



Smart Government: Improving Performance and Accountability

California may be struggling with chronic budget shortfalls and a sluggish economy – but we can fix these problems. Our state can have a prosperous and environmentally sustainable economy that provides equal opportunities for all by re-establishing California as a frontier for innovation, discovery and enterprise.

To get there, the State and local governments must work together to provide cost-effective services and better results. Examples of success are all around us, but California must make high-performance the “industry standard” for government at every level. *California Forward* calls this Smart Government.

California has a nearly \$90 billion General Fund budget without an explicit statement of how that money will improve our lives. Taxpayers have little sense of how dollars are spent, whether programs are working, and who to hold accountable. One root cause of this problem is the fragmented system of government: Most essential services in California are delivered by local governments – counties, cities, school districts and special districts. Still, the State sets most of the rules about how programs work and money is spent.

The consequences of this state-down control have increased as communities and regions have grown larger, more diverse, and more distinctive. California will not see better results in public programs – or see public confidence improve – until this relationship between the State and local governments, and among local

governments, is redesigned to match today’s social, economic and environmental realities.

This **Smart Government Framework** defines principles for a new governance system that enables communities, regions, and the State to solve stubborn problems and pursue sustainable and equitable prosperity.

The State must have an explicit strategy, priorities and goals – and it must take on a new role of helping communities and regions succeed. Local governments need more discretion over programs and revenues and they must work together to achieve what they cannot do by themselves. In exchange for this flexibility, they must be accountable for results.

This new governance model must make it clear who is responsible for contributing to community success – a simple transparency that eliminates excuses, rewards competency, and gives Californians confidence to invest in civic life and renew their trust in the public sector.

Most public spending is spent in three areas: education, health and human services, and public safety. Better education leads to better jobs, which leads to a healthier population, less crime, and, ultimately, reduced pressure on public budgets. Programs addressing these needs must work together toward common outcomes with a focus on transparency and accountability for results. That is the promise of better governance. That is the imperative for change



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About the Framework: *The Smart Government Framework and its proposals prescribe a course of action to restructure the state-local relationship to produce better results for taxpayers and people who rely on public services. These ideas were collaboratively developed with local government practitioners, stakeholders, and experts involved in a Local Government Task Force, a series of Stakeholder Roundtables, and California Forward’s “Speak Up California” civic engagement forums. (See Appendix 5 for details.)*

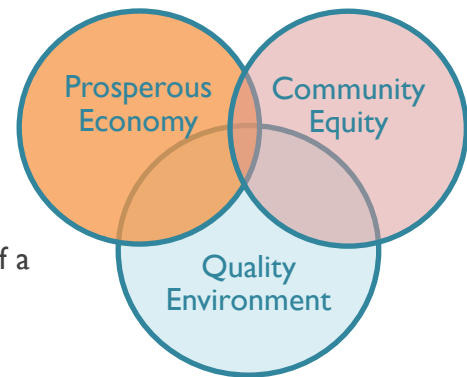
Each chapter ends with a principle statement defining the Smart Government approach, followed by a detailed proposal that is intended to facilitate discussions about making those changes a reality. California Forward will continue to work with elected officials and stakeholders to develop actionable steps to implement the proposals, including the model constitutional language appended to this document on pg. 94, as well as actions that pioneering local governments can take with available authority and resources.

Introduction – Beginning the Conversation

California Forward was established to work with Californians to develop a new way of governing ourselves. This new governance model must: 1) Improve performance; 2) Move decision-making closer to the people so problems can be solved; 3) Invest in our future, particularly in education and infrastructure; and, 4) Result in a viable, inclusive and responsive democracy.

In 2010, *California Forward* began engaging innovative public leaders, stakeholder advocates, community leaders, and the general public in a conversation about what works and doesn't work in how Californians govern themselves. The goal of this statewide conversation was to create a framework that would simultaneously advance all four imperatives.

Those conversations sought to capture and carry forward the thoughtful work of previous efforts to build resilient and healthy communities and support vibrant regional economies across the state. One important legacy of these efforts is a growing understanding of the “Three Es” – a commitment to assessing progress by the triple bottom line of a Prosperous Economy, Quality Environment, and Community Equity.



The conversations also were predicated on the analysis that General Fund spending in government largely supports education, health and human services, and public safety. These programs are interrelated and have the goals – currently implicit, but that should be explicit – of improving education, increasing employment, decreasing poverty, and creating healthier and safer communities.

Indeed, these expenditures – if purposefully directed and managed – can support a virtuous cycle: Better education leads to better jobs, which leads to a healthier population, less crime, and, ultimately, less pressure on public budgets. Other agencies are focused on other outcomes, but the Big Five Outcomes focus public discussions on shared goals requiring collaborative effort.



This “virtuous cycle” is not an impossible ideal. Rather, it can and should be the synergistic result of well-managed public sector investments that benefit all.

FROM SILOS TO CYCLES

Several attributes of government – well intended when designed – have come to limit the ability of public agencies to control costs, solve problems, and deliver better results. These complex challenges have been well documented in California and other states by blue ribbon commissions, performance-improvement efforts, auditors, and analysts. Among the factors limiting progress:

- **Fragmentation.** Bureaucratic organizations value consistency and compliance while discouraging risk and innovation. Over decades, a plethora of state departments and scores of programs have been cobbled together to address narrow aspects of complex social and economic issues. This has resulted in overlap and inefficiencies, ineffectiveness, while thwarting accountability.
- **Top down control.** This complexity is frustrated by state – and in some cases, federal – control of what are essentially community programs. While it is essential to have statewide expectations for access and minimum standards of care, state management has prevented competent and creative local officials from tailoring programs to meet the needs of their communities.
- **Parochialism.** The silos of bureaucracy have reinforced a natural tendency of local agencies to operate within their fiefdoms and to avoid working together to solve problems that require integrated and comprehensive approaches. Over time, and particular in times of scarcity, this defensiveness has fermented into a toxic distrust between the state and local governments, and even among local governments.

THE BACKGROUND – WHAT MAKES CALIFORNIA UNIQUE

Many states – and even other nations – have grappled with these organizational and management issues, but California does have challenges unique to the state. As California has grown in size and diversity, its governance system has not evolved with it. California has moved toward greater state control, where elected and appointed officials are least able to understand and adapt programs to community and regional attributes.

For most of the last century, California was not governed this way. Until the 1970s, the State successfully relied on a network of locally controlled community governments led by counties, cities, school districts, community colleges, and special purpose districts. With a few exceptions, these local governments were created by groups of people using state statutory procedures to provide services and regulate land-use based on local preferences. This system of local control – or “home rule” – was a hallmark of California’s governance structure.

Rapid urbanization in the 1960s and 1970s challenged some of the state’s organizational principals, particularly regarding land-use and transportation. The evolution of community and regional governance was dramatically impacted by the passage of Proposition 13, which made community-level governments more dependent on the State for funding – and as a result moved more decision-making to state government. And while the state “bailed out” local

governments, a series of funding shifts by state leaders has greatly aggravated the relationship between the state and local governments – as well as among local governments. This has led to a deep distrust among should-be partners.

For more than 25 years, elected officials, policy analysts and other advocates have tried to repair the state-local relationship and create a new dynamic that would restore local control and create the right authorities and incentives for governments to work together to solve problems.

WHAT CAN BE DONE?

Innovative leaders have tried for years to find ways to untangle the mess. Despite the complexities involved, small groups of policymakers and local elected officials have successfully navigated around some of the barriers, restoring small amounts of local control and finding ways for governments to work together to solve problems. These efforts include a major “realignment” of mental health and social services programs in 1991, along with a series of blue-ribbon commission recommendations to change the state constitution and revenue system, most of which have never been adopted. (More detail on these efforts can be found in “Chapter 2: Aligning Authority with Responsibility.”)

Only in the last few years have the State’s growing fiscal problems and escalating financial crisis forced the State to confront this challenge once again. In 2011, the State “realigned” another set of responsibilities as a way to resolve its budget issues, handing over control of more than \$5 billion in public safety and social service programs to local governments.

Local leaders have made it clear, however, that this new realignment does not solve California’s governance problem. In many ways, from their perspective, the 2011 realignment represents the same old California story: The State gives local governments responsibility for managing programs, but it does not alter the siloed funding streams or provide local governments with any new authority to operate programs.

“This is not a parlor game. It’s not just an exercise. Across the country, a discussion has started about how we will deliver services in the 21st century. This is the tip of the spear of that discussion.”

- **Ron Loveridge**,
Mayor of the City of Riverside
Testimony at a Stakeholder
Roundtable
March 31, 2011

A FRAMEWORK FOR RESTRUCTURING

With the deep fiscal crisis and the growing political tensions, California is in a unique time and place to rethink structures and systems to empower communities and regions to pursue the best path forward.

California Forward began this work by distilling the numerous reports by blue ribbon commissions, academic think tanks and program evaluators to develop and deploy a nonpartisan and factual analytical base to support the public dialogues. A bibliography of those reports is in Appendix I on pg. 34. Where appropriate, links are made to specific references in the Framework.

LOCAL GOVERNMENT TASK FORCE: In the fall of 2010, *California Forward* convened a workgroup of local government leaders to develop options for taking on this challenge. The group of current and former city and county officials developed a set of principles that served as a starting place for the discussions on state-local governance:

1. Public programs should work collaboratively with a focus on shared outcomes. These outcomes should guide policy development, management decisions, and ultimately, accountability, through public reporting of results.
2. Fiscal control is essential if local governments are going to be empowered to integrate services, innovate, develop better practices, and achieve economies of scale.
3. Regional collaboration can make many services more efficient and effective by allowing local governments to meet large-scale challenges by working together across jurisdictions.

A STATEWIDE CONVERSATION: In a series of meetings throughout 2011, these issues were also explored by a “Stakeholder Roundtable” that included a range of experts, practitioners and advocates. The sessions included presentations by local administrators with reputations for innovation, as well as advocates for clients and employees. Participants included state and local elected leaders, including several state agency secretaries, the chair and vice chair of the Senate Committee on Local Governance and Finance, as well as leaders from the League of California Cities, the County Supervisors Association of California, the California School Boards Association, and the California Special Districts Association.

“For restructuring the fiscal relationship between state and local governments, this is the time. We can all agree on that. The stars are aligned, but that’s not a guarantee of anything other than the stars are aligned. We have an opportunity, and we need to take advantage of it.”

- **Senator Lois Wolk**

*Chair, Senate Local Government
and Finance Committee
Stakeholder Roundtable meeting,
March 10, 2011*

(Appendix 5 on pg. 46 lists all of the participants in these meetings. Summaries of each meeting can be found at CAFWD.org/framework.)

At the same time, *California Forward* conducted more than 60 public meetings to engage citizens throughout the state on the thematic elements of the stakeholder discussions – seeking reaction and guidance from local elected officials, community leaders, and advocates. Another 12,000 Californians were reached through presentations to develop a common understanding of issues, and an opportunity to shape the change.

Through online polling and a weekend-long Deliberative Poll, *California Forward* and its partners explored these issues with representative samples of Californians, as well. Throughout, *California Forward* strived to listen carefully – and to distill, refine, and test an emerging common understanding about how Californians want to be governed.

Over the course of several months, the Smart Government Framework was revised to incorporate new ideas and to accommodate concerns. Naturally, not everyone who participated in the conversations agrees with every point. But – as captured in the summary of the meetings in Appendix 5 – opposing views were invited and through a candid exchange the ideas were tempered and improved. The conclusions in this Framework reflect a consensus view at the intersection of where previous analysis and current experience as expressed by the diverse group of interests and perspectives who participated in the meetings. The Framework cannot, and should not, resolve every governance decision that Californians must make. Instead, it leaves many details to be addressed by communities through thoughtful implementation of proposed reforms.

In June 2011, *California Forward's* Leadership Council endorsed the Smart Government Framework and committed the organization to advancing the recommendations described on the following pages. (The Leadership Council's endorsement of the Framework can be found in Appendix 6 on pg. 92.)

1. Focus on Outcomes

The “status quo” is the sum of tens of thousands of decisions: New programs and policies are crafted to respond to new priorities without integrating them into existing policies or reducing obsolete or duplicate elements. In good time and bad, budget decisions focus on reaching balance in the next 365 days. Statutes or regulations are enacted in response to one failure or another with the intention of “that never happening again.” Departments are merged into agencies. And then distinct functions are pulled out to form new departments. It is an evolution that makes rainforest ecology appear simple.

It is also a system that requires extraordinary leadership to successfully manage. Costs get embedded in administration rather than in services. Programs cannot easily adapt to new research or proven practices. Administrators come to fear compliance audits more than poor results. Professionals become frustrated by bureaucratic requirements that distract them from mission-critical tasks. A single headline that “nothing works” becomes dogma for a generation. And ultimately, a cynical public sees this friction loss as “waste, fraud, and abuse.”

Echoing the sentiments of many long-time managers, one well-respected social services administrator, who was a senior state executive before moving to a county, concedes that he quickly realized after his move that he had no idea how “the system” actually worked.

There is similar agreement that focusing on “outcomes” has become the place to begin the conversation about how to re-engineer programs, redirect resources, and develop the collaborative approaches that can be more successful. Despite the daunting complexity, policymakers, bureaucrats, and advocates increasingly understand and champion an “outcomes approach” to navigate the system to a better place. Working backward from this goal – by asking the question: “What do we as a community, a region, and a state want to accomplish?” – focuses conversations on setting priorities, establishing milestones, and then taking action.

THE PROVEN BENEFITS OF AN OUTCOME APPROACH

Despite public perception, California is home to innovation in government. Many pilot projects over the last 20 years have pioneered strategies for integrating services to better meet the complex needs of individuals, families and neighborhoods. Even with the many limitations imposed by the existing system, some communities have found ways to manage programs in a collaborative way to improve performance with available resources.

Several counties have also integrated their services – in partnership with cities, schools, and special districts – to improve outcomes. Among them:

San Diego County: Through a decade of integrating public health, mental health, alcohol and drug treatment and foster care, the county has saved \$230 million that have been reinvested in performance-based front-line services. Restructuring has enabled the county to reduce its administrative overhead from 21 percent of the budget to 12 percent today. Equally important, it has improved access, service and results for vulnerable San Diegans.

San Mateo County: To encourage county agencies to work together to meet the health needs of its most vulnerable people, San Mateo County pooled the resources of three large agencies – human services, juvenile probation, and mental health services. These agencies meet once a week to make joint decisions about shared clients. Over the past 10 years, restructuring has resulted in a 50 percent reduction in the number of children being placed out of home, while also reducing levels of incarceration, homelessness, and hospitalization.

“We did this with all of the challenges of silos, and all of the minutiae we have to deal with locally. In spite of all that, we were able to make change happen. Just think of what we could do if we had the flexibility we need.”

- **Nick Macchione**

*Director San Diego County Health
and Human Services Agency
Testimony before the Senate Local
Governance and Finance
Committee
January 26, 2011*

Alameda County: Using a Joint Powers Authority, the county has institutionalized an integrated service plan that allows programs from the county, the city of Oakland, and the Oakland Unified School District to work together to keep kids in school, lower Oakland’s high school suspension rates, and reduce crime. The program has thrived for more than a decade, through six superintendents and four mayors. “When we put our staff into the schools, these kids become our kids,” said Dave Kears, special assistant to the county administrator. “It doesn’t matter who signs the paychecks. What we discovered was, ‘We can’t do this by ourselves.’”

A FOCUS ON OUTCOMES DRIVES COLLABORATION

The Stakeholder Roundtable conversations helped to distill a generation of experience – supported by research and evidence – that government agencies must work together and with nongovernmental partners to simultaneously improve opportunities and reduce disparities.

Education: Whether the goal is readiness to learn for the youngest students, the ability to progress through the middle years, or graduating with the ability to confidently step into adulthood – schools cannot do it alone. The most successful efforts to improve results in struggling schools holistically address the needs of students and families. These strategies involve two dimensions:

- Educational results improve with vertical integration. The state has separate early childhood, K-12, and higher education programs, many of which do not communicate as much as needed or work together to create a seamless workforce or higher education pipeline. Innovative communities – including Fresno and Long Beach – are building vertical ladders to improve success at every rung.
- Learning can't be limited to the classroom. Health, social services, and public safety programs benefit from links to schools such as in the form of community schools, full-service schools, and joint-use schools contact with social services and health programs they need to stay on track.

Health and Human Services: Professionals have long struggled with the complexity of the human condition – and the inability of bureaucracy to adapt to the needs of individuals or even to effectively deploy new practices. Agencies have tried with promising but limited success to intervene earlier and to provide wrap-around services. But the inability to share information, blend funds, and adapt strategies has limited progress. While additional funds are always welcomed, new money into the same system does not always deliver better results. There is support among professionals for integration and information-sharing in the areas of juvenile justice, child welfare, child mental health, and behavioral health programs. Improved results in these areas will not only help the most vulnerable Californians, they also have the potential for huge savings in the safety net and correctional programs.

Public Safety: There is substantial evidence that cost-effective public safety strategies involve a continuum of programs aimed at prevention, early intervention, community corrections, incarceration, and offender re-entry. These efforts also require an integration of services. Many community-based programs have demonstrated the potential benefits of this approach, and in recent years, California policymakers have attempted to move in this direction. The state, however, has not developed a comprehensive approach or effectively implemented small-scale efforts to deploy programs that have cost-effectively reduced crime in other states. AB 109, the public safety realignment statutes of 2011, provides a historic opportunity to develop a more effective continuum of evidence-based practices.

