehicles to achieve efficiencies and reduce administrative costs.

- **Eliminate the State 9-1-1 Advisory Board** — The Board is responsible for advising on the policy and procedures of the 9-1-1 Emergency Communications Office within the California Technology Agency. This proposal eliminates the Board, and policies and procedures will be revised as necessary through the state administrative process.
- **Eliminate the Technology Services Board** — The Board is responsible for the oversight and approval of the Office of Technology Services budget and rates. This proposal eliminates the Board because its function duplicates other budgetary oversight roles. The Department of Finance will continue to review rate proposals.
- **Eliminate the Electronic Funds Transfer Task Force** — The Task Force is responsible for providing a plan on the development and implementation of a new payment dispersal system using electronic funds transfer technology. The Task Force is no longer needed because the plan was completed in 2008.
- **Eliminate the Unemployment Insurance Appeals Board and Consolidate Functions** — This proposal eliminates the seven full-time board members who review second-level appeal decisions. The proposal will streamline and consolidate the functions currently performed by the Board with the Employment Development Department.
- **Consolidate Professional Licensing Functions within the Department of Consumer Affairs** — The Department of Real Estate and the Office of Real Estate Appraisers license and oversee professionals, which is the core function of most of the bureaus in the Department of Consumer Affairs (DCA). This proposal eliminates the Department of Real Estate and the Office of Real Estate Appraisers and places them as bureaus under the DCA in order to achieve administrative savings and efficiencies. Similarly, the Structural Pest Control Board and the Board of Chiropractic Examiners will be placed under the DCA.
- **Eliminate the Fair Employment and Housing Commission and Transfer its Functions to the Department of Fair Employment and Housing** — This proposal transfers the Commission's adjudicatory and regulatory functions to the Department of Fair Employment and Housing. Adjudication of employment and housing discrimination cases will be handled by a separate and distinct division within the Department of Fair Employment and Housing.
- **Eliminate the Commission on the Status of Women** — This proposal eliminates the Commission, which advises the Governor and the Legislature on public policy

issues affecting women. Numerous alternative and effective forums address these important issues.

- **Eliminate the Occupational Safety and Health Standards Board and Transfer its Functions into the Department of Industrial Relations** — The Board is responsible for the adoption, amendment, and repeal of the occupational safety and health standards and public safety standards enforced by the Department of Industrial Relations (DIR). This proposal eliminates the Board and transfers responsibility to the Division of Occupational Safety and Health within DIR.
- **Eliminate the Office of Privacy Protection** — The Office provides consumers with information on identity theft and other privacy issues and recommends policies and practices that protect individual privacy rights. Many other state, federal, and business resources exist that promote and protect the privacy rights of consumers.
- **Consolidate the California Law Revision Commission and the Commission on Uniform State Laws within the Legislative Counsel Bureau** — The California Law Revision Commission is responsible for reviewing California statutory and decisional law and recommending legislative revisions. The Commission on Uniform State Laws recommends to the Legislature uniform laws recommended by the National Conference of Commissioners on Uniform State Laws. Prior to the 2010 Budget Act, these Commissions were funded from their own General Fund appropriations. Since then, these Commissions have been funded by the Legislative Counsel Bureau.
- **Eliminate the Governor's Emergency Operations Executive Council** — The Council provides coordination between state agencies and departments with a nexus to emergency response and recovery. This proposal eliminates the Council, but the Governor will retain the ability to convene this group on an as-needed basis.
- **Eliminate the Public Safety Radio Strategic Planning Committee** — Created in 2002, the Committee is tasked with developing and implementing a statewide integrated public safety radio communication system and ensuring interoperability between state agencies. This proposal eliminates the Committee because it is duplicative of functions currently being performed by the California Technology Agency.
- **Eliminate Division of Labor Statistics and Research and Transfer its Functions to the Division of Occupational Safety and Health** — This proposal eliminates the Division of Labor Statistics and Research within the Department of Industrial

Relations and transfers the Division's functions related to maintaining job safety records, reports, and statistics to the Division of Occupational Safety and Health. The proposal also transfers functions related to prevailing wage rate determination for public works projects to the Division of Labor Standards Enforcement.

