State Government

Over the last year and a half, significant operational changes have downsized state government and achieved efficiencies. The Governor's Budget built on these changes by proposing a comprehensive package of additional efficiencies, including streamlining the state's organizational structure, eliminating unnecessary boards and commissions, and improving budget accountability and transparency. The May Revision furthers these efforts as described below. The May Revision also includes reductions in external contracts, the use of retired annuitants, and employee compensation.

Improving State Government

- *Governor's Reorganization Plan*—On May 3, 2012, the Governor submitted to the Legislature an expansive plan to streamline the state's organizational structure and make it more cohesive, accessible, and efficient. The plan cuts the number of state agencies from 12 to 10 and consolidates and aligns related programs and departments. In April, the plan was sent to the Little Hoover Commission to review as part of the statutory reorganization process. The Commission is expected to submit its findings and recommendations to the Legislature on or about May 22, 2012. Upon implementation, the Governor's plan will improve the management and coordination of government activities, which will facilitate further efficiencies and reduce costs.
- *Elimination of Boards and Commissions*—The May Revision proposes to eliminate 22 boards, commissions, and advisory groups that have been identified as outdated,

defunct, or duplicative. These, along with those eliminated in the 2011 Budget Act and proposed for elimination in the Governor's Budget, will bring the total elimination of state entities and programs to more than 80 since 2010-11.

- *Improve the Budget Process through Zero-Basing and Other Tools*—Executive Order B-13-11 directed the Department of Finance to develop budget methods that require more information about program performance in the annual budget process. Working with the Department of Finance and the Legislature, the departments of Transportation, Human Resources, Consumer Affairs, and Public Health will incorporate an outcome-based approach into their traditional budget process. The Administration has already conducted a zero-based review of several departments and programs, and will undertake more reviews in the coming year.
- *Eliminate Unnecessary Reports*—Departments and agencies spend significant effort tracking, preparing, and submitting reports to the Legislature about state programs and activities that may no longer be of value. All departments conducted an extensive review of reporting requirements and identified 700 legislative reports that are unnecessary, or already met reporting requirements, that should be eliminated.

State Workforce

- *Reduce Reliance on External Contracts*—To achieve savings, the Administration will reduce its use of external state contracts. Specifically, it will decrease vendor support for information technology oversight by developing professional expertise in the state workforce. In addition, the Department of General Services, in consultation with departments, will evaluate all personal services contracts, including janitorial and security services, and transition that work to state employees where appropriate.
- *Eliminate Non Essential Hiring of Retired Annuitants*—The Administration will direct all departments to review their use of Retired Annuitants and other temporary employees. Only those that have been deemed critical to the department's core mission will be retained.
- *Permanently Reduce the State Workforce*—More than 15,000 positions were eliminated in 2011-12 through budget reductions. A department-by-department review of historic vacancies identified an additional 11,000 positions that will be permanently eliminated in the May Revision. This adjustment will accurately reflect department staffing levels. Including all reductions proposed in the 2012-13

Budget, the Brown Administration will have achieved a total reduction of more than 30,000 positions.

- *Employee Compensation*—The May Revision proposes savings of $839.1 million ($401.7 million General Fund) in employee compensation, equivalent to a 5 percent reduction in pay. In the coming weeks, the Administration will work with labor organizations to achieve these savings. It is the Administration's intention to avoid a furlough program and to mitigate layoffs. To this end, the Administration will pursue the implementation of a four-day, 38-hour workweek for the majority of state employees to achieve the necessary savings. The four-day workweek with longer work hours will allow state government to continue to serve the public by providing access to services outside of traditional work hours. This schedule will also reduce energy usage in state-owned and leased buildings. The Administration will pursue commensurate reductions in work hours and pay for employees of entities that operate 24 hours a day, 7 days a week when implementation of the four-day workweek is not feasible. In addition, the Administration will continue to pursue changes to health coverage for employees and retirees to reduce costs for both employees and the state. Absent changes, health care costs are expected to increase by 10 percent in the coming year.

Reductions in Special Fund Programs

The May Revision proposes the following reductions to departments funded by special funds:

- *Department of General Services*—A decrease of $108.4 million special funds and 45.5 positions to reflect savings in the following areas:
  - $75 million reduced expenditure authority for the Natural Gas Program.
  - A decrease of $15.4 million for the Office of State Publishing by increasing use of automation and technology, restructuring procurement processes, and consolidating space needs.
  - A decrease of $6.7 million for the Real Estate Services Division programs by streamlining submittal processes, renegotiating leases, and reducing travel.
  - A decrease of $6.3 million for the Building Regulation Services by increasing the use of technology and eliminating duplicative meetings.

    - A decrease of $5 million for administration and statewide support by centralizing purchasing, consolidating shared services with other divisions, reducing office equipment costs, and reducing travel costs.

- *California Technology Agency Rate Reductions*—A decrease in rates for data center services of $13 million ($1.9 million General Fund) in 2012-13, based on reduced costs in the mainframe and mid-range service areas. In 2011-12, data center rates were reduced by $21.4 million ($3.1 million General Fund) on a one-time basis, due primarily to a temporary spike in mainframe utilization and other limited-term savings.

- *Toxic Substances Control Account Reductions*—A decrease of $9.1 million other funds and 24 positions in 2012-13 and $12.6 million other funds and 59.8 positions ongoing to align expenditure authority with projected revenues. The Department of Toxics Substances Control is also shifting $6.2 million and 52.3 positions to federal funds, reimbursements, and other state funds. These actions will bring the account into structural balance while redirecting resources to implement high-priority activities under the Safer Consumer Products Program.

Reducing State Real Estate Costs

The state continues to implement efforts to improve the state's management of assets. Since last year's May Revision, the Department of General Services (DGS) continues to make progress in this area and has identified further opportunities to better manage the state's real estate holdings. To emphasize the Administration's commitment in this area, the Governor issued Executive Order B-17-12 directing DGS to take additional measures to reduce real estate leasing costs, review office consolidation opportunities, reduce the amount of square footage leased by state agencies, and examine opportunities to eliminate or reduce warehouse space. The Administration will be pursuing the sale of up to seven Capital Area Development Area properties.