WHAT GETS MEASURED GETS DONE

Restructuring the relationships among governments to improve outcomes will require a range of measurement tools that will inform decisions about strategies, policies and practices – and ultimately lead to more accountability.

These tools will be especially important for integrating strategies and services and developing a range of new partnerships – among public agencies and between public entities and the private sector. These tools also are essential to a stronger democracy in which government engages citizens and citizens their government. They can also help resolve issues of trust and concerns about fairness, equity and adequacy. These tools will never take the place of judgment, nor

should they be relied on to mask disagreement. But they can bring clarity and help to navigate resolution to such longstanding issues of a statewide interest versus a community priority.

Many states and many regional and community governments in California have already adopted a standard format of overarching statewide outcomes, targeted indicators, and ongoing performance measures.

- **Outcomes:** The state’s long-term goals should be expressed in terms of desired outcomes. These outcomes should be embedded in the state budget and used in reviewing policies and creating strategic plans, along with other decision-making venues, to sharpen priorities and inform trade-offs.
- **Indicators of Success:** To determine whether state and local agencies are making progress toward the highest priorities, outcomes should be tied to indicators like employment rates, graduation rates, obesity rates, and crime rates. Indicators should inform debates among policymakers and managers on what needs to change in strategies, practices, and personnel to accelerate progress.
- **Performance Measures:** To gauge whether state programs and services are producing the desired results, performance measures are needed to measure program effectiveness and efficiency. These performance measures need to be benchmarked against those in other agencies and states to identify opportunities for improvement.

WHAT THIS MIGHT LOOK LIKE: EMPLOYMENT AS AN EXAMPLE	
Outcome	Increased Employment
Indicator	State Unemployment Rate
Performance Measures	<ul style="list-style-type: none"> • Number – Families Participating in CalWORKs • Ratio – Case Manager to Participant • Number – CalWORKs Participants Obtaining Employment

After considerable discussion and debate about the importance of an outcome-approach and the value and limitations of measurement, the following principal and proposal was crafted to capture the broadest consensus.

PRINCIPLE I

California government must be aligned to a clear, unified vision, and restructured to focus decision-making on improving performance, with a renewed emphasis on the clients of public programs. The new structure must systematically encourage decision-makers to change policies, budgets, personnel, and practices to improve results. The public knowledge of these results is essential to restore accountability to the people.

PROPOSAL I – FOCUS ON OUTCOMES

California needs to rely on community and regional approaches for developing place-specific strategies for achieving statewide goals. The outcome approach becomes a language that provides continuity, as expressed through the cascading format of overarching outcomes, targeted indicators, and ongoing performance measures.

Putting this into practice will involve four major steps:

1. **Consult with stakeholders:** State and local governments should engage civic leaders, stakeholders and the general public on desired outcomes. This public process should include a menu of tangible goals within each outcome (e.g. “All 3rd-graders should be able to read at a 3rd-grade level” or “the state’s dropout rate should be cut in half”) that communities can choose from.
2. **Craft community strategies:** Community leaders should be responsible for drafting strategic plans that set goals, identify strategies and programs to advance those goals, and assign roles and responsibilities among partners. These Community Strategic Action Plans should include a four-year implementation timeline to allow for enough time to restructure administrative functions, integrate programs, and refine practices.
3. **Commit to transparency and accountability for results:** As local governments carry out their strategies, local leaders should conduct regular, structured meetings to review and evaluate program performance against these targets.
4. **Permit flexibility:** In exchange for this accountability, the state should allow local agencies flexibility in how outcomes are pursued so they can develop strategies that build on community needs and strengths. (See Proposals 2 and 3.)

Many states and local governments throughout California have adopted a standard format for refocusing programs on improving results. This includes gauging progress toward a set of overarching statewide outcomes, targeted indicators, and ongoing performance measures.

Outcomes:

- The State’s long-term goals should be expressed in terms of desired outcomes, with particular emphasis on the Five Big Outcomes – Increased Employment, Improved Education, Decreased Poverty, Decreased Crime, and Improved Health.
- Investments by the state and local government should be evaluated against these outcomes.

Indicators of Success:

- Indicators are the specific measures communities should use to evaluate the progress they are making toward the Five Big Outcomes.
- At least three Indicators of Success in each of these outcome areas should be developed by local governments in consultation with the State within the first year of implementation. The Indicators of Success should be in line with state (and where appropriate, national) objectives and approved by legislators.
- Cities, counties, schools, and special districts should develop multi-year strategies and annual action plans for achieving Indicators of Success, relying where possible on proven and evidence-based practices. The strategies should be presented and discussed in appropriate public venues. In many counties, Local Agency Formation Commissions (LAFCo) may be the appropriate venue for these presentations. (As described in Proposal 5, LAFCos could collect standardized data on the quantity, cost, and effectiveness of local governments. Schools could present performance data as they do today, but the State’s role could evolve as described in Proposal 3.)

Performance Measures:

- Performance measures help provide context to evaluate the effectiveness and efficiency of the services delivered. (“What does it cost to achieve this outcome?”; “What’s the trend in the service level?”)
- Progress made by cities, counties, schools, and special districts toward achieving these indicators should be included in the LAFCo municipal service reviews.
- This county performance information should also be published as a report card and should be used to make programmatic and fiscal decisions at the state and county levels.

POTENTIAL MODELS (see these and more online at CAFWD.org/bestpractices)

- State of Maryland StateStat: Modeled after the CitiStat performance-measurement and management tool that has been successfully implemented in Baltimore, StateStat uses a data-based management approach to make public programs more efficient and accountable by continually evaluating state performance. Key public safety, health, and social services agencies are already involved, from the Department of Juvenile Services to the Department of Housing and Community Development.

- [NYCStat](#): NYCStat is New York City’s one-stop-shop for data, reports, and statistics related to city services. NYCStat provides access to an array of performance-related information, including citywide and agency-specific information, 311-related data, and interactive mapping features for selecting performance data and quality-of-life indicators.
- [Los Angeles County Department of Public Social Services](#): Building off the nationally recognized STATS models, the LA County Department of Public Social Services adopted STATS in 2004 to manage operations. After a four-month pilot, the nation’s largest administrator of federal welfare programs increased its results dramatically, with the percentage of district offices meeting performance targets jumping by over 25 percent. Between 2004 and 2008, STATS helped the department improve outcomes across an array of metrics. Its food stamps error rate alone—which was the highest in the country at over 20 percent—was reduced to less than 1 percent. This one improvement helped the county avoid federal penalties of \$143 million in only two fiscal years.
- [Los Angeles County Department of Mental Health](#): The LA County Department of Mental Health launched its STATS in 2007 to address management challenges – from a lack of clear priorities to inconsistent metrics used to monitor operations. Regular meetings are called to evaluate performance against targets, with dramatic result. Within two years, the timeliness of billing and collection improved and homelessness among clients in community-based services was reduced. DMH was also able to provide timely outpatient care following psychiatric hospitalizations.
- [Minnesota’s Drive to Excellence](#): The Drive to Excellence (2005-2010) was a state-government reform initiative that focused on serving citizens better. The overarching objective was to encourage government to act together as an enterprise, rather than independent agencies, on the issues they have in common. Drive to Excellence identified common processes across government that can be improved with common solutions, such as standardized computers or a universal system for managing the state’s buildings.
- [Washington State Priorities of Government](#): This budget process creates a strategic framework for public investment decisions and helping communicate budget priorities to the public. Every state agency answers eight questions about the importance of their activities and whether they are providing cost-effective services.
- [Virginia Performs](#): A performance leadership and accountability system within state government, Virginia Performs aligns specific agency outcomes with statewide goals. Outlining a vision for Virginia’s future – including responsible economic growth, an enviable quality of life, good government, and a well-educated citizenry – the state has defined key metrics like obesity in adults, graduation rates, and acres of land preserved to gauge whether it is getting results on its highest priorities.

2. Align Authority and Revenue with Responsibility for Results

The goal of restructuring is not to move all functions from the state to local governments – but to ensure the most appropriate alignment of program design and resource allocation to get the job done in communities and regions. While this may mean the state takes on duties that are now performed by counties, in general this new alignment will shift authority and responsibility from the state to the community or regional scale. In addition to the traditional levers of control, local governments will need incentives to encourage the organizational behavior needed to improve results. With new authority, accountability becomes possible and expected.

For more than 25 years, advocates and administrators have contemplated ways to restructure the State’s top-down approach to fiscal control and program authority. While it is possible to develop small-scale policy solutions at the city or county level, a politically viable and statewide approach to fiscal restructuring has proven elusive. The State’s practice of shifting funds that local governments depend upon to balance the State’s budget has only further complicated this situation.

The State’s chronic fiscal problems in the first decade of this century – and the escalation of a fiscal crisis since 2008 – have forced the state to “realign” some responsibilities as a way to resolve budget issues. As noted in hearings by the Senate Local Governance and Finance Committee in 2011, the real imperative is to create a governance solution that improves results, as well.

REALIGNMENT – ONLY A FIRST STEP

In the 2011-12 budget, the Governor and the Legislature took a substantial step toward this goal by giving control over and fiscal responsibility for a range of public safety and health and human services programs to counties. These programs include community corrections, along with mental health, substance abuse, foster care, child welfare services, and adult protective services. The Budget Act provides local governments with \$5.1 billion to operate these programs with revenue from about 1 cent of the State’s share of the sales tax.

The 2011 Realignment can serve as a cornerstone for the comprehensive and more holistic restructuring consistent with the recommendations in this Framework. This realignment effort recognizes – but does not fully put in place – the local flexibility and control over resources needed to improve results. In the case of AB 109, it also does not include an evidence-based and collaborative approach to developing community strategies.

A GENERATION OF EXPERIMENTATION WITHOUT TRANSFORMATION

California has experimented over the last 20 years with giving local governments greater flexibility or incentives to encourage innovation and collaboration. These forays toward reform often started with the goal of systemic change, but were scaled back either because of the political resistance to statewide reform or an inability to fund a program statewide, even if the effort was cost-effective over the long-term. Among the experiments:

Youth Pilot Program

In 1993, AB 1741 established a pilot program for five counties to integrate service delivery systems for high-risk children and their families with the help of flexible funding and the removal of regulatory or statutory barriers. Each county's Interagency Children's Services Coordinating Council developed a county strategic plan identifying statutory and regulatory barriers for removal, opportunities to blend funding, and an outline for the provision of integrated services.

Foster Care Wraparound Services

In 1997, Foster Care Wraparound Services was established under SB 163 to return children and youth in group homes to their own homes and communities or to help children at imminent risk of placement in high-end group homes to remain in their homes. SB 163 permits counties to use flexible state foster care funding for planning and services delivery instead of use for placements of children/youth in high-end group homes.

Juvenile Crime Enforcement and Accountability Challenge Grant Program

In 1996 the Legislature initiated the Juvenile Crime Enforcement and Accountability Challenge Grant Program to promote the development of integrated collaborative approaches to address local problems of juvenile crimes and delinquency. Under this program, participating counties established Juvenile Justice Coordinating Councils and developed local action plans to implement innovative community based projects targeting at risk youth and youth offenders.

Mentally Ill Offender Crime Reduction Demonstration (MIOCR) Grants

The Mentally Ill Offender Crime Reduction (MIOCR) grant program, established through enactment of AB 1811 in 1998, supported locally developed demonstration projects to reduce recidivism and promote long-term stability among mentally ill offenders. Through the development of a multi-agency Strategy Committee, participating counties developed and implemented comprehensive plans to deliver a continuum of services to reduce crime, jail crowding, and criminal justice costs associated with mentally ill offenders.

County Integrated Health and Human Services Program

In 1999, AB 1259 established the County Integrated Health and Human Services Program which authorized Alameda, Humboldt, and Mendocino counties to implement funding and delivery of services and benefits through an integrated and comprehensive county health and human

services system. Counties under AB 1259 are authorized to request the removal of statutory and regulatory barriers to implementing their integrated services programs.

Homelessness and Mental Health Services Grants

In 1999, AB 34 established demonstration programs in California to reduce homelessness among people with mental illness by providing integrated services to severely mentally ill adults who are homeless or would otherwise be at risk of homelessness. In 2000, AB 2034 expanded this program to authorize flexible funding for the provision of comprehensive services including outreach, supportive housing and other housing assistance, employment, substance abuse, and mental and physical healthcare.

Title IV-E Child Welfare Waiver Demonstration Capped Allocation Project (CAP)

In 2006, the California Department of Social Services received federal approval to implement a waiver demonstration project to assist Alameda County and Los Angeles County in developing and implementing alternative services to foster care to improve child and family outcomes for dependent and delinquent children. Through a capped allocation strategy, CAP counties are authorized to spend federal foster care funds flexibly, without regard to children and family eligibility or placement in out-of-home care.

LOCAL CONTROL – MAJOR STATEWIDE EFFORTS

In addition to these local pilot projects, there have also been several notable statewide efforts to give local governments statewide more authority and flexibility.

The California Constitution Revision Commission

The [California Constitution Revision Commission](#) of the 1990s advocated a new home rule authority that would have granted local governments more authority to establish their own charters. While the recommendation did not advance, it was recognized as a viable alternative to writing legislation in Sacramento that will work for everyone in an increasingly diverse state.

Welfare reform

Welfare reform in the mid-1990s also broke ground in giving authority to local governments with its creation of CalWORKs. This welfare-to-work program refocuses public assistance on strategies, timelines, and metrics to increase results, while also acknowledging that individual counties would need to design some programs to be successful in local conditions.

2011 Realignment

The [2011 Realignment](#) gives counties broad authority to craft “evidence-based” strategies. By leaving it up to counties to allocate the resources, state officials have encouraged at least some level of cooperation among some of the agencies involved in criminal justice. State officials have not yet determined how to realign authority for the other programs that are part of the realignment effort, however, nor identified a long-term funding mechanism.

WHY PAST EFFORTS HAVEN'T LED TO SYSTEMIC CHANGE

The heart of each of these efforts wasn't just greater local control, but greater local cooperation. The experiments and pilot projects of the past – and the growing evidence from around the nation, as well as other countries – reveal the inevitable relationships between education, public safety, social service, and employment programs. Most of the street-level activities for these services occur at the neighborhood or community level. While the state has an interest in the effectiveness of these programs, it has been unable to craft a new set of rules that appropriately defines the local authority needed to best achieve a statewide interest.

Still, policymakers in California have struggled to translate “pilots into policy” – even when there have been deliberate efforts to do just that. It is important to understand the real and legitimate barriers to previous system change efforts:

- **Zero-sum financing:** California's complicated revenue structure and fiscal practices have frustrated efforts to align revenue – particularly new revenue – to new organizational structures. As a result, past discussions of restructuring have revolved around either diverting money from existing programs or shifting control of those resources to different units of government. This “zero-sum” dynamic has thwarted change, even when it is in the long-term interest of communities involved. Funding issues have also resulted in progress that cannot be sustained. For example, while wraparound services are cost-effective over time, they are costly nonetheless. In lean times, these services are viewed as nonessential and are cut, even if the long-term result is even costlier (e.g. more people in mental health institutions and prisons).
- **“Statewideness:”** There is a strong interest on the part of many advocates to seek and maintain uniformity among the services offered in different communities. Much of this concern is based on a desire to protect civil rights or equity across communities, which is defined as access to services. Some local government officials express concern that by giving local governments more control, some communities won't offer adequate services. Meanwhile, the state government has difficulty overcoming the inertia of the status quo: Even though the state has an interest in the effectiveness of these programs, lawmakers have been unable to craft a new set of rules defining a set of local authorities that adequately achieve every possible variation on local needs.
- **Disagreement on policy goals:** Stakeholders often have philosophical disagreements about how to best solve a problem, as well as an unwillingness among some stakeholders to have those issues settled at a community or regional level.
- **The state's role in adequate funding:** Even before Proposition 13, the state played a large role in helping to equalize funding. Increasing local fiscal control raises concerns that low-income communities will have fewer services than high income communities.

THE RIGHT NEXT STEPS

The challenge of local authority over program design is two-fold. The first is how much discretion can be given to local officials without undermining statewide interests. The second is how to craft rules that work in rural counties that do not have incorporated cities, as well as large urban counties with dozens of cities of various sizes. These considerations apply to policy and program design, as well as the fiscal system.

Program elements

The pilot projects, various commission reports and the experiences shared in the stakeholder roundtables suggest that government agencies would be able to work better together if the with the following approach:

1. **Encourage a focus on results to sustain a focus on shared goals.** As stated in Principle and Proposal I, a focus on outcomes has to be a primary driver of defining authorities, encouraging behavior and restoring accountability to the people. This is the best way to enable continuous improvement and create public accountability.
2. **Enable communities to define the flexibility they need to meet a statewide goal.** While many barriers may be the same in many communities, it is politically difficult to rewrite statewide rules to satisfy all concerns. Those concerns and tradeoffs need to be worked through at the level of government responsible for delivering services. Politics won't be eliminated by a locally driven process, but moving more authority to the local level can at least align policymaking and politics with local program management. This will increase the public's access to decision-makers, which can lead to more accountability.
3. **Encourage collaboration to drive results and accountability.** The purpose of greater local control is to improve results, but in most cases that improvement will require governments working together. The current governmental culture resists cooperation as much as it does innovation and risk, so regulatory and fiscal incentives are needed to encourage cooperation, collaboration, and integration as appropriate to drive results.
4. **Encourage communities to direct existing revenues to a shared goal.** In nearly all years, uncommitted funds are not available to drive change, and without new money there are few incentives for government agencies to act differently. This time of scarcity is prompting many officials – mostly in community-level governments – to do things they would not otherwise do, including sharing resources to advance a goal they cannot accomplish with their own limited authority and declining resources.