- **Eliminate the Governor's Mentorship Program** — This program is operated by California Volunteers. This proposal would eliminate the program because there are other community programs that provide similar services.
- **Consolidate Certain Gambling Activities** — There are currently many legal and operational inefficiencies stemming from the bifurcated system of gambling control, which separates the policy functions of the Gambling Control Commission from the licensing, investigation, compliance, and enforcement functions of the Department of Justice. Consolidating support, investigatory, and compliance functions within the Department of Justice will promote a more effective and efficient regulation of legalized gambling.
- **Consolidate the California State Summer School for the Arts with the California Arts Council** — The California Summer School for the Arts annually provides a number of California high school students engaged in the visual, literary, performing, and media arts with an intensive learning experience. This proposal consolidates the California State Summer School for the Arts with the California Arts Council to streamline administrative operations while continuing to provide students with access to intensive summer arts education.
- **Eliminate Vocational Education Supplemental Leadership Programs** — This program supports leadership development programs for vocational student officers, instructional materials for vocational teacher advisors, and training and preparation for new vocational education teachers. This program is being eliminated because these types of activities can be funded from existing Proposition 98 resources at local discretion.
- **Eliminate Non-Proposition 98 General Fund for Indian Education Centers** — This program provides funding to support local educational resource centers for American Indian students, parents, and public schools in American Indian communities. The funding is being eliminated because these Non-Proposition 98 resources are duplicative of funds already provided within Proposition 98 to support local Indian Education Centers.

- **Eliminate the Department of Mental Health and the Department of Alcohol and Drug Programs** — This proposal reorganizes behavioral health programs. With the elimination of the Department of Mental Health and the Department of Alcohol and Drug Programs, major community mental health programs and remaining non-Drug Medi-Cal programs and associated funding will be shifted as follows:
 - The Department of Health Care Services will assume responsibility for the administration of various Mental Health Services Act programs, financial oversight of Mental Health Services Act funds, administration of federal Substance Abuse and Mental Health Services Administration discretionary and block grants, Projects for Assistance in Transition from Homelessness grants, Substance Abuse Prevention and Treatment block grants, the Parolee Services Network, veterans mental health programs, and the mental health components of the California Health Interview Survey.
 - The Department of Public Health will assume the duties of the Office of Multicultural Services, the administration of counselor certification, narcotic treatment, driving under the influence, and problem gambling functions.
 - The Department of Social Services will be responsible for licensing and quality improvement functions.
 - The California Department of Education will administer the Early Mental Health Initiative grants.
 - The Office of Statewide Health Planning and Development will now include the Mental Health Workforce Education and Training program.
 - The Mental Health Services Oversight and Accountability Commission will be responsible for Mental Health Services Act training, technical assistance, and program evaluation.
- **Eliminate the Managed Risk Medical Insurance Board and Transfer its Function to the Department of Health Care Services** — The Board administers programs that provide health coverage through various health plans to certain individuals who do not have health coverage including children of low-income families, pregnant women, and individuals with pre-existing medical conditions. This proposal eliminates the Board and transfers its programs and responsibilities to the Department of Health Care Services (DHCS) in preparation for California’s implementation of federal health care reform. Specifically, the Healthy Families

Program will transition to DHCS as part of the broader Medi-Cal program beginning in October 2012. Remaining programs, including the County Children’s Health Initiative Program, Access for Infants and Mothers, Major Risk Medical Insurance Program (MRMIP), and Pre-Existing Conditions Insurance Plan (PCIP) will transfer to DHCS effective July 1, 2013. The two stand-alone programs that provide insurance to individuals with pre-existing conditions, MRMIP and PCIP, will be eliminated in January 2014 because these individuals will be able to purchase health insurance through the California Health Benefits Exchange as part of federal health care reform implementation.

- **Eliminate the Rehabilitation Appeals Board** — The Board hears appeals by applicants and consumers of Department of Rehabilitation services who wish to contest a denial of eligibility or are not satisfied with the services being provided to them. This proposal will shift the Board’s duties to independent hearing officers, who will require less travel than multiple board members, and will have legal and evidentiary expertise. This proposal will result in a more effective and timely appeal process for consumers.
- **Consolidate Five Specialty Health Functions into the Office of Health Equity** — This proposal consolidates the Department of Health Care Services’ Office of Women’s Health, the Department of Public Health’s (DPH’s) Office of Multicultural Health, Health in All Policies Task Force, the Health Places Team, and the Department of Mental Health’s Office of Multicultural Services into the new Office of Health Equity (OHE) within the DPH. Creation of the OHE will enable the state to better identify and ameliorate health disparities for disadvantaged and underserved communities by examining these issues through a more integrated approach to public health, behavioral health, and health care issues. California’s demographics and a variety of socio-economic trends call for a different and more comprehensive approach to addressing the issues of health disparities across the entire health care continuum within the state.
- **Transfer the Department of Resources, Recycling and Recovery (CalRecycle) to the California Environmental Protection Agency** — Hazardous waste, electronic waste, used oil, used tires, and landfill permits are typically not considered “natural resources” but wastes that should be regulated under the California Environmental Protection Agency, not the Natural Resources Agency.
- **Eliminate the Department of Boating and Waterways and Transfer the Functions into the Department of Parks and Recreation** — The Department of Parks and Recreation currently partners with Boating and Waterways in

facilities construction projects. Boating and Waterways funds operations at all of Parks' reservoirs. This proposal will transfer the functions of the Department of Boating and Waterways to a division of the Department of Parks and Recreation, similar to the Off-Highway Vehicle Recreation Division. Because the Department of Boating and Waterways is being transferred to the Department of Parks and Recreation, the California Boating and Waterways Commission will be eliminated. The Commission advises the Department of Boating and Waterways on matters within its jurisdiction and consents to all boating facilities loans and grants. The duties performed by the Commission will be absorbed by the Department of Parks and Recreation.