Revenue elements:

Similar to program authority, local governments need more control over the fiscal aspects of the services they deliver. In some respects, local governments need some of the authority over the allocation of resources they lost through Proposition 13, even if the property tax limitations

are not changed. Previous recommendations and the discussions by the stakeholders suggest that reforms should provide the following:

1. **Provide local governments more control over local revenue.** Local control has three components:
 - The state should not interfere in the direction, redirection, or use of local revenue.
 - Local governments, working together by consensus within an established process, need authority and incentives to allocate local resources to reflect changing public priorities and to encourage efficiencies and better outcomes.
 - It is critical to service delivery and public accountability that each agency delivering a service maintains control over and responsibility for its funding.
 - Within some limits, local taxpayers need appropriate control over the level of taxation.
2. **Align revenue sources with the appropriate level of government.** This match reflects service responsibility and the administrative and economic nature of the tax. This could include reassigning revenue streams to local governments that are given more responsibility. For example, is the property tax more appropriate for municipal services? Are sales and other transaction taxes a more appropriate way to fund county and regional scale services?
3. **Encourage revenue sharing agreements among governments.** Fiscal incentives are some of the most effective tools the state can use to encourage service integration. Most of the state's largest programs are fundamentally interrelated. Revenue sharing agreements can support strategies for integrating services and targeting resources to community and regional priorities and needs. A realigned revenue system should allow for that cooperation, while other state-based revenues should be allocated to reward cooperation. This might involve sharing savings, for example, or revenue pooling at the countywide or regional scale.

WHAT ABOUT PROP 13?

The legal agreements described here would not require changes in the tax rate or the property assessment system established by Proposition 13. In the case of the property tax, they would reassign responsibility for allocating the existing tax from the State to local governments.

After considerable discussion and debate about the tradeoffs and consideration in restructuring the state-local fiscal and program relationship, the following principal and proposal was crafted to capture the broadest consensus.

PRINCIPLE 2

Transforming the performance of public programs will require systematic change, not just shifts in responsibilities and resources. The new structure needs to be supported by a restructured fiscal system that constitutionally guarantees control of revenue to the level of government responsible for delivering services. In addition, aligning authority and responsibility with those resources is essential to encourage the integration needed to improve results.

PROPOSAL 2 – ALIGN AUTHORITY WITH RESPONSIBILITY

California is too large and diverse for a one-size fits all approach to a new governance model. To effectively meet local needs – and to improve the results of public programs – local governments will need more control over programs and revenues. One approach would be to give local governments the authority in the constitution and statute to organize and finance their responsibilities, while the state continues to play an important role balancing community strategies with statewide interests.

PROGRAM AUTHORITY FOR LOCAL GOVERNMENTS

To improve outcomes, local governments need authority, incentives, and the pressure of political accountability to voters and taxpayers for results. Some of the specific elements:

- **Increased authority over local programs:** Local governments need greater discretion in how to meet statewide objectives of state programs. This flexibility is needed so elected leaders can tailor programs based on local demographics, economic factors, community partners and other factors.
- **The ability to develop strategies and partnerships:** Local governments should have more flexibility and incentives to work together and with community-based organizations.
- **The ability to integrate services:** Some state rules that are intended to prevent bad outcomes or choices by elected leaders ultimately hold back innovative governments. Other barriers are political, which can be overcome with the right incentives and public pressure. Federal rules can also limit innovation, and state officials must champion California's cause with their federal counterparts.
- **More control over local revenue allocation:** As part of any of the revenue realignment options outlined below, local governments also need a constitutionally provided mechanism to give them greater control.

HOW TO GET THERE: This proposal would allow counties, cities, K-12 schools, community college and special districts to develop a Community Services Strategic Action Plan to perform functions and provide services mandated by state or local law in an integrated manner that will improve results.

- The Community Services Strategic Action Plan would be approved by the governing body of each of the participating jurisdictions and would outline the goals of the plan, describe the public services that will be delivered through the plan, and explain why those services can be delivered more effectively and efficiently under the plan than by state law.
- The plan would include expected outcomes that the participating entities will achieve and a method for regularly measuring and reporting outcomes to the public and to the state.
- Through the action plans, communities would be able to identify statutes or regulations that are barriers to the effective and efficient delivery of service, and identify an alternative procedure – provided that the Legislature had not determined the state provision to be a matter of statewide importance.
- Once an Action Plan is adopted by the agencies within the county and accepted by the State, those local governments would have the flexibility provided for in the plan and access to additional authority over resources provided by the revenue elements below.

TOWARD A RESULTS-BASED REVENUE STRUCTURE

In addition to program authority, improving the outcomes of community services will require giving local government more discretion over revenues. A more simple fiscal system also should enable Californians – as advocates, clients, citizens, and taxpayers – to more easily express their desires and hold government accountable.

Discussions with community leaders and stakeholders validate the conclusions of previous reform discussion on the central elements of a revenue structure to support improved community services:

1. **Local governments need control of local revenue.** Local control has three components:
 - The state should not interfere in the direction, redirection, or use of local revenue.
 - Local governments, working together by consensus within an established process, need authority and incentives to allocate local resources to reflect changing public priorities, and to encourage efficiencies and better outcomes.
 - It is critical to service delivery and public accountability that each agency delivering a service maintains control over and responsibility for its funding.
 - Within some limits, local taxpayers need appropriate control over the level of taxation.
2. **Revenue sources should be matched to the appropriate unit of government.** This match reflects service responsibility and the administrative and economic nature of the tax. This could include reassigning revenue streams to local governments that are given more responsibility. For example, is the property tax more appropriate for municipal

services? Are sales and other transaction taxes a more appropriate way to fund county and regional scale services?

3. **Revenue sharing agreements between governments should be encouraged.**

Fiscal incentives are some of the most effective tools the state can use to encourage service integration. Most of the state's largest programs are fundamentally interrelated. Revenue sharing agreements can support strategies for integrating services and targeting resources to community and regional priorities and needs. A realigned revenue system should allow for that cooperation, while other state-based revenues should be allocated to reward cooperation. This might involve sharing savings, for example, or revenue pooling at the countywide or regional scale.

HOW TO GET THERE: Local governments need the flexibility to decide how to spend resources to carry out these strategies. These revenue options are intended as fiscal incentives to encourage local governments to define local strategies for improving outcomes, while also increasing transparency and accountability for program results.

Element 1: Dedicate existing state resources toward integrated services and improving results.

- **Element 1A – Building on Realignment:** To build upon the 2011 Realignment, a constitutional amendment should protect the revenues in California's new Local Revenue Fund by setting aside 1 cent of the state sales tax for state realigned services. The amendment would allow these funds—totaling approximately \$5.1 billion—to be comingled at the local level to integrate services.
- **Element 1B – Expanding to Block Grants:** In addition to Element 1A, the State could also provide local governments with block grants to fund programs in the areas of criminal justice or health and children's services. The purpose of the grants would be to provide local government with maximum flexibility in the delivery of services and encourage interagency collaboration. Local governments would allocate local and state funds among themselves for the purpose of improving shared outcomes. Participating governments would have broad discretion over service delivery, flexibility in comingling program funds, and flexibility in how to meet statutes and regulations.

Element 2 - Give local governments the authority to manage revenue: Local governments need the authority to develop local agreements for reassigning responsibilities and revenue in ways that improve results and make government understandable to the public. A new constitutional authority could be created to give local governments the power to allocate and share locally levied revenues including the sales, use and property taxes.

Without expanding the size or type of local revenues, this authority could give local governments the power to use existing revenues to break down silos and integrate services. These agreements would require the approval of each participating local agency.

Element 3 – Increase local revenue: To increase the transparency and stability of public services, voters may decide that local governments require more revenue. To accomplish this, several broad changes to the tax structure could be considered. One example of this might involve providing revenue from a broader sales tax base—about \$5 billion, depending on the services involved—to local governments for community services. These new revenues, allocated on a per-capita basis countywide, would be less volatile than current funding streams because they reflect recent structural changes to the state’s economy.

Element 4 – Provide a resource base for regional infrastructure and workforce development: While the State place’s a significant role in financing and regulating the ingredients of regional economic development, those efforts are not coordinated and not driven by regional strategies. To encourage strategic investments and improve the cost-effectiveness of regulations, a new model should provide fiscal incentives to local governments to develop a regional ways to address infrastructure, environmental, and workforce development issues. Elements of such a system might include all or a portion of each of the following.

The Strategic Growth Council – which is already charged with integrating state activities and awarding grants for local integrated planning – would work with regions to identify local coordinating entities and regional boundaries. These regional entities should have the authority to seek local funding to match state allocations. The options could include:

- Increase the vehicle license fee up to 1 percent or a regional sales tax up to 1 percent dedicated to an adopted strategic plan for regional infrastructure and workforce development. The regional plan would contain polices, priorities and a process for allocating revenues within the region to create the human resources and infrastructure to attract jobs.

POTENTIAL MODELS (see these and more online at CAFWD.org/bestpractices)

- **[SB 678](#):** In 2009, to address the problem of repeat offenders accounting for 40 percent of new felony prison admissions, the state Legislature passed SB 678, also known as the *California Community Corrections Performance Incentives Act*. Drawing from evidence-based practices in other states, the legislation established a new performance-based funding system to supervise the state’s adult felony probationers. This legislation requires interagency collaboration, and provides a financial incentive to locals for achieving outcomes by reallocating state savings to local programs.
- **[1991 Realignment](#):** In 1991, the state enacted a major change in the state and local government relationship that involved the transfer of some mental health, social services, and health programs from the state to county control. This realignment altered program cost-sharing ratios and provided counties with dedicated tax revenues from the sales tax and vehicle license fee to pay for these changes.

3. Adjust the State Role

There are vast social, economic, and geographic differences in California. State leaders must balance their desire to tell local government how to achieve statewide goals with the need for local leaders to develop and execute strategies that make sense in their communities. While the State may give up uniformity in how services are provided, the potential upside is continuous improvement in outcomes, even if some communities get better faster than others.

The State's role after restructuring would include the following:

Establishing statewide performance objectives

- Defining the State's desired outcomes. That is, establishing what it is the State is trying to achieve – as well as establishing statewide performance and equity standards.
- Ensuring data are collected and publicly available. Cost, performance and other data are essential tools for state and local officials, as well as the public.

Tying statewide objectives to performance-based budgeting and management.

- To be effective, performance data must be tied to state-level decision-making, including the budget decisions that may remain at the state and the management of the new support role.

Assisting local governments to meet outcomes

- **Technical assistance:** serving as a convener of peer-to-peer technical assistance that will allow successful communities to share analyses, best practices, and expertise with other parts of the state. This should involve an annual assessment by state departments of county program outcomes to identify areas in need of support, coordination, and assistance.
- **Fiscal incentives:** encouraging improvements in strategy and execution.
- **Performance mechanisms:** encouraging continuous improvement (publishing performance data, for example). This will help refocus local governments on pursuing success instead of avoiding failure.

Intervening when local governments fail to meet statewide objectives.

This might include:

- State intervention, which should be handled by having another successful local agency – a peer, in other words – help a failed agency restructure or stabilize. Agencies falling short of performance thresholds could receive technical assistance from teams made up of state and peer administrators. They also could be assisted by consortiums of experts like the Fiscal Crisis Assistance and Management Team or the UC Davis Center for Human Services.

- The State's role would be to set performance standards for when the failed agency could resume full operations.
- Sanctions and/or temporary state takeovers of local administration involving state administrators assuming local powers should be avoided whenever possible and considered a last resort.

Reconsidering the role of state agencies.

- Given their new roles, the functions and responsibilities should be reviewed to eliminate overlapping functions or to pursue opportunities for consolidation.

After considerable discussion and debate about the State's future role in improving locally delivered programs, the following principal and proposal was crafted to capture the broadest consensus.

PRINCIPLE 3

In the new structure the State has an essential role of establishing – in collaboration with local agencies – statewide outcomes reflecting statewide goals and values, ensuring that data is available to measure effort and performance, and facilitating learning and best practices to encourage continuous improvement.

PROPOSAL 3 – ADJUST THE STATE ROLE

In addition to the previous recommendations, the State needs to restructure legislative and executive activities to provide a new form of leadership focused on driving improved results at the local level. The State also will continue to play a vital role in ensuring minimum standards across the state to maintain equity. It should do this by establishing a set of basic standards that include prohibiting counties from discontinuing obligations to provide services under current law or reducing eligibility for services. Specifically, the state's role will be to:

- Establish the Big Five Outcomes for state programs in collaboration with local communities, and measure indicators of success annually.
- Incentivize collaboration among local programs based on evidence-based practices.
- Provide encouragement and serve as a convener of peer-to-peer technical assistance, so successful local governments can share best practices around achieving better outcomes and improving fiscal management. This also should include performance-based management training.
- Quantify savings to the State based on positive outcomes (e.g. reducing the number of people who return to prison because of improved re-entry efforts can be directly tied to a reduction in state prison operating costs).
- Allow cities, counties, schools, and special districts to retain local savings.
- Streamline regulations that impede economic development and reduce micromanagement compliance activities that detract from a local focus on outcomes.

- Act as an advocate on behalf of local governments before Congress and federal agencies, to forge a partnership around federal programs and funds.
- Focus state budget-making on improved performance:
 - Performance-based budgeting: The Governor and legislators should establish clear goals and performance measures for all programs. At least once a year, as part of the budget process, lawmakers must review programs to determine if they should continue, or how they can be improved.
- When local governments chronically underperform or fail to meet statewide objectives, the State should intervene in the following ways:
 - State intervention should involve having another successful local agency help a failed agency restructure or stabilize. Agencies falling short of performance thresholds should receive technical assistance from teams made up of state and peer administrators. These teams could include consortiums of experts like the Fiscal Crisis Assistance and Management Team or the UC Davis Center for Human Services.
 - The State's role would be to set performance standards for when the failed agency could resume full operations.
 - Sanctions and/or temporary state takeovers of local administration should be avoided whenever possible and considered a last resort.

POTENTIAL MODELS (see these and more online at CAFWD.org/bestpractices)

- [Washington State Priorities of Government](#): This budgeting approach creates a strategic framework for public investment decisions, prioritizing activities that guide the governor's budget proposal to the Legislature – and helping communicate that budget to the public. As part of the plan, every agency in Washington has been asked to answer eight questions related to whether their activities are essential to state government and whether they are being delivered in the most cost-effective manner.
- [Council on Virginia's Future](#): The Council on Virginia's Future was established in 2003 to develop a vision and long-term goals for Virginia's future. It also was tasked with developing a performance leadership and accountability system for state government that aligns with and supports achieving the vision.
- [The Commission for a New Georgia](#): The Commission for A New Georgia was established in 2003 by Governor Sonny Perdue to launch a management turnaround that would make Georgia the best-managed state in America.
- [The Prime Minister's Delivery Unit](#): The Prime Minister's Delivery Unit was established in June 2001 by former British Prime Minister Tony Blair to strengthen the government's capacity to deliver across education, health, crime and transport.
- [Substance Abuse Mental Health Services Administration \(SAMHSA\)](#): SAMHSA is a federal program that allocates funding to the states for substance abuse services and requires recipient agencies to document performance and report information as a condition of receiving funding.

4. Foster Regional Collaboration

Many of the challenges facing California's communities – workforce development, land-use, and environmental issues, in particular – can be most effectively handled not just by one or two counties, but by local agencies working collaboratively across the state's economic regions.

Local governments including K-12 schools and community colleges can be given incentives that encourage communities to work together with the private sector to create the workforce and infrastructure needed to bolster the state's regional economies. The State should not add another layer of bureaucracy, but rather provide the right fiscal and regulatory incentives to encourage public agencies and private entities to coordinate their efforts and integrate activities. This will help local entities find innovative ways to achieve the Big Five Outcomes.

Examples of regional solutions and their benefits often involve land-use and transportation:

- **Metropolitan Planning Organizations:** Created in the 1960s to coordinate distribution of state and federal transportation funds, MPOs are venues for representatives of local government and state transportation authorities to come together to make long-term transportation plans for different regions. Over the years, these groups have often proved to be effective collaborative models – taking into account available funds, the region's integrated goals, and the needs of the region's residents.
- **The California Inter-regional Blueprint:** This effort to link statewide transportation goals and regional transportation and land-use goals produced a unified transportation/land-use strategy.

One barrier to regional partnerships is the disconnect between regional entities and the State's core fiscal system. As a result, many regional activities rely on the goodwill of cities and counties to coordinate their efforts.

Local strategies for infrastructure investments and workforce connectivity are already coordinated by existing regional agencies and structures that can be linked to outcomes-based plans for schools, cities, counties, and special districts. These include:

- Metropolitan Planning Organizations
- Regional economic development initiatives
- Joint Powers Authorities, such as Councils of Government
- Multi-county special districts (the East Bay Regional Parks District, for example, or the Bay Area Rapid Transit Authority)

After considerable discussion about the tradeoffs associated with regional coordination the following principal and proposal was crafted to capture the broadest consensus.

PRINCIPLE 4

The new structure needs to provide regulatory, fiscal and other incentives to encourage cooperation among local governments in partnership with the private sector to efficiently and effectively meet regional needs. This strategic alliance should align public efforts with regional economic activity and match the scale of effort to the magnitude of regional challenges.

PROPOSAL 4 – FOSTER REGIONAL COLLABORATION

To encourage cooperation among local governments to efficiently and effectively meet regional challenges that cross city and county lines, the state constitution should be amended to allow cities, counties, schools, community colleges, and special districts in a region to create regional convening and coordinating bodies devoted to improving workforce development. These entities should be designed locally under a uniform statewide set of statutory authorities that would give them the power to provide regulatory, fiscal, and other incentives to encourage cooperation among local governments to meet regional needs. This should include a particular focus on developing a robust pipeline between the educational system and the workforce needs of the regional economy.

The Strategic Growth Council, developed to integrate state actions related to regional growth issues, would be responsible for designating an entity with boundaries matching the regional economy. Depending on the needs and resources of different regions of the state, this new regional authority could be granted to an existing regional entity like a Council of Government, an existing convening body like a state university, or, where appropriate, another grassroots regional collaborative entity.

No matter where this authority is vested, to promote progress towards the Big Five Outcomes, these regional bodies should include members from all of the governmental entities in a region. This includes cities, counties, schools, community colleges, and special districts.

A few examples of how different regions might use this new authority:

- **COGs:** The state's regional system of voluntary Councils of Governments is institutionally inadequate to the task of fostering regional collaboration because COGs only include cities and counties and because most COGs are focused exclusively on regional transportation, housing, and environmental planning issues. Regions could choose to make a constitutional change to extend the Joint Powers Authority of their COG to make it more representative by including schools, community colleges, and special districts. This authority would also allow them to develop incentives to encourage development of a robust workforce pipeline.
- **State Universities:** Some regions could choose to invest this new authority in their local state university, instead of their COG, and use the university as a regional

convener. A state university public policy institute, for example, could be responsible for bringing local governments and the private sector together on a regular basis to address regional issues.

- **Other Regional Entities:** Some regions could opt to build their regional education and workforce using existing collaborative entities. In the Central Valley, for example, this might include the California Partnership for the San Joaquin Valley, a public-private partnership established by Gov. Schwarzenegger in 2005 that includes the eight counties of the San Joaquin Valley. The Partnership continues today to bring together representatives from state agencies, each COG in the region, and members of the private sector to focus on improving the region's economic vitality and quality of life.

POTENTIAL MODELS (see these and more online at CAFWD.org/bestpractices)

- [Senate Bill 375 \(Chapter 728, Statutes of 2008\)](#): SB 375 directs the Air Resources Board to set regional targets for the reduction of greenhouse gas emissions. Aligning these regional plans is intended to help California achieve GHG reduction goals for cars and light trucks under AB 32, the state's landmark climate change legislation.
- [Strategic Growth Council grants](#): The Strategic Growth Council manages and awards grants and loans to support the planning and development of sustainable communities. These grants aim to coordinate the activities of state agencies to improve air and water quality, protect natural resources and agriculture lands, increase the availability of affordable housing, improve infrastructure systems, promote public health, and assist state and local entities in the planning of sustainable communities.
- [California Partnership for the San Joaquin Valley](#): The California Partnership for the San Joaquin Valley is an unprecedented public-private partnership sharply focused on improving the region's economic vitality and quality of life for the 3.9 million residents who call the San Joaquin Valley home. The Partnership is addressing the challenges of the region by implementing measurable actions on six major initiatives to help the San Joaquin Valley emerge as California's 21st Century Opportunity.
- [California Stewardship Network](#): The California Stewardship Network is composed of 11 diverse regions across California who came together to develop regional solutions to the state's most pressing economic, environmental, and community challenges.
- [California Regional Economies Project](#): Through a regional perspective, the California Regional Economies Project improves understanding of how the economy is changing, where changes are concentrated, and what catalysts and conditions are causing those changes. In addition, the project assesses how change in one region affects other regions and the state as a whole.
- Several outcomes-focused, reported metrics might be used regionally:
 - [California Regional Progress Report](#) (California Strategic Growth Council)
 - [Re-Imagining California, A Sustainable Future for the Golden State](#) (Women's Environmental Leadership League "WELL" Network)

5. Evaluate Efficiency of Operations

For most of the last 60 years, as California has grown, the number of cities has also grown, often as a way to ensure local control. Since the 1990s, this growth in the number of local governments has begun to level off, while the number of special districts has actually declined. Even while this small-scale consolidation has been occurring, the state has not yet grappled with the challenges of how to organize local governments' myriad of municipal functions – or how to improve the efficiency and effectiveness of how community services are delivered. From a local perspective, many existing political boundaries may appear justifiable, though opportunities do exist to review – and improve upon – the delivery of local services.

This process should build on the work of the *Commission on Local Governance in the 21st Century*, which issued a report in 2000 recommending revisions to the laws that govern city, county, and special district boundary changes.

Even after many of these recommendations were enacted, an abundance of governmental entities remain in California. The state has 58 counties, 482 cities, more than 1,000 school districts and more than 2,000 enterprise independent special districts. These local governments provide a wide range of services, usually to meet specific local needs, and should have their functions and efficiencies continually assessed.

Options for encouraging political and functional reorganization:

- More authority could be given to local governments to initiate proceedings for functional and or organizational consolidation of agencies through their LAFCo, provided that all entities involved ultimately agree on the reorganization.
- Reduce thresholds and barriers to functional reorganization.
- More authority could be given to Local Agency Formation Commissions (LAFCOs), countywide groups that ensure the orderly formation of local government agencies in every California county.
- Public release of data and analysis, including cost and performance comparisons. The state could provide fiscal incentives, including one-time matches for documented cost savings.

Functional integration:

- Smaller units of government could be given technical assistance for sharing administrative, maintenance, technology, and other functions, while still being able to maintain political autonomy and accountability.

After considerable discussion and debate about the opportunities for efficiencies and how to achieve them, the following principal and proposal was crafted to capture the broadest consensus.

PRINCIPLE 5

Government should be organized in a way that most cost-effectively improves results. Local agencies need the incentives and the analysis to make organizational or functional consolidations to reduce costs and improve service.

PROPOSAL 5 – EVALUATE EFFICIENCY OF OPERATIONS

More authority should be given to Local Agency Formation Commissions (LAFCo), countywide groups that ensure the orderly formation of local government agencies in every California county. LAFCos should be authorized to expand their current practice of collecting information about how municipal services in each county are organized – and should begin to analyze how local governments are *performing*, as well.

In addition to their current work, this would require LAFCos to conduct analyses of every government agency in the county and region and present standardized data on their quantity, cost, and effectiveness. This should include public release of data and analysis, including cost and performance comparisons. It could also include fiscal incentives from the state, including one-time matches for documented cost savings.

- This LAFCo review process should take advantage of existing LAFCo municipal service reviews, comprehensive studies designed to better inform regional bodies, local agencies, and the community about the provision of municipal services. These reviews should also be extended to include Joint Powers Authorities, which are not currently reviewed by LAFCos or any other county body.
- LAFCo reviews should also include regional analyses identifying the number of jurisdictions in each region, their boundaries, the role of each agency in the jurisdiction, these agencies' goals and results, and any opportunities for consolidation or collaboration. This process should be coordinated with the newly-empowered regional workforce development entities discussed in Proposal 4.
- Because LAFCo reviews do not currently include schools, County Offices of Education, working in collaboration with LAFCos as needed, should be authorized to conduct their own “service review” studies of county school district boundaries and size.

POTENTIAL MODELS (see these and more online at CAFWD.org/bestpractices)

- [Orange County LAFCo Shared Services Program](#): With local governments in Orange County struggling to balance rising costs and reduced revenues, the Orange County LAFCo developed a program in 2011 to help agencies share services. The Shared Services Working Group identified a wide array of potential opportunities, including: fleet maintenance, human resources, water quality monitoring, IT support, landscape maintenance, construction administration, meter reading, rodent control, and tree trimming, among others. Based on direction from the LAFCo and workgroup, LAFCo staff developed a web-based tool that matches agencies seeking services with agencies

offering services—an “eHarmony,” of sorts, for municipal service agencies. The end result is a no-cost, user-friendly resource for local agencies in Orange County interested in sharing services to be matched with agencies that have excess capacity.

- [A New NY: A Blueprint to Reform Government](#): In 2008, The New N.Y. Government Reorganization and Citizen Empowerment Act was enacted into law to reduce New York's 10,521 overlapping governments. In his 2011 State of the State speech, Gov. Andrew Cuomo proposed a set of grants at up to \$100,000 each for local communities to conduct dissolution and consolidation studies.
- [San Mateo Regional Fire Services](#): This memo estimates that the cost of fire protection in San Mateo County could be reduced by nearly \$17 million if five cities and the county jointly contracted with a single entity rather than using five separate fire departments.
- [Sacramento City-County Functional Consolidation](#): A 2010 report identified annual savings upward of \$5 million if the City of Sacramento leveraged functional consolidation opportunities with the County of Sacramento. The following savings would be achieved if the city and county consolidated: emergency dispatch communication (\$2.2 million); major crimes investigation (\$750,000); police property and evidence management (\$290,000); police special teams units (\$840,000); police air support (\$200,000-\$500,000); and, animal care services (\$308,000).
- [California School District Unification](#): In 1964, to encourage voters to form unified school districts, AB 145 (Unruh) stipulated that the funding level for qualified unified school districts be increased by \$15 per ADA. In addition to increasing support for unified school districts, for each elementary school district that voted in favor of unification, even if the whole proposition failed, the funding level of that district would be increased by \$15 per ADA.

Implementing with Accountability

Most of the benefits from a restructured governance model will come from smartly implementing the new structure to develop evidence-based strategies and deploy proven programs that focus services on better outcomes, involve residents in local decision-making, and ultimately make government more accountable and transparent.

While much of the initial thinking regarding restructuring rightly focuses on what the new structure will look like, even more attention will ultimately need to be put into implementation. To make restructuring a success, residents will need to be more involved in the decisions that will change the way they interact with their government. Given the range of potential service and funding options, the early stages of implementation will consist of mostly local choices – monitored by the state – including setting priorities, identifying community assets and partners, evolving programs to incorporate best practices, and critiquing results to provide for continuous improvement.

Leaders at the state and local level will need to adjust to their new roles and responsibility – and work to incorporate a culture of results and accountability. State and local officials will need to work more collaboratively to anticipate problems and proactively respond to resolve conflicts and seize opportunities for reinforcing the new culture. And it will provide an opportunity for legislators – as policymakers – to develop their own mechanism to jointly monitor progress and assertively change statutes or regulations that impede progress.

All of these considerations will best be acted upon with greater involvement from community level leaders – in the public and private sectors – who champion improvements at the community level. Today's governance system makes it difficult for Californians to hold their public officials accountable. Only through a more coherent and simplified structure – one that the public helps implement – will citizens be able to engage and regain confidence in government.

Conclusion

California's state and local governments must work better together for everyone. If Californians can come together to restructure the relationships between state and local governments, the state will see immediate benefits, from better outcomes to increased civic engagement. The experience of other states indicates that in five to seven years, a streamlined governance system also will lead to substantial fiscal savings and renewed private investment.

Continuous improvement in the performance of education and social programs will allow the state to shift resources from prisons back to universities. Reductions in the demand on safety net programs – along with increasing confidence in the performance of public programs – will also allow businesses to pay higher wages, while still remaining competitive. Growing middle-income jobs will reduce demand for public services and increase tax revenue.

Restructuring California's government, in other words, can be the beginning of a virtuous cycle – improved education, more workforce participation, better health outcomes, and less crime – that can lead to the best possible outcome: A government that achieves positive social gains in a financially sustainable way.

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Appendix 2 – Models for Revenue Reallocation

In developing ideas for a new local revenue model, *California Forward* considered several different forms of state assistance to help local governments meet underlying statewide goals for improved outcomes. Three models, in particular, continue to inform *California Forward's* revenue proposals.

The first is the *compact* model that is a formal bilateral agreement between the state and local governments that would outline roles, responsibilities and financing. The second is a fee-for-service model in which local governments could contract with the state to provide a service or vice versa. The third is a block grant model that simply sets up one or more broadly crafted grants to support locally defined services directed at improving outcomes for a targeted group such as children.

I. The Compact Model: A compact is an agreement formally entered into between the state and one or more local governments in which one or more of the governments transfers responsibility for the delivery of services to another under terms and conditions that include the resources needed to carry out the tasks. The governments responsible for the service would have broad discretion as to the manner of delivering the service subject to the accomplishment of mutually agreed-upon outcomes. The compact could be dissolved for cause or at the end of the term. The following two examples illustrate how the system might work.

- **Criminal Justice:**
 - Outcome target: Reduction in recidivism.
 - Model: The state and county agree that the county will house, supervise and provide rehabilitative services to offenders convicted of certain crimes (previously incarcerated in state prison). Judges will have broad discretion in sentencing and supervising offenders identified in the compact. The county will have broad discretion in using Medi-Cal, behavioral health and employment and training funds to house and provide rehabilitative services to offenders identified in the compact. State savings in per offender costs will be transferred to the court to fund the program.
- **Health/Human Services:**
 - Outcome target: Reduction in number of children living in poverty, improved health status, and improved independent living conditions for seniors
 - Model: The state and county agree that the county will be financially responsible for all TANF, Foster Care, IHSS, Medi-Cal Long-term Care, Behavioral Health and Child Support clients. The county will have broad discretion in establishing eligibility, applying sanctions and operating these programs. All federal funds received for these programs will be transferred to the county. All state funds appropriated for these programs will be transferred to the county. (The transfer

of state funds to the county could be partially offset if the state assumes 100 percent responsibility of all medically indigent adults.) Financial incentives would be available to counties and school districts that work together to improve health and educational outcomes for children. Under this model it may be possible to eliminate the state Department of Child Support and Department of Aging.

2. Pay-for-Service Model: The state will provide state aid to local governments to provide specific services at a minimum level of performance. The increased aid will be on a fee-for-service basis for designated services. The state would designate the performance outcomes and fees per client. County participation would be voluntary. Participating counties would have broad discretion over service delivery, flexibility in co-mingling program funds and freedom from state oversight and administrative rules.

- **Criminal Justice:**

- Outcome target: Reduction in recidivism.
- Model: The state identifies prisoners housed in state facilities that would be housed at the county level. The county would be reimbursed for all state prisoners transferred to the county and all county prisoners not sentenced to state facilities. The county would receive a fee per offender that would be sufficient to cover the cost of housing, supervision and rehabilitative services. Counties would be relieved of complying with state Board of Corrections standards. Counties that exceed the target reduction would receive an incentive payment from the state that could be used for any county purpose.

- **Health/Human Services:**

- Outcome target: Reduction in number of children living in poverty, improved health status, and improved independent living conditions for seniors.
- Model: The state identifies those clients in programs with blended state/local funding (e.g., TANF, Foster Care, IHSS, Medi-Cal, Long-term Care, Behavioral Health and Child Support) for which improved outcomes are desired. The county would receive a fee per client with improved outcomes in identified areas. Counties that exceed the targets for improvements would receive an incentive payment from the state that could be used for any county purpose.

3. Block Grant Model – Children First: The state could provide local governments with block grants in the areas of criminal justice, or health and children’s services. The purpose of the grants would be to provide local government maximum flexibility in the delivery of services and encourage inter-county and regional collaboration. Participating governments would have to pledge 5 percent of their general funds that would be matched by the state. Through joint powers authorities, local governments would allocate local and state funds among themselves for the purpose of improving agreed upon outcomes. Participating governments would have

broad discretion over service delivery, flexibility in co-mingling program funds and freedom from state oversight and administrative rules.

- **Criminal Justice:** Counties, cities and schools would provide services that would reduce crime, improve school attendance, and increase graduation rates.
- **Children:** Counties, cities, and schools would provide services that would reduce the number of children living in poverty, improve education outcomes, and increase the number foster children successfully transitioning to adulthood.
- **Health:** Counties, cities, and schools would provide services that would improve the health status of the community.

Appendix 3 – Examples of Successful Service Integration

Developing outcomes-based programs and integrated services can be a challenge in California today, but there are many examples of communities that are finding ways to improve outcomes within the constraints of the current governance system. Many of the lessons learned from these local efforts can be applied to statewide restructuring.

Counties – Even with the many limitations imposed by our current system, some counties have found ways to encourage their programs to focus on performance and collaboration. See below for just a few examples of counties that have integrated their own services – or partnered with cities, schools, and special districts – to improve outcomes.

- **San Diego County** – In the ten years since the county began integrating the agencies responsible for public health, mental health, alcohol and drug treatment, and foster care, the restructured programs have generated a total of \$230 million in savings for the county that have been reinvested in performance-based front-line services. Restructuring has helped the county streamline administrative costs, as well: Overhead for these agencies was 21 percent of their budgets when integration began; today it is less than 12 percent.
- **San Mateo County** – To encourage county agencies to work together to mitigate the health issues of the county’s most vulnerable groups, San Mateo has pooled the available resources of three large agencies – human services, juvenile probation, and mental health services. These newly integrated groups meet once a week to make joint decisions about what they now acknowledge are their shared clients. Over the past ten years, restructuring has resulted in a 50 percent reduction in the number of children being placed out of home, while also reducing levels of incarceration, homelessness, and hospitalization.
- **Santa Clara County** – The county’s new Center for Leadership and Transformation was created in 2010 to deploy elements of the Toyota management system – world-renowned for its elimination of waste – on the challenge of tying local government programs to performance. The teams’ early forays into restructuring have identified millions of dollars in savings in programs ranging from county IT systems to its hiring practices.
- **Contra Costa County** – The county’s Service Integration Teams bring together workers from public assistance, employment services, child welfare, probation, alcohol and drug abuse treatment, mental health, and public health into a single collaborative service delivery model.
- **Los Angeles County** – In the 1990s, the county adopted a multi-department set of “Principles of Family Support Practice,” after a study found that a substantial number of children and families were receiving services from more than one county department – and more than 1.3 million children alone were relying on services

provided by county government. These ‘Principles’ have encouraged health programs and social services to integrate their work, and have helped prevent many children and families from falling through cracks in the safety net.