- **Reduce Number of Regional Water Boards** — This proposal realigns the regional water board boundaries to create eight regional water boards, merging two of the smaller existing regional water boards (the Colorado River Basin Water Board) into neighboring regions with the boundaries continuing to follow watersheds. The proposal brings more consistency in the size of the regions. It also reduces the number of members on the boards from nine to seven.
- **Consolidate Colorado River Board within the Natural Resources Agency** — The Board is responsible for developing a plan to maintain an adequate water supply from the Colorado River. The proposal eliminates the Board and transfers these responsibilities to the Natural Resources Agency. This proposal will ensure that all statewide water supply issues, such as water supply reliability, Delta sustainability, and Colorado River water issues are addressed in a comprehensive and coordinated manner.
- **Eliminate the State Geology and Mining Board and Transfer its Responsibilities** — The Board serves as a regulatory, policy, and appeals body representing the state's interest in geology, geologic and seismologic hazards, conservation of mineral resources, and reclamation of lands following surface mining activities. Eliminating the Board will streamline functions by moving the appeals process to the Office of Administrative Hearings, and the balance of the Board's responsibilities to the Office of Mine Reclamation within the Department of Conservation.
- **Eliminate Various Entities within the Department of Fish and Game** —
 - The Salton Sea Restoration Council
 - The California Advisory Committee on Salmon and Steelhead Trout

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- The Commercial Salmon Review Board
- The State Interagency Oil Spill Committee
- The State Interagency Oil Spill Review Subcommittee
- The Abalone Advisory Committee

These advisory groups provide public input and guidance to the Department in various program areas. The information provided by these entities is either no longer useful or can be provided through other means.

- **Eliminate Underutilized Programs Within the Department of Toxic Substances Control** — The following programs are proposed for elimination because they have outlived their purposes, are underutilized, or have been superseded by other programs:
 - Expedited Remedial Action Program
 - Private Site Management Program
 - California Land Environmental Restoration and Reuse Act Program
 - Hazardous Waste and Border Zone Property Designations
 - Abandoned Site Assessment Program
 - Registered Environmental Assessor Program
- **Eliminate the Watershed Coordinator Initiative Program** — This program was created to prepare Watershed Management Initiative Plans in each region, which were completed in 2007. The Water Board now maintains the Plans, and Plan concepts have been incorporated into various Water Board programs.

SAVING MONEY AND IMPROVING EFFICIENCY THROUGH THE BUDGET PROCESS

Building on last year's effort to make the budget more efficient, the Budget proposes cutting special fund budgets, zero-basing department budgets, and eliminating positions.

CUT THE BUDGETS OF SPECIAL FUND PROGRAMS

Government programs should be efficient and cost-effective regardless of their fund source. While the budgets of special fund departments have been cut in the past, the level of these cuts has been less than the cuts imposed on General Fund departments. Non-General Fund departments and programs will submit to the Department of Finance budgetary reduction plans targeted to reduce administration and program support, with the goal of reducing fees and shifting resources to programs. These plans will be reviewed as part of the spring budget process.

The Budget includes specific budgetary goals for the California Technology Agency and the Department of General Services that will result in reduced rates charged to other state agencies. This will result in more efficient government by making these services less expensive for both General Fund and special fund departments.

IMPROVE THE BUDGET PROCESS THROUGH ZERO-BASING AND OTHER TOOLS

In Executive Order B-13-11, the Governor ordered the Director of Finance to create a plan by March 2012 for modifying the budget process to increase efficiency and focus on accomplishing program goals. Some departments, including Caltrans and the Department of Consumer Affairs, will be directed to perform a detailed review and analysis of all of their programs to evaluate whether the functions need to exist and the level of resources needed to accomplish them. This will begin recasting the current process that “focuses on incremental changes to the prior year’s funding, rather than a deeper review of a department or program” as noted in Executive Order B-13-11.

PERMANENTLY ELIMINATE POSITIONS

As a result of budget reductions, more than 15,000 positions were eliminated in 2011-12 compared to the prior year. The Department of Finance will conduct a department-by-department review to identify additional positions for elimination and permanently reduce positions to reflect the smaller size of state government.

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