Cities, Schools, and Special Districts – Many cities, schools, and special districts also have found ways to encourage public programs to integrate their services and collaborate to improve outcomes. Just a few examples:

- **City of Millbrae and City of San Bruno** – Originally designed as a pilot program to cut costs, these two cities have formalized their practice of sharing fire services under a single command staff in the past several years. The two fire departments share truck company services, emergency medical services, and even firefighter training – making more personnel available to respond to emergencies, and saving both cities hundreds of thousands of dollars annually. The cities also have recently started sharing police services, as well.
- **Oakland Unified School District** – Using the Joint Powers Authority, Alameda County, the City of Oakland, and the Oakland Unified School District have institutionalized an integrated service plan that allows programs from the county, the city, and the schools to work together to keep kids in school, lower Oakland’s high school suspension rates, and reduce crime. For the past 12 years, this initiative has brought together over 65 governmental agencies, community service providers, early childhood centers, and philanthropic organizations – which together design and fund programs for poor and vulnerable families. “When we put our staff into the schools, these kids become our kids,” says Dave Kears, special assistant to the county administrator. “It doesn’t matter who signs the paychecks. What we discovered was, ‘We can’t do this by ourselves.’”
- **Conejo Recreation and Park District** – “If voters could reimagine government, it might look a lot like special districts – where people can create just the type of service they want,” Jim Friedl, the general manager of the Conejo Recreation and Park District said recently. Created by a group of Central Coast communities to provide recreation opportunities and conserve the recreational resources of the surrounding area, the Conejo Recreation and Park District is a model of how special districts can integrate their services with nearby governments: Conejo has a JPA with the city of Thousand Oaks and the Santa Monica Mountains Conservancy to manage conservation projects, while also collaborating with the local school district in a facility-sharing agreement and jointly funding a youth outreach program – including some after-school programs that schools themselves might have offered in the past.

Appendix 4 – Key Elements of Successful Service Integration Initiatives

Following the February and March Stakeholder Roundtable meetings, *California Forward* Leadership Council member Sunne Wright McPeak summarized the following as some key elements of successful service integration initiatives:

- 1. Leadership:** Leadership is essential. It takes a different kind of leadership that articulates the vision and values for the initiative and that inspires, supports, and drives the team to achieve the intended outcomes and results.
- 2. Partnership:** There must be a true partnership with a sense of ownership and sincere commitment by all partners to the mission of the initiative. This kind of partnership goes beyond agency coordination – it involves collaboration to integrate resources for better results. The partnership needs to have an explicit organizational structure with the roles and responsibilities of all partners clearly delineated in written agreements, often legal documents.
- 3. Responsibility and Accountability:** All partners must be individually and collectively responsible and accountable for outcomes and results. This element needs to be data driven and reinforced with regular reports to partners and stakeholders about outcomes.
- 4. Integrated Resources:** Partners combine and integrate their resources (personnel, funding and facilities) to focus on outcomes and results, usually providing improved services to the target populations. The integration of resources often requires greater flexibility from funding and regulatory agencies.
- 5. Customer-Focused Service Model:** Partners focus on results for the customer – the clients or target population—to break through conventional silos and cut across existing systems. The service model evolves from an imperative to focus on results with a common sense approach to the most direct deployment of resources to achieve efficiency, transparency, and accountability.
- 6. Regulatory Relief:** A customer-focused service model often requires relief from unnecessary and nonproductive process regulations in return for greater accountability for results. Regulatory agencies from other levels of government (such as the state and federal government) need to shift their role to being a partner in success instead of a monitor for failure, and to provide technical assistance, including information about best practices.
- 7. Sustained Focus and Funding:** Sufficient and sustained funding is essential to overcome the inertia of the existing system. Initial seed funding that serves as a catalyst to jump-start the

development of a new service model is often pivotal. Further, there must be a commitment to stable funding for a reasonable period of time to produce observable change and measurable results.

8. Incentives for Performance: Incentives, including financial rewards for partner organizations and employees, have a very positive impact on motivating partners to drive expeditiously to results.

9. Continuous Collaboration and Improvement: The partnership establishes a disciplined practice with a set timetable to review progress and determine course corrections. There is a process for continuous improvement and encourages ongoing collaboration.

10. Rooted Culture and Institutionalization Practices: The leadership and partners reinforce the culture of collaboration to outcomes and results with efficiency, transparency and accountability. This is accomplished with training, reorganization and rewards for improved practices and results.

Appendix 5 – The Origins of the Framework

After meeting with leaders around the state about the causes of the state’s current dysfunction, the same themes emerged again and again: The current governance system is broken, it lacks focus on outcomes, it fails to align authority with responsibility, and it is too complex. To improve California’s government, it has become increasingly clear the state needs to restructure.

The Local Government Task Force: In the fall of 2010, *California Forward* convened a workgroup of local government leaders to begin developing a set of detailed options for how to improve results by restructuring the relationship between state and local government. A group of current and former city and county officials on what became known as the Local Government Task Force developed three principles that have served as the foundation of *California Forward*’s approach to state/local restructuring. These principles also served as the guide for the initial draft of the *Smart Government Framework*:

- Public programs should work collaboratively with a focus on shared outcomes. These outcomes should guide policy development, management decisions, and ultimately, accountability, through public reporting of results.
- Fiscal control is essential if local governments are going to be empowered to integrate services, innovate, develop better practices, and achieve economies of scale.
- Regional collaboration can make many services more efficient and effective by allowing local governments to meet large-scale challenges by developing more cohesive service delivery strategies across jurisdictions.

Stakeholder Roundtables: After the initial work of the Local Government Task Force, *California Forward* spent the winter of 2011 hosting a series of Stakeholder Roundtables in Sacramento to refine its proposals. In a series of five collaborative meetings moderated by *California Forward*’s Sunne Wright McPeak, a committed group of stakeholders and experts in education, local government, health and human services, economic development, and labor provided detailed feedback on the Framework. They also offered suggestions for improving its five draft proposals for restructuring. After each meeting, the Framework was revised and refined to incorporate stakeholders’ suggestions.

Throughout these meetings, stakeholders encouraged *California Forward* to continue its work without becoming bogged down by the state’s ongoing budget negotiations. “This is not a parlor game. It’s not just an exercise,” Mayor Ron Loveridge of Riverside said at one meeting. “Across the country, a discussion has started about how we will deliver services in the 21st century. This is the tip of the spear of that discussion.”

Speak Up California: At the same time the Stakeholder Roundtable meetings were being held in Sacramento, *California Forward* was also leading a statewide conversation project called “Speak Up California” focusing on the challenges of restructuring. In more than 60 meetings across California through the winter and spring of 2011, groups of civic leaders, business leaders, non-profit advocates, elected officials, and other interested citizens came together to discuss how to reform California’s government. The input from these meetings – which has included a range of specific suggestions for how *California Forward*’s approach could be refined – also helped shaped the Framework and its five draft proposals.

Regional Stakeholder Roundtable Meetings: After completing the Sacramento-based Stakeholder Roundtable discussions and statewide “Speak Up” dialogues, *California Forward* convened a series of Regional Stakeholder Roundtables to get more detailed feedback on the *Smart Government* Framework from stakeholders across the state. A total of ten Regional Stakeholder meetings were held in San Diego, Los Angeles, the Inland Empire, the Central Valley, and the Bay Area. Local elected officials and leaders from business, labor, government and the nonprofit sector provided detailed feedback on what works in the *Smart Government* proposals, as well as what’s missing. This input was also incorporated into the Framework.

Participants: A complete list of the members of the Local Government Task Force as well as the participants in the Sacramento and Regional Stakeholder Roundtables can be found in the pages that follow. Following the list of names is a collection of quotes and statements from participants about the importance of restructuring.

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Sen. Loni Hancock, *Chair, Senate Committee on Public Safety*
Joan Hancock, *Board Member, Contractors' State License Board*
Mike Hanson, *Superintendent, Fresno Unified School District*
Hans Hemann, *Chief of Staff, Office of Senator Loni Hancock*
Iris Herrera, *Legislative Advocate, California Special Districts Association*
Bill Higgins, *Executive Director, California Councils of Government*
Scott Hill, *Vice President of Education Policy, School Innovations and Advocacy*
Janet Hogan, *Executive Director, First 5 Tulare County*
Sen. Bob Huff, *Vice-Chair, Senate Committee on Governance and Finance*
Hasan Ikhtrata, *Executive Director, Southern California Association of Governments*
Jennifer Ito, *Project Manager, USC Program for Environmental and Regional Equity*
Khydeeja Alam Javid, *Legislative Advocate, Advancement Project*
Kathy Jett, *former Undersecretary of Programs, California Department of Corrections and Rehabilitation; and, former Director, Department of Alcohol and Drug Programs*
Mike Kasperzak, *1st Vice President, League of California Cities; and, Vice Mayor, Mountain View*
David Kears, *Special Assistant to the County Administrator, Alameda County*
Trish Kelly, *Principal, Applied Development Economics*
Darby Kernan, *Assistant Secretary of Legislation, California Department of Corrections and Rehabilitation*

Ken Larsen, *Public Policy Director, California Association of Nonprofits*
Ted Lempert, *President, Children Now*
Dave Leshner, *Associate Director, Governmental Affairs, Public Policy Institute of California*
Carol Liu, *Chair, Senate Human Services Committee*
Debbie Look, *Director of Legislation, California State PTA*
Susan Lovenburg, *Trustee, Davis Joint Unified School District* [Susan Lovenburg became a paid consultant to CA Fwd in late March. She participated as a Stakeholder Roundtable member prior to becoming a consultant.]
Ron Loveridge, *Mayor, City of Riverside*
Stephen Lucas, *Executive Officer, Butte Local Agency Formation Commission*
James MacDonald, *Legislative Analyst, California Special Districts Association*
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Corey Marshall, *Good Government Policy Director, SPUR*
David Maxwell-Jolly, *Undersecretary, California Health and Human Services Agency*
Tom Mays, *Assistant to the Director, Secondary, Career, and Adult Learning Division, California Department of Education*
Kevin McCarty, *Vice Mayor, City of Sacramento*
Neil McCormick, *Executive Director, California Special Districts Association*
Stuart McCullough, *Executive Director, Youth Homes, Inc.*
Thomas McGeorge, *Family and Children Services, Human Services Agency of San Francisco*
Mike McGowan, *Supervisor, Yolo County*
Frank Mecca, *Executive Director, County Welfare Directors Association of California*
Helyne Meshar, *Principal Consultant, Helyne Meshar & Associates*
Richard Miller, *District Superintendent, Riverside Unified School District*
Rick Miller, *Executive Director, California Office to Reform Education*
Dean Mischynski, *Adjunct Fellow, Public Policy Institute of California*
Rita Mize, *Director, State Policy and Research, Community College League of California*
Cynthia Murray, *President and CEO, North Bay Leadership Council*
Barbara Needell, *Principal Investigator, Child Welfare Performance Indicators Project*
Geoffrey Neill, *Legislative Analyst, California State Association of Counties*
Mike Nevin, *Executive Director, Service League of San Mateo County; former Mayor, Daly City; and, former Supervisor, San Mateo County*
Adam Nguyen, *Family and Children Services, Human Services Agency of San Francisco*
Samuel Odell-Smith, *Planning Company Associates*
Tony Olivera, *former Supervisor, Kings County*
Marianne O'Malley, *Director, General Government, Legislative Analyst's Office*
Kyle Packham, *Legislative Director, California Special Districts Association*
Jennifer Peck, *Executive Director, Partnership for Children and Youth; and, Policy Advisor and Director of Superintendent Tom Torlakson's Transition Advisory Team*
Alicia Perez, *Intergovernmental and Public Relations Officer, Safe Passages/Youth Ventures JPA*

Bev Perry, *former Mayor, City of Brea; and, former President, Southern California Association of Governments*

Pete Peterson, *Davenport Institute for Public Engagement and Civic Leadershipⁱ*

Erich Pfuehler, *Legislative Administrative Manager, East Bay Regional Park District*

Larry Powell, *Superintendent, Fresno County Office of Education*

Ernie Powell, *Senior Manager of Advocacy, American Association of Retired Persons - California*

Thomas Powers, *former Chief Deputy, Department of Alcohol and Drug Programs*

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Ezra Rapport, *Executive Director, Association of Bay Area Governments*

David Rattray, *Los Angeles Area Chamber of Commerceⁱ*

Jaime Regalado, *Edmund G. "Pat" Brown Institute of Public Affairsⁱ*

Matt Rexroad, *Supervisor, Yolo County; and, Partner, Meridian Pacific, Inc.*

Michael Richard, *Associate State Director of Advocacy - Capitol Action Team, AARP*

Marjorie Rist, *Chief Probation Officer, Yolo County Probation Department*

Jennifer Rodriguez, *Staff Attorney, Youth Law Center*

Phil Rosentrater, *External Affairs Director, Western Municipal Water District*

Jean Ross, *Founding Executive Director, California Budget Project*

Trudy Schafer, *Director of Program, League of Women Voters CA*

Wayne Schell, *President and CEO, California Association for Local Economic Development*

Dianne Segura, *CEO, Segue Enterprises*

Rusty Selix, *Executive Director, California Mental Health Association; former Executive Director, CalCOG*

Nancy Shulock, *Executive Director, Institute for Higher Education and Leadership Policy, California State University, Sacramento*

Elizabeth Siggins, *Chief Deputy Secretary, Adult Programs, California Department of Corrections and Rehabilitation*

Michele Siqueiros, *Executive Director, Campaign for College Opportunity*

Angelica Solis, *Alliance for a Better Communityⁱ*

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David Spaur, *President & CEO, Merced County Economic Development Corporation*

Nancy Spradling, *Executive Director, California School Nurses Association*

Kris Stadelman, *Director, NOVA Workforce Services, City of Sunnyvale*

Dwight Stenbakken, *Deputy Executive Director, League of California Cities*

Connie Stewart, *Executive Director, California Center for Rural Policy, Humboldt State University*

Louise Taylor, *former Superintendent, Monvoria Unified School District*

Kristin Tillquist, *Chief of Staff, Mayor Ron Loveridge, City of Riverside*

Thomas Timar, *Faculty Director, Center for Applied Policy in Education at UC Davis*

Christopher Tooker, *Chair, Sacramento Local Agency Formation Commission*

Jeff Vaca, *Interim Executive Director, CA School Boards Associationⁱ*

Richard Van Horn, *President and CEO, Mental Health America of Los Angeles*

Bruce Wagstaff, *Administrator, Countywide Services Agency, County of Sacramento*

Dan Wall, *former Chief Legislative Advocate, County of Los Angeles*
 David Warren, *former Lobbyist, Taxpayers for Improving Public Safety; and, Prison Chaplain*
 Rob Wassmer, *Director, Dept. of Public Policy and Administration, California State University Sacramento*
 Roger White, *Research Analyst, SEIU Local 1000*
 Loretta Whitson, *Executive Director, California Association of School Counselors*
 Amber Wiley, *Legislative Advocate, Association of California Health Care Districts*
 Bill Wilson, *School Board Member, Fremont Union High School District*
 Jim Wiltshire, *Deputy Director, California State Association of Counties*
 Sen. Lois Wolk, *Chair, Senate Committee on Governance and Finance*
 Tim Youmans, *Managing Principal, Economic and Planning Systems*

REGIONAL ROUNDTABLE PARTICIPANTS (BY REGION)

BAY AREA

Lou Andrade, *Board Member, Hayward Area Recreation and Park District*
 Helen Benjamin, *Chancellor, Contra Costa Community College District*
 David Boesch, *County Manager, San Mateo County*
 Joe Brooks, *Vice President for Civic Engagement, Policy Link*
 Amy Brown, *Acting City Administrator, City and County of San Francisco*
 Ron Brown, *Executive Director, Save Mount Diablo*
 Gloria Bruce, *Deputy Director, East Bay Housing Organization*
 Liz Callahan, *Former Executive Director, The CBO Center*
 Candace Capogrossi
 Patricia Chiapellone, *Executive Director, Alum Rock Counseling Center*
 Judy Chirco, *Former City Councilmember, City of San Jose*
 Leon Churchill, *City Manager, City of Tracy*
 Peter Cohen, *Policy Director, East Bay Housing Organization*
 Linda Craig, *Public Member, League of Women Voters - California*
 Aimee Durfee, *Public Policy Director, United Way of the Bay Area*
 Samina Faheem Sundas, *Founding Executive Director, American Muslim Voice Foundation*
 Greg Foell, *Administrator, Orangevale Recreation & Park District*
 Brendon Freeman, *Analyst, Napa County LAFCo*
 Jason Fried, *Senior Program Officer, San Francisco County LAFCo*
 Iris Gallagher, *LAFCo Commissioner, San Mateo County LAFCo*
 Patricia Gardner, *Executive Director, Silicon Valley Council for Nonprofits*
 Daren Garshelis, *Counsel, Alliance for Justice*
 Robert Gay, *District Manager, San Mateo County Mosquito and Vector Control District*
 Marvin Goodman, *Rabbi*
 Kara Gross, *Vice President, Joint Venture Silicon Valley*

Joe Head, *President & CEO, Summerhill Homes*
Sarah Henry, *Program Officer, Next 10*
Al Hom, *Program Manager, Alameda County Vector Control Services District*
Kate Howard, *Policy and Finance Analyst, Mayor's Office of Policy and Finance City and County of San Francisco*
Michael Hunt, *Director of Scheduling, City and County of San Francisco*
Jacqueline Jacobberger, *President, League of Women Voters - North and Central San Mateo*
Susan Jeong, *United Way of the Bay Area*
Joanna Jones, *Grassroots Leadership Network of Marin*
Sharon Judkins, *Chief Administrative Officer, Santa Clara Valley Water District*
Rebecca Kaplan, *Councilmember, City of Oakland*
Nancy Kirschner-Rodriguez, *Manager of External Affairs, San Francisco Municipal Transportation Agency*
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Linda Koelling, *Vice Mayor, City of Foster City*
Christine Koltermann, *Governing Board Member, Santa Clara Unified School District*
Phil Lawson, *Director of Interfaith Programs, East Bay Housing Organization*
David Lee, *Director, Chinese American Voter Education Committee*
Ted Lempert, *President, Children Now*
Tim Leong, *Director Communications and Community Relations, Contra Costa Community College District*
Steve Lew, *Senior Project Director, CompassPoint Nonprofit Services*
Frank Lopez, *Social Equity Caucus Coordinator, Urban Habitat*
Shauna Lorance, *General Manager, San Juan Water District*
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JoAnn Melgar, *Staff Assistant to Board of Supervisors, Napa County*
Ross Mirkarimi, *Supervisor - Dist 5, City and County of San Francisco*
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Mariana Moore, *Director Human Services, Alliance of Contra Costa*
Jeff Moore, *President, NAACP - San Jose Chapter*
Paul Morris, *Mayor, City of San Pablo*
Kevin Mullin, *Mayor, City of South San Francisco*

Paul Murphy, *Santa Clara County*
 Rich Napier, *Executive Director, City/County Association of Government of San Mateo County*
 Sherry Novick, *Executive Director, First 5 California*
 Richard Olsen, *Director, Moraga-Orinda Fire District*
 Jason Overman, *Director of Communications, City of Oakland*
 Neelima Palacherla, *Executive Officer, Santa Clara County LAFCo*
 Mona Palacios, *Executive Officer, Alameda County LAFCo*
 Cindy Paredes Banville, *Director of Administrative Services, Mission Oaks Recreation and Parks District*
 Chindi Peavey, *Laboratory Director, San Mateo County Vector Control District*
 Luella Penserga, *Policy Director, Alameda Health Consortium*
 Erich Pfuehler, *Legislative Affairs Manager, East Bay Regional Park District*
 Dawn Phillips, *Program Director, Causa Justa: Just Cause*
 Jessica Pitt, *Initiative Officer, The San Francisco Foundation*
 Martha Poyatos, *Executive Officer, San Mateo County LAFCo*
 Michael Pritchard, *Executive Director, Pathway Society, Inc.*
 Arun Ramanathan, *Executive Director, Education Trust - West*
 Randy Rentschler, *Director, Legislation and Public Affairs, Metropolitan Transportation Commission*
 Michael Roe, *District Manager, Mt. View Sanitary District*
 John Rusmisl, *District Manager, Alameda County Mosquito Abatement District*
 Anne Ryan, *CompassPoint Nonprofit Services*
 Libby Schaaf, *Councilmember, City of Oakland*
 William Schulte, *Board Chair, Sustainable San Mateo*
 Nima Shahidinia, *Silicon Valley Council for Nonprofits*
 Rita Shue, *General Manager Hayward Area Recreation and Park District*
 William Sifferman, *Chief Probation Officer, City and County of San Francisco*
 Keene Simonds, *Executive Officer, Napa County LAFCo*
 Sandra Stewart, *Co-chair, Political Advocacy Committee, Green Chamber of Commerce*
 Ed Tewes, *City Manager, City of Morgan Hill*
 Lou Ann Texeira, *Executive Officer, Contra Costa County LAFCo*
 Cheryl Togami, *Management Analyst, Santa Clara Valley Water District*
 Bob Uyeki, *Y & H Soda Foundation*
 Jennifer Waggoner, *Director/Incoming President, League of Women Voters - California*
 Debby Walker, *District Administrator, Mission Oaks Recreation and Parks District*

CENTRAL VALLEY

Amber Adams, *Engineering Manager, Quad Knopf*
 Lee Ayers, *Board Member, Fresno Business Council*
 Jill Barnier, *Program Manager, Central California Tristeza Eradication Agency*
 Suzanne Bertz-Rosa, *Board Member, Fresno Business Council*
 Paul Betancourt

Michael Caldwell, *Chair, California State University, Fresno*
Leslie Caviglia, *Deputy, City Manager City of Visalia*
Vic Corkins, *Operations Coordinator, Central California Tristeza Eradication Agency*
Vincent Correll, *Owner of Valley Oak Executive Suites, Fresno Business Council*
Vernon Crowder
Glenda Dwyer, *Hanford/Kings County Coordinator, Central Valley Tea Party*
Carole Farris, *Small Business Owner*
Manuel Ferreira, *Board Chairman, Orange Cove Fire District*
George Finney, *Retired EO/LAFCo consultant, Tulare County LAFCo*
Jeff Fly, *CEO, Turning Point of Central California, Inc.*
Melissa Garza, *Regional Planner, Fresno Council of Governments*
Benjamin Giuliani, *Executive Officer, Tulare County LAFCo*
Ken Grey, *Mayor, City of Selma*
Amy Guerra, *Attorney*
John Harris, *Harris Farms*
LeRoy Hendrix, *Interim Fire Chief, Orange Cove Fire District*
Pauline Hershey-Gambino
Allen Ishida, *County Supervisor, District 1, Tulare County*
Scott Jones, *Undersheriff, Fresno County*
Yezdyar Kaoosji, *YSK Consulting*
Blake Konczal, *CEO, Fresno County*
Matt Leedy, *Fresno County*
Mark Lewis, *City Administrator, City of Chowchilla*
Mitizi Lowe, *California State University, Fresno*
Kurt Madden
John Minkler
Joshua Mitchell, *Mayor, City of Sanger*
Larry Mullen, *Activist, Green Party*
Deb Nankivell, *CEO, Fresno Business Council*
Regina Peters, *Redistricting Task Force Member, Fresno County*
Larry Powell, *Superintendent, Fresno County*
Pat Ricchiuti, *President, P-R Farms*
Alan Rudominer, *Owner of Creative Vision Consulting*
Janet Ryan, *Western Regional Director, Concord Coalition*
Nia Sibley, *Field Representative, Office of Assemblymember Henry T. Perea, 31st District*
Kenneth Sonksen, *General Manager, Sanger-Del Rey Cemetery District*
Matilda Soria
Brian Trevarrow, *Kings River Conservation District*
Michael Turnipseed, *Executive Director Kern County Taxpayers Association*
Riley Walter, *Attorney, Walter Wilhelm Law Group*
John Welty, *President, California State University, Fresno*

Robert Wenzinger, *Reverend Monsignor*
Georgeanne White, *Mayor's Chief of Staff, City of Fresno*
Jeff Witte, *Executive Officer, Fresno County LAFCo*
Robert Woolley, *City Manager, City of Clovis*

LOS ANGELES

Angela Adams, *Housing Authority of the City of Los Angeles*
Jacob Aguilar, *Assistant Director, Los Angeles County Department of Public Social Services*
Joy Atkinson, *Program Administrator, Los Angeles African American Women's Public Policy Institute*
Luis Ayala, *Vice Mayor, City of Alhambra*
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Jacqui Cannon-Jones, *Management consultant, New U Consultants*
Ed Castaneda, *Assistant General Manager, Orchard Dale Water District*
Tom Coleman
Ruben Duran, *Partner, Meyers Nave*
Carolyn Emery, *Assistant Executive Officer, Orange County LAFCo*
Carolyn Fowler, *Chief Operating Officer, The Smiley Group, Inc.*
Elaine Freeman, *Board Member, Rancho Simi Recreation and Park District*
Katie Gagnon, *Director of Public Policy, San Gabriel Valley Economic Partnership*
Mark Grajeda, *General Manager, Pico Water District*
Kristine Guerrero, *Regional Public Affairs Manager, League of California Cities*
Ron Hasson, *President, NAACP - Beverly Hills/Hollywood*
Kirk Howie, *Assistant General Manager, Three Valleys Metropolitan Water District*
Denise Hunter, *CFO, FAME Assistance Corporation*
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Betsy Johnson, *Co-President, National Womens' Political Caucus - Los Angeles Westside*
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Francisco Leal, *Leal Trejo*
Maribel Louie, *Economic Development, Analyst City of West Hollywood*
Cecil Murray, *Professor of Religion, University of Southern California*
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 Nathan Sessoms, *Director, Brotherhood Crusade*
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INLAND EMPIRE

Jerry Almendarez, *Superintendent, Colton Joint Unified School District*
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 Rick Bishop, *Western Riverside County of Governments*
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 Gregory Bradbard, *President and CEO, Inland Empire United Way*
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 Bryant Fairley, *Associate Director of Community-University Partnerships, California State University, San Bernardino*
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 Sheila Futch, *Senior District Representative, Office of Assemblymember Wilmer Amina Carter, 62nd District*
 Stanley Futch
 Paul Granillo, *President/CEO, Inland Empire Economic Partnership*
 Dorothy Grant, *Westside Action Group (WAG)*

Don Griggs, *Westside Action Group (WAG)*
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Shonda Hutton, *Director, Time For Change Foundation*
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Andres Luna, *Principal, Rialto Unified School District*
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Ricky McClure
Jacob Mejia, *Public Affairs, Pechanga Band of Luiseño Indians*
Cari Mendez, *Senior Vice President, Investor Relations Inland Empire Economic Partnership*
Jim Morris, *Mayor's Chief of Staff, City of San Bernardino*
Enrique Murillo, *Executive Director, California State University, San Bernardino*
Francisco Navarro, *Director, We Are Communities*
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Kaitlyn Sarawatai, *Student*
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La Donna Sewell
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Tom Willman, *Manager, Digital Production Services Riverside County*

SAN DIEGO

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Paul Bushee, *General Manager, Leucadia Wastewater District*

Kathleen Coates Hedberg, *Board Member, Helix Water District*

Robert Coleman, *Executive Director, Second Chance*

Joyce Crosthwaite, *Executive Officer, Orange County LAFCo*

Whitney De Agostini

Vi Dupre, *Administrator, Fallbrook Healthcare District*

Steve Escoboza, *Hospital Association of San Diego and Imperial Counties*

Jill Esterbrooks, *Communications Director, City of San Diego*

Dale Fleming, *San Diego County*

Tim Geiser, *Board President, Deer Spring Fire District*

Philip Hanger, *San Diego County*

Judy Hanson, *Director, Leucadia Wastewater District*

Brett Hodgkiss, *Administrative Services Manager, Vista Irrigation District*

Sharon Jones, *School Board Member, San Diego County*

Nancy Lytle, *Vice President, Southeastern Economic Development Corporation*

Nick Macchione, *Director, San Diego County Health & Human Services*

Margarette Morgan, *President, Vista Fire Protection District*

Marcy Morrison, *Careers With Wings*

Judy Ritter, *Mayor, City of Vista*

Mark Robak, *Board Member, Otay Water District*

Caroline Smith, *San Diego County*

Don Stump, *North County Lifeline*

Don Wells

Christopher Yanov, *Founder & President Reality Changers*

Nick Yphantides, *San Diego County*

STAKEHOLDERS ON THE IMPORTANCE OF RESTRUCTURING

At the beginning of the first Stakeholder Roundtable meeting in Sacramento, participants provided a range of deeply insightful comments about the need for change when they were asked to complete the following sentence on a notecard:

“It is important to fix the relationship between state and local governments because...”

- “State and local governments are currently competing with each other over scarce resources, rather than cooperating with each other to stretch them.” – **Justin Adams**, *Chang & Adams Consulting*
- “It’s essential to create the environment for local communities to develop innovative strategies to improve outcomes for all Californians. Until we improve that relationship, we don’t create an environment in which innovative solutions can come forward.” – **Christina Altmayer**, *Altmayer Consulting*
- “The stability and sustainability of our rural health safety net and the economies of rural California demand it. To ensure the 5 million people living in rural communities have healthy communities. The health care safety net system, even with workforce shortages, makes up 11 percent of the rural workforce in the state – and rural communities make up 85 percent of the landmass in the state. That’s why we have to do this right: We need to restore public trust in government and its role in our private lives.” – **Steve Barrow**, *California State Rural Health Association*
- “Because of all the problems that have been mentioned, people have lost trust in state and local government. Because of that, they’re beginning to lose trust in the promise of California.” – **Andrew Berthelsen**, *Assemblymember Rich Gordon’s Office*
- “The current relationship doesn’t provide cost effective or efficient delivery of services to the public.” – **Linda Best**, *Contra Costa Council*
- “We need accountability and parity to ensure a sustainable future.” – **Vanessa Cajina**, *Western Center on Law and Poverty*
- “Effective delivery of public services is contingent upon fixing this relationship. When I say ‘effective,’ I mean cost-effective,’ as well as emphasizing performance and service quality. Government needs to be more process-oriented.” – **Andrew Chang**, *Chang & Adams Consulting*

- “People don’t believe in investing their common wealth anymore for the common good – both because of lack of trust and because most Californians don’t understand the difference between state and local government. People want California to work, and our economy will not thrive until government functions.” – **Cindy Chavez**, *Working Partnership USA*
- “California’s business climate will benefit, protecting businesses and jobs, and make them more competitive with other states.” – **Kirk Everett**, *Silicon Valley Leadership Group*
- “To clearly define and delineate the proper roles and functions of government at all levels, [restructuring must provide]: Greater efficiency/accountability/service delivery; protection of taxpayer dollars; avoidance of the current deficit cycle and the traditional boom and bust cycles of California’s budget.” – **Ryan Eisberg**, *Senate Republican Caucus*
- “The broad range of services needed to educate the whole state depends on a positive and functional relationship between schools, cities, counties, and the state.”
– **Stephanie Farland**, *California School Boards Association*
- “The existing system is dysfunctional and the public is not being well served.”
– **Jim Fox**, *former District Attorney, San Mateo County*
- “The state/local relationship must be restructured to align responsibility and funding, clarify accountability, enable transparency, simplify and enhance citizen involvement in democracy, and provide for efficiency and return on investment assessment.”
– **Linda Galliher**, *Bay Area Council*
- “It’s totally broke and tinkering hasn’t worked. All of the previous efforts at realignment have been tinkering. We need to acknowledge it needs to be totally fixed.”
– **John Gioia**, *Contra Costa County*
- “I was the California Budget Project analyst who had to read and explain Prop 22 on the November 2010 ballot. We can’t afford any more ballot-box solutions that impose additional dysfunction and increase the complexity of policymaking in California. If you don’t fix this, you end up with more of the same.” – **Scott Graves**, *California Budget Project*
- “State and local government must learn how to partner with each other for the purpose of saving money and to keep the trust of the public that we serve.” – **Joan Hancock**, *Contractors State License Board*

- “It will improve service-delivery for all Californians.” – **Iris Herrera**, *California Special Districts Association*
- “We need to renew the public and private infrastructure to restore the golden state to its former glory.” – **Bill Higgins**, *California Councils of Government*
- “We must fix this relationship because we have lost the public’s trust. Our system is broken and fiscally broke, and we must salvage the quality of life of California.”
– **Kathy Jett**, *former Undersecretary of Programs, California Department of Corrections and Rehabilitation; and, former Director, Department of Alcohol and Drug Programs*
- “We can achieve far more working together than apart, regardless of the revenues available.” – **Dave Kears**, *Alameda County*
- “Education and Health & Human Services for children are not adequately funded or effectively and efficiently provided. We need to figure out a way to get services to kids where they are – at schools and learning centers.” – **Ted Lempert**, *Children Now*
- “We need to improve the quality of services we provide to Californians.”
– **Susan Lovenburg**, *Davis Joint Unified School District and Saving California Communities*
- “We can’t sustain the needed level of investment in education or other government services without rethinking the way government works. Taxpayers need to see results to continue supporting investments in these services.” – **Debbie Look**, *California State PTA*
- “There is much distrust by the public regarding the ability of state and local governments to address the state’s problems. Moreover, the financial ability to provide operational and capital programs as currently constituted is unsustainable.”
– **Randy Margo**, *retired Assistant County Administrator, Yuba County; adjunct professor, Golden Gate University*
- “Our future depends on it. We need to enable local governing bodies to develop innovative and cost-effective plans and transform state government into more of a leader and less of a bureaucratic impediment.” – **Tom Mays**, *California Department of Education*
- “Our communities are only as strong as their weakest link. We need to find that weakest link and fix it to make it strong. Secondly, because we will be remembered for how we treat each other.” – **Helyne Meshar**, *Helyne Meshar & Associates*

- “In the 21st century, the role of government has become more primary than in the past, and we need to make sure it’s functioning at the level it needs to be to meet the needs of the people.” – **Cynthia Murray**, *North Bay Leadership Council*
- “If we don’t fix this, we can’t be successful. Our citizens want us to do it. Once and for all, we either rise together, or sink alone.” – **Bev Perry**, *City of Brea; former president, Southern California Council of Governments*
- “A positive relationship only makes common sense, and it’s expected by the represented. It’s far more costly not to cooperate.” – **Larry Powell**, *Fresno County Office of Education*
- “To make California a great state again, where our citizens are provided effective services with a transparent governance framework.” – **Tom Powers**, *former Chief Deputy, Department of Alcohol and Drug Programs*
- “California’s future depends on successful reform. I’d echo the need to be more cost-effective, more transparent, and to have more public trust with voters.”
– **Alison Ramey**, *California Primary Care Association*
- “Older Californians depend on the social safety net at the state and local levels.”
– **Michael Richard**, *AARP*
- “The mission of government requires that government be responsible to the people – efficient, effective, and equitable at all levels. In times of tight budgets, funding and responsibilities must be allocated in a logical, effective way to ensure the trust of people in government.” – **Trudy Schafer**, *League of Women Voters*
- “My 85-year old father deserves to live with dignity in retirement after a lifetime of service in the public and private sector. And my 7-year-old and 2-year-old deserve a great public school system for their education.” – **Jai Sookprasert**, *California School Employees Association*
- “We have to fix it because we’re wasting focus, energy, and creativity trying to solve problems alone that we all share.” – **Kris Stadelman**, *NOVA Workforce Services, City of Sunnyvale*
- “We need to develop agencies that both encourage and facilitate local-level innovation, to allow us to collectively become more competitive in a global marketplace.”
– **Kristin Tilquist**, *chief of staff, Mayor Ron Loveridge of Riverside*

- “California’s infrastructure has collapsed and before any progress can be accomplished, the schools, roads, public safety public health must be restored to an operational basis. For three generations, we deferred taking care of things, and we can’t defer anymore.” – **David Warren**, *prison chaplain; retired lobbyist, Taxpayers for Improving Public Safety*
- “The restoration of citizens’ trust in public governance in California depends on it. Since Prop 13 and the *Serrano v. Priest* decisions, and the resulting institutions created to respond to them, a growing separation has arisen between citizens and their knowledge, interest, support, and trust of state and local government. Reforms being proposed by CA Forward can change this.” – **Rob Wassmer**, *California State University, Sacramento*
- “California has been a beacon of worldwide leadership in providing opportunity to all. We need to continue that leadership by fixing a dysfunctional system that’s denying those opportunities.” – **Tim Youmans**, *Economic and Planning Systems*

STAKEHOLDER MEETINGS – ISSUES RAISED AND CONSIDERED

California Forward over the course of a year talked with with voters, taxpayers and community leaders across the state about what they think is ailing California. The same themes emerge again and again: The governance system is broken. Public agencies lack a focus on results. They are not transparent or accountable. And the whole system is too complex. To improve California's government, it has become increasingly clear the state needs to restructure. But how can Californians do that?

Answering this question has been the singular aim of the rigorous, collaborative policy development process *California Forward* spearheaded with stakeholders across the state. In a series of open dialogues summarized in the following pages, *California Forward* sought expert feedback on a range of issues as they matured from simple ideas into full-fledged recommendations, including potential constitutional changes expressed in a model reform initiative. Throughout this process, *California Forward* has sought the input of experts ranging from local government practitioners and labor leaders to equity advocates and business interests. These stakeholders have raised key issues and provided valuable feedback that fundamentally shaped the final proposal.

LOCAL GOVERNMENT TASK FORCE

In the fall of 2010, *California Forward* convened an ad hoc workgroup of local government leaders to begin developing a set of options for taking on this challenge. The group of current and former city and county officials eventually became known as the Local Government Task Force. The group developed three principles that served as the foundation for ensuring stakeholder discussions and ultimately guided the initial draft of the Smart Government Framework, a strategic action plan for improving the relationship among California's state and local governments:

- Public programs should work collaboratively with a focus on outcomes
- To effectively improve outcomes, local fiscal control is essential
- Regional collaboration is vital to making public services more efficient

THE STAKEHOLDER ROUNDTABLES

After the initial work of the Local Government Task Force, *California Forward* hosted more than a dozen policy-focused Stakeholder Roundtables where these principles served as the foundation of discussion. The first five meetings were held in Sacramento and were moderated by *California Forward's* Sunne Wright McPeak. Those meetings were followed by 10 regional meetings across the state. In every one of the Roundtables, a group of stakeholders and experts in education, local government, health and human services, economic development, and labor provided detailed feedback on the emerging Framework. Participants highlighted the complexity of the challenge, raised important issues for consideration, and offered suggestions for improving the Framework's proposals. After each meeting, the Framework was revised and refined to incorporate stakeholders' suggestions.

The pages that follow highlight some of the issues raised and concerns expressed in these Stakeholder Roundtables. A full list of participants in these meetings can be found at the end of this document.

STAKEHOLDER MEETINGS

LOCAL GOVERNMENT TASK FORCE

In the autumn of 2010, *California Forward* invited 25 local government practitioners from across the state to an idea-generating discussion about how to change the relationship between state and local government to improve community outcomes. In addition to outlining several key principles for reform, the participants discussed some of the complexities involved—and some of the options available.

Fiscal system: There was general consensus among participants that restructuring the relationship between the state and counties would be most effectively accomplished by changing the method of allocating resources. Three potential models were discussed:

- The “compact” model. A legally enforceable contract between the state and local governments allowing communities or regions to pool resources to tackle, for example, land-use or environmental challenges.
- A “pay for performance” model. A policy approach in which programs or local governments receive payment for accomplishing mutually agreed upon goals and objectives. Some participants thought regions might be incentivized to improve outcomes in everything from child support services to welfare.
- The “Children First” model. An approach that would provide additional funds to programs based on local plans. Where possible, block grants, rather than program specific funding, should be used to encourage integration and cooperation.

Regional perspective: Many participants also were interested in finding incentives and opportunities that will allow communities to create their own “seamless” systems of services to achieve community outcomes, by joining together to create economies of scale, identify regional needs, coordinate resources, and integrate service delivery across program areas and governmental jurisdictions.

Accountability: Another widely-shared desire was a renewed focus on outcomes instead of compliance. Participants agreed that the state and counties should work together as partners to create an outcome-based performance model that delivers cost-effective services while also maintaining equity. The unit of government best capable of producing positive outcomes should have the authority and responsibility for delivering those services. The state should establish minimum equity standards for critical services and promote innovation and best practices in service delivery.

Key issues raised:

1. The effort might be most effective if it focused on only one area (e.g. Criminal Justice Reentry).
2. Prevention and early intervention programs are important in achieving improved outcomes.
3. Local governments need discretion to integrate service delivery across jurisdictions
4. Waivers (e.g., 1115 process) were considered to be effective ways to provide broader local discretion. Three examples of programs with less oversight and control and fewer regulations allowing for more local flexibility were cited as potential models—Child Support Enforcement (CSE), CalWORKs, and Proposition 10 Early Childhood Development.
5. Mental Health Realignment was cited as an example of successful restructuring because diverse interests were included early and there were benefits to each of the principal stakeholders.

STAKEHOLDER MEETINGS**SACRAMENTO ROUNDTABLES****MEETING I – FEBRUARY 11, 2011:**

After the final meeting of the Local Government Task Force, *California Forward* hosted its first Stakeholder Roundtable on Friday, February 11. More than 50 stakeholders and experts in education, local government, health and human services, public safety, economic development, and labor participated in a discussion moderated by *California Forward*'s Sunne Wright McPeak and Bill Hauck, the president of the California Business Roundtable.

Senator Mark DeSaulnier welcomed participants, speaking about the need for a group of stakeholders to engage in a conversation about restructuring—and assuring participants of the importance of this critical reform as the State grappled with a \$25 billion shortfall. “This is more than an academic process,” DeSaulnier told those gathered. “It’s going to be the foundation for a thoughtful restructuring of California.”

After a discussion of the Framework’s strengths and weaknesses—and an initial foray into some of the complexities of designing useful program outcomes—a group of panelists spoke about their experiences implementing successful service integration strategies at the county level.

- **Jean Fraser**, Chief of the San Mateo County Health System, spoke about the San Mateo’s effort to pool the available resources of three large agencies—human services, juvenile probation, and mental health services—to encourage them to work together to make joint decisions about their shared clients. Over the last 10 years, this integrated approach has resulted in a 50 percent reduction in the number of children being placed out of home in San Mateo. It has also resulted in reduced levels of incarceration, homelessness, and hospitalization.

- **Mike Nevin**, Former San Mateo County Supervisor and director of Service League San Mateo, spoke about a local program that integrates all of the services in the county jail that are not provided by deputy sheriffs. The program's goal is to reduce recidivism by 50 percent.
- **Dave Kears**, Special Assistant to the Alameda County Administrator, spoke about Alameda County's use of the Joint Powers Authority to institutionalize an effort to bring the county, the city of Oakland, and the Oakland Unified School District together to keep kids in school, lower Oakland students' high suspension rates, and reduce crime.

Following the panel, a group of responders spoke about their own experiences with service integration—and what some see as an urgent need for restructuring.

- **John Gioia**, Supervisor, Contra Costa County: “These pilots work because people decided to get together out of their normal silos. There was no incentive for them to get together, but they did. And then when it started working, they institutionalized.”
- **Frank Mecca**, Executive Director, County Welfare Directors Association of California: “If we rely on the exceptional leader model, the Bell curve slowly inches forward. If we're talking about more Big Bang type of change, we have to think about how to incentivize the behavior—that's the hard work.” Mecca also offered several specific cautions about the Framework that *California Forward* captured and incorporated into its model, including concerns about estimates of the size of restructuring's cost-savings, making comparisons to other states, and the details of determining effective program outcomes.
- **Kathy Jett**, former Undersecretary – Programs, California Department of Corrections and Rehabilitation (and now a *California Forward* consultant): “For someone sitting here who hasn't spent 30 years working in government, this kind of thing would just sound like common sense—just flat-out, common sense. Corrections, as one example, think they're doing their job by not letting anyone escape into the community. That's true, they're doing that. But there are other things they should be doing. We have to change the incentive.”
- **Susan Lovenburg**, Board Member, Davis Joint Unified School District (and now a *California Forward* consultant): “I think the Framework is a good first step. Guiding principles are important. The status quo has tremendous inertial force, but we need to create incentives to be successful.”

MEETING 2 – FEBRUARY 25, 2011

The second Stakeholder Roundtable meeting was hosted by *California Forward*'s Sunne Wright McPeak and Bob Balgenorth, president of the State Building and Construction Trades Council of California.

Toby Ewing, a consultant for the Senate Committee on Governance and Finance, briefed participants on how the Stakeholder Roundtable fits into the Legislature's work on

restructuring. Ewing described the committee's initial series of hearings exploring the Governor's realignment proposal, then outlined the committee's upcoming hearings on the details of restructuring. "If we want to do better with the resources we have, we need to think about this," Ewing said. "It's really all about building a strong state/local partnership—and that partnership needs to focus on outcomes."

Participants then split up into five large workgroups—Education, Public Safety, HHS, Revenue, and Metrics—to discuss a proposed legal framework to support restructuring. Richard Raya, *California Forward's* policy director, gave the groups a specific task: "What we keep hearing is the need for more integration and collaboration. If the programs that make up the bulk of the state's budget worked together, they would not only achieve better results, there would also be less need for safety net programs—and more revenue would be generated in the process. But how do we do it?"

WORKGROUPS - BIG THEMES

- **Maintaining the long view:** Several participants expressed interest in maintaining the long view on restructuring. "Right now, we're doing work in 2010 with 1970s legislation," as Toby Ewing put it. "We need to make sure what we do today works in not just six months or 36 months, but in the years ahead."
- **Public safety:** Participants agreed that the criminal justice system is a continuum, not a string of individual programs. Public safety programs work best when integrated with health and education programs. The State needs to do a better job of linking objectives in the police, judicial, and corrections system to produce the type of outcomes Californians are looking for. "When you fight crime and its aftermath, you've already lost the battle," said Dave Kears, special assistant to the Alameda County Administrator. "The same is true of Health and Human Services." Some participants pointed out that the courts are a real controlling party in public safety that should be brought into a comprehensive restructuring discussion.
- **Health & Human Services:** A real consensus emerged around integration and information-sharing, particularly around juvenile justice, child welfare, child mental health, and behavioral health programs. A possible template for restructuring was identified in a set of child abuse prevention laws in the 1980s that broke down silos that were making it difficult for law enforcement, doctors, and hospitals to communicate. There was a great deal of discussion about the best incentives that could be used, including: flexible funds, reduced regulation for high-performing counties, and public report cards on county performance.
- **Education:** The group supported the idea of integration both within education and between education and other public programs, but the school system itself also requires integration. As one participant put it: "We have separate early childhood programs, K-12 programs, and higher ed programs. They're not talking to each other."

- Many participants supported the idea of integrating health, welfare, and public safety programs with schools to create more community schools, full service schools, and joint-use schools. “We need to bring these community services down to where the need is,” one participant said. “You’re never going to get kids to a higher academic level without dealing with the health and social services issues, as well as classroom issues.”
- Education stakeholders were quick to point out that outcome measurement can lead to unintended consequences, and participants insisted that any education performance measures should not be tied to test scores. Several stakeholders pointed out that working toward outcomes will also require upgrading public data systems.
- **Revenue:** As the workgroups in HHS, Public Safety, and Education worked on defining the best way to think about providing public services, the revenue workgroup began examining how to restructure the revenue system to support these more flexible programs. Tim Youmans, managing principal, Economic and Planning Systems, explained the revenue group’s initial thinking, which examined how cities and counties could hold onto more of their locally-levied property taxes, in exchange for some of the sales tax revenue they currently receive. This would align revenue authority with program responsibility.
 - The upside: “The money would be spent where the services are being delivered,” said one participant. “And that’s where you would have real accountability.”
 - The downside: A political showdown in every county over how to allocate the property tax.
- **Metrics:** The group agreed that outcome metrics must be used to make program management decisions—and that performance data must not only be collected, it needs to be used to make decisions. A desire was expressed in particular for the creation of a central depository of data that would include the creation of short-term benchmarks that voters could compare against in the future. “It’s not just ‘Let’s have outcomes,’” said one participant. “We need to think about where we would put the best information—from economic data to health and human services information. It’s easier then to design the programs we want.” The group acknowledged one major cultural obstacle: “If we’re going to have an evidence-based, outcome-driven system, we need statewide systems that collect data and allow us to analyze it,” one participant said.

MEETING 3 – MARCH 10, 2011

The third Stakeholder Roundtable meeting included a detailed discussion of the Framework by representatives of local government, including current and former officials representing cities, counties, schools and special districts. A statewide perspective was also provided by four state lawmakers who have been involved in legislative deliberations on the budget and restructuring. They described their efforts to create a performance-agenda for the state and strongly

encouraged *California Forward* to continue developing a comprehensive model for restructuring. The lawmakers were:

- **Senator Lois Wolk**, Chair, Senate Committee on Governance and Finance
- **Senator Bob Huff**, Vice-Chair, Senate Committee on Governance and Finance
- **Asm. Roger Dickinson**, Chair, Assembly Committee on Accountability and Administrative Review
- **Asm. Rich Gordon**, Member, Assembly Committee on Local Government.

Most of the day was devoted to local government practitioners providing point-by-point feedback on how the initial draft recommendations in the Framework can be refined.

LOCAL GOVERNMENT PERSPECTIVES – BIG THEMES:

Areas of Agreement

- The Framework’s general approach, vision, and its setting of priorities and goals through the Big Five Outcomes
- The five principle statements
- The Framework’s focus on making it easier for local governments to work with non-profits to provide services
- Many participants agreed that this approach to restructuring lends itself readily to public safety programs
- More control of funding should be in the hands of locals
- Collaboration and integration should be the foundations of restructuring

Areas of Disagreement

- “Mandating” collaboration language should be replaced with “incentivizing” collaboration
- The Framework should emphasize state standards, not national standards
- The emphasis should be on ‘right-sizing’ all levels of government, not just on ‘consolidation’
- Some questioned the causal link between public policy and outcomes
- Categorical funding streams were often created to meet specific minority needs; doing away with them may make minority groups vulnerable
- Turf issues are not addressed, though they could be a major obstacle to restructuring

Refinements Needed

- **The state role:** Creating a more defined state oversight role, from how it should establish outcomes in coordination with locals to how it should intervene
- **Metrics and data:** Establishing a process for setting indicators of success, as well as a means of managing the data
- **Revenue:** Further defining the revenue restructuring necessary to support a redefined state/local relationship, including incentives

- **Regional collaboration:** Finding the right incentives to allow regional entities like COGs to encourage regional collaboration. (At the time, sentiments were expressed that COGs are not robust enough, don't represent all local governments – and their members are also unelected. LAFCO's current municipal service reviews, on the other hand, could be a valuable foundation.)
- **Civic engagement:** The Californians who use these services must be consulted on these recommendations

COUNTY PERSPECTIVES:

Jim Wiltshire, Deputy Director, California State Association of Counties

- “The Framework is very much aligned with the principles my folks have adopted as it relates to realignment. This is a much more visionary approach. Ours is a very in-the-weeds practical approach. But they're very consistent.”
- “The identification of what the objectives are is very refreshing. This is about setting priorities.”
- Wiltshire spoke approvingly of the Framework's approach to public safety, in particular, where strides are already being made to integrate juvenile justice services. He cautioned that in some counties, however, this approach would require a major culture change.

John Gioia, Supervisor, Contra Costa County

- “I think the Framework is great. These recommendations get to the core of how to restructure things, not just rearrange the deck chairs.”
- Gioia raised questions about how the state can establish meaningful outcomes with local input, what the regulatory and fiscal incentives to encourage collaboration ought to be (including incentives designed for COGs and LAFCOs), and how the state can mandate the Five Big Outcomes.

Anthony Oliveira, former Supervisor, Kings County

- “I believe in the concepts in the document. We're headed in the right direction.”
- “This approach is not new. It's what our country was based on in the first place. With all of this work, you're taking us back to where our roots are, where we should be.”
- On a macro level, Oliveira questioned how to make this happen, with implementation being his primary concern. “As we go through this, we must be willing to put some teeth into it, to mandate some requirements,” he said. “I want specifics to be left to CSAC or the counties.”

Matt Rexroad, Supervisor, Yolo County

- Rexroad questioned the causal link between the policies the state adopts and the outcomes it is trying to achieve. “It's good to measure things, and it's hard to disagree

with anything in [the Framework],” he said, but he questioned whether something like ‘increased employment’ was really within the control of local governments.

- Rexroad also cautioned that it may prove difficult to disrupt local fiefdoms like cemetery districts and fire districts.

Alan Fernandes, Chief Legislative Advocate, County of Los Angeles

- “It’s remarkable work, what you’ve done. It’s a great starting place.”
- Fernandes questioned aligning California’s restructuring with other states, however, suggesting California’s government should determine outcomes only by making comparisons with other large states or the federal government.
- Fernandes questioned Recommendation 5’s use of phrase “mandating collaboration;” he thought less stern language would be more appropriate.

CITY PERSPECTIVES:

Mike Kasperzak, 1st Vice President, League of California Cities / Vice Mayor, Mountain View

- “As a general framework, I think the principles are great. But some tweaking needs to be done. The devil’s in the details.”
- Kasperzak questioned the choice of certain outcomes, like increased employment, that could prove difficult to improve for cities.
- Kasperzak emphasized that the Framework is really about ‘right-sizing’ government, not just moving authority down to locals “Where is that band we should be operating in?” Incentives should be an important part of this, along with making sure the state doesn’t increase disparity between haves and have-nots.

Dwight Stenbakker, Deputy Executive Director, League of California Cities

- “As a general statement, I think the Framework is a good framework.”
- Stenbakker pointed out many local governments have already adopted performance-based budgeting processes that might be models moving forward.
- Especially in areas like consolidation, incentives are important. He also suggested that “regional check-in systems” like COGs and LAFCOs might be integrated into one process.

Bev Perry, former Mayor, City of Brea

- “The five outcomes are succinct and to the point. I think this is transformative. What we’re doing now is outdated, it’s not working, and I think this is a good starting point, a good blueprint.”
- Perry encouraged the group to define public safety better, since it means different things to different levels of government.
- She also reiterated the point that incentives are vital, especially for existing groups like COGs, which may be empowered by restructuring. “You need to go back to funding and authority issues. Otherwise, why put it in here, if there’s not going to be any teeth?”

- Perry also reinforced that the state should have an essential role in establishing statewide outcomes—but only in collaboration with local agencies.

SPECIAL DISTRICT PERSPECTIVES:

Neil McCormick, Executive Director, California Special Districts Association

- “As we read through the principles and recommendations, I think the principles are well on their way as a solid foundation.”
- McCormick reiterated that the Framework’s recommendations should include special districts, which provide services to tens of millions of Californians each day.

Jim Friedl, General Manager, Conejo Recreation and Park District

- “If voters could re-imagine government, it might look a lot like special districts – where people can create the specific type of service they want.” Friedl described integration and collaboration efforts underway between Conejo Recreation and Park District and the state, nearby cities, as well as school districts.

Amber Wiley, Legislative Advocate, Association of California Healthcare

- Wiley outlined the important role special district hospitals play in providing health care in rural and frontier areas of the state.

EDUCATION PERSPECTIVES:

Mike Hanson, Superintendent, Fresno Unified School District

- “When we start talking about reorganizing communities around the Big Five [Outcomes], it doesn’t get any more elevating, clear, and concise than when you do that. I think we need to be prepared right out of the gate to have a really frank conversation as folks will no doubt try to define the Big Five Outcomes in terms that will perpetuate the status quo. But it’s still exactly the place to start, and I think it’s so exciting to be in a conversation around it.”
- “More people than ever before are sobering up to the fact that we cannot work like this and have any kind of sustainable community as a state. It won’t work. It used to be that we’d use government services and resources to protect our most vulnerable. For more and more people in our economic climate, this isn’t about protecting our most vulnerable, this is about having broad swaths of society survive and have a chance – not a good chance or a guarantee – but have a chance at the pathway out.”
- “We have simply squabbled and squandered so many opportunities to collaborate, within school districts and between districts. Any points of connectedness [restructuring will allow] are going to feel like jolts of high voltage coursing through the system. I don’t know that we’ve been able to capture what might be possible.”

Bill Wilson, School Board Member, Fremont Union High School District

- “I must say as I look over this document, it has that kind of optimism of ‘We’re going to get this problem solved, even if right now it’s hard to find the objective data to support it.’”
- Measuring results is something schools are already used to. Wilson’s advice: Measure what matters, and identify the roles these metrics will play in determining school activities.
- “I really like the statement of virtuous cycle: ‘Education leads to people who are better employees, decreases need for social services, decreases number of prisoners.’ That’s all an investment. We have to invest now to get those results later on.” The problem is, Wilson said, schools are underfunded. “We’re not going to have top-5 results with bottom-5 funding.”
- AB 8 apportionment is extremely opaque. “Local support is best when things are clear.” Wilson questioned the fiscal recommendation on the matter of who has the ability to adjust revenues.
- Even in education, where measures like graduation rates seem like clear outcomes, data can be difficult to locate.

Susan Lovenburg, School Board Member, Davis Joint Unified School District (now a *California Forward* consultant)

- Positive incentives for good behavior will be the foundation of restructuring, but even for an expert in a field, they can be difficult to determine.
- Academic success should not be narrowly defined, it’s more than test scores, outcomes should incorporate health and physical well-being.

Jennifer Peck, Executive Director, Partnership for Children and Youth / Policy Advisor and Director of Superintendent Tom Torlakson’s Transition Advisory Team

- “The fact is, we’re never really going to make big strides in closing this thing called the achievement gap if we don’t do the kind of collaboration we’re talking about here.”
- Peck was especially pleased to see references to community schools and full-service schools in the Framework, which give students more access to the services they need beyond education.
- Peck pointed out that the state’s new role of ‘technical assistance’ after restructuring must be more clearly defined, since to make more coordination and collaboration happen in many communities, “a lot of hand-holding and coaching and facilitation will be required.”

STATE PERSPECTIVES:**Senator Lois Wolk**, Chair, Senate Committee on Governance and Finance

- “For restructuring the fiscal relationship between state and local governments, this is the time. We can all agree on that. The stars are aligned, but that’s not a guarantee of anything other than the stars are aligned. We have an opportunity, and we need to take advantage of it.”

Senator Bob Huff, Vice-Chair, Senate Committee on Governance and Finance

- “We’ve become a culture of building upon the status quo instead of a culture of outcomes. Just that small little paradigm shift makes all the difference in the world. If you actually know what you’re trying to achieve and you can actually measure whether you got there or not...well, if you shoot at nothing, you’re sure to hit your target. We do that very well.”
- “I’m committed to this process because I believe it’s a noble goal.”

Asm. Rich Gordon, Member, Assembly Committee on Local Government.

- “I think we have an incredible opportunity at this point and we need to do it in a way that’s productive for California. Both by moving services closer to the people, reducing the concentration of power that’s collected here in Sacramento, working towards outcomes, and becoming more accountable to people of state, so we can say ‘Here’s what your tax dollars achieved.’”
- “My own experience with these issues is that they take time. It takes time to change a culture. We’ll be changing the culture of the way we do business.”

Asm. Roger Dickinson, Chair, Assembly Committee on Accountability and Administrative Review

- “Can we do things more efficiently and effectively with better outcomes? I’ve never met anyone in politics who doesn’t agree with that idea, no matter how conservative or liberal.”
- “How do we take the next step to transforming what we see into something where we get better value and outcomes for taxpayer dollars? Frankly that’s always the challenge, but the public deserves no less than that.”

MEETING 4 AND 5 – MARCH 31 AND APRIL 1, 2011:

The final two Sacramento Stakeholder Roundtable meetings were hosted over two days, with a series of stakeholder panelists focusing on the details of the Framework’s initial draft of its five recommendations. During the meeting, a group of experts who have had success implementing performance-based programs in California responded to the proposal. They each spoke on a panel focusing on a different part of the Framework. The panels included:

- Outcome Indicators and Performance Measures
- Use of Data to Drive Results
- The State’s Role
- Revenue Restructuring
- Empowering Regional Cooperation
- ‘Right-Sizing’ Through Functional Integration and Consolidation
- Will the Proposal Enable Better Results and Accountability?

PANELIST INPUT – MAJOR THEMES

Several major themes emerged from the day’s conversation:

- **How to focus on outcomes**
 - Performance measures: California is late to this game, but that means there is much to learn from other states. This will be a slow process, and it can’t be an exercise in performance reports going from one agency to another. Performance data must drive decision-making.
 - Tying data to decisions: The state’s child welfare system’s successful implementation of performance and accountability measures in the last decades shows this can be done, but the next generation of data-collection and data-sharing must begin now.
 - The state role: Many participants pushed for less emphasis on sanctions and takeovers and more emphasis on incentives. They argued technical assistance should not come from the state; instead the state’s role should be to facilitate peer-to-peer assistance. Overall, the state may grant locals more flexibility, but it will still play a vital role in maintaining statewide standards.
- **How to align the revenue system to support this structure**
 - There was widespread support for transferring some level of control over revenues to local governments—“I see California as destined to failure as long as we preserve the existing model for counties, cities, and schools,” as one participant put it—but the details of how to do this still require more discussion.
 - There are advantages/disadvantages to giving municipal governments more control over property taxes, while counties rely more on the sales tax. When the business cycle goes down, county public service caseloads go up, after all, making a sales tax revenue base less than ideal.
 - Piloting reorganization in a few willing counties was a popular suggestion

- **How to encourage regional collaboration**
 - While some concerns were expressed about whether COGs are the best entities to encourage regional collaboration, many agreed that the right statewide goals will drive the right kinds of regional collaboration.
 - With SB 375 as a model, some suggested moving away from the ‘review’ language in the proposals on COGs and LAFCOs. Many suggested focusing on indicators, instead.

PANELIST INPUT – OUTCOME INDICATORS AND PERFORMANCE MEASURES

Christina Altmayer, President, Altmayer Consulting

- “California is late to this game. I say that as good news/bad news. The good news is there’s tremendous opportunity to learn from other states around the country as well as the federal government. The bad news is we have a lot of work to do to catch up.”
- “We’re really trying to change the culture of government in California. But as I tell my kids: How do you eat an elephant? One bite at a time. We can’t do this through major change, it’s really a series of changes and steps.”
- “I’m adamant that we can’t make this an exercise in performance reports going from one agency to another, without the report ever informing discussion.”
- “When we’re talking about standards, you’re going down the road of mandating compliance, which is about building more infrastructure at the state level to do the monitoring. We want to move away from compliance to a real accountability for these results...If you’re in the business of mandating improvement, then you’re in the business of funding them forever.”
- Specifically, Altmayer suggested:
 - A mechanism of exchanges for local government where the locals commit to improving results and then set their own targets for improvement. In exchange, the state says, ‘If you achieve these outcomes, we’ll help you break through the administrative barriers.’ (Similar to what the federal government did with HHS at end of Clinton administration.)
 - Leadership—visible leadership—involving management training
 - This will take time: LA County started down this path in 2004 when one department made a commitment to performance-management. Today, 6 of 38 county departments have adopted this approach.

Diana Boyer, Senior Policy Analyst, County Welfare Directors

- Boyer presented California’s child welfare system as a potential model of performance-focused accountability. As a result of recent federal and state legislation, the child welfare system has been moving away from compliance-driven processes toward outcomes-based accountability. Following the passage of ABA 636 in 2001, the state’s Department of Social Services was tasked with reviewing the state’s county child welfare system and developing measurable outcome standards for foster children. A broad-

based workgroup that included experts across the child welfare system—from foster youth and caregivers to legal advocates and the courts—worked together to produce today’s California Child Welfare Outcomes and Accountability System.

- Some of the California Accountability System’s benefits:
 - Encourages continuous self-improvement: By tracking results, counties can improve the way they help families. Counties aren’t ranked against each other; every county develops its own performance metrics and its own improvement plan. Says Boyer: “I would really emphasize the importance of allowing locals to identify a few key areas of improvement.”
 - The data is rich—and public: After years of drilling down into the case-management system data, child welfare has moved away from point-in-time tracking towards long-term, cycling-in-and-out measurement.
 - It takes time, but it works: In child welfare, instituting performance metrics is a three-year process, but even that is an incredibly short amount of time. Says Boyer: “You want buy-in from the community of stakeholders, and sometimes that takes cultural change. It doesn’t happen rapid fire.”
 - New investments help: Whether it is from foundations or county boards, new investments have helped achieve improved outcomes. Says Boyer: “Money really does make a difference.”

Richard Van Horn, Vice Chair, Mental Health Services Oversight and Accountability Commission

- “For the five outcomes to work, the silos must be broken down, because each outcome requires at least three parts of state government to make any improvement.”
- Indicators must make sense to those who get and deliver the services. (Witness Prop 63, which Van Horn sees as a response to a children’s system that “wasn’t providing outcomes that made sense to people.”)
- There is a danger that local governments will see indicators as potentially punitive—and only leadership can overcome this. Says Van Horn: “People are devoted to the way things have been done. Each jurisdiction that will attempt to do outcome measures will need a champion. Without personal charm to encourage and gain acceptance, it won’t happen.”
- Specific suggestions: There should be a group of joint committees around each of the 5 big outcomes representing the departments involved. There may need to be a master committee representing levels of government and private/nonprofit sectors who deliver the services.

PANELIST INPUT – USE OF DATA TO DRIVE RESULTS

Barbara Needell, Principal Investigator, Child Welfare Performance Indicators Project

- “When I started, we didn’t really even know how many children were in foster care in each county....I couldn’t agree with the idea of transparency more. That’s something in the child welfare system we’ve come to believe in very strongly.”
- A caution: The Big 5 Outcomes are all interrelated, but the data used will need to be carefully selected. “Take family reunification,” says Needell. “If you just look at which kids go home, without looking at the rate going into care, you don’t really have a good indicator. You have to look across measures to understand what’s going on.”

Adam Nguyen, Family and Children Services, Human Services Agency of San Francisco

- What makes the child welfare outcomes system work:
 - Analytics: “We have a longitudinal database that goes statewide. That’s helpful. The more data we have, the more we can see where child welfare kids end up in the probation system.” (Nguyen pointed out that this system is only used to ID patterns, not yet for case management, due to legal constraints.)
 - Accountability system: The Controller’s office does a compilation of all measures across department, then drill down with CitiStat to do performance evaluation.
 - Resources: Agencies also make sure some funding is going to performance evaluation.
 - Leverage: The agency often leverages expertise of academics to tackle data challenges.

Thomas McGeorge, Family and Children Services, Human Services Agency of San Francisco

- McGeorge demonstrated how metrics work in practice, showing how his own agency made dramatic improvements in one monthly measure—parental signatures—because they had access to data.

Elizabeth Siggins, Chief Deputy Secretary, Adult Programs, California Dept. of Corrections and Rehabilitation

- “What you’ve heard about in terms of the success of child welfare data is really a model. We do not have that same kind of data capacity or availability in corrections or juvenile justice.”
- “There’s always a fear of some kind of report card. Counties don’t want to share data that would then be used against them.”
- “Then again, if you’re afraid of what the data might tell you, it’s more important than ever that you collect it. Too often, we overcomplicate it, and make it too hard to get off the ground.”

Marjorie Rist, Chief Probation Officer, Yolo County Probation Department

- “I’m very supportive, but I want to share a clear picture of what we’re up against in implementing these things. I have the data for Yolo County: I’ve reduced my group-home population of juveniles, I’ve saved \$2.6 million per year by de-institutionalizing kids. The only reason I can tell you that is because Yolo County is little, and I can look at the data myself. It’s not because I have a data analyst or have had any coaching.”
- “We don’t have IT systems. We don’t have data analysis capacity. We don’t have outcomes-based, performance-measured systems or that way of doing business.”
- “This needs to be a process instead of a one-time solution. We have to make it iterative. Let’s build it in a way that allows us to maintain what we build, tweak it, and go on.”

PANELIST INPUT – THE STATE’S ROLE**Toby Ewing**, Consultant, Senate Committee on Governance and Finance

- Ewing emphasized the following as critical roles for the state:
 - Leadership
 - Technical assistance: “When I’m thinking about this, doesn’t mean state employees doing it, but it’s a role beyond just a single community—there’s ways to do with through peer-to-peer, etc.”
 - Intervention: What’s working, what’s not, how to certify?
 - Coordination: “To the extent counties are going it alone, it will increase the likelihood we’ll make mistakes. Who’s considering statewide the systems we’re building? This isn’t sexy stuff, but it’s necessary—coordination between service-providers and the State, as well as the public.”
 - Intermediary: Between state/federal and state/policymakers
 - Regional: “The State doesn’t have to do it all, but there needs to be a layer where someone’s tasked with not just helping those who are struggling, but helping those who are doing well do better.”

Bruce Wagstaff, Agency Administrator, Sacramento Countywide Services Agency

- “I strongly agree and support the ‘Adjust the State Role’ write up. This doc lays out what the new role might be: It’s about setting general policy outcomes with input of local level stakeholders, driving the direction we want to go in—then working at the local level to get there.”
- Changing the role of the state is a challenge; the 1991 realignment didn’t really do it: “In 1991, a lot of work went into that, but when I look back on it, it really ended up being a cost shift, changing sharing ratios in different programs. It didn’t have an impact as a new way of looking at things. The state role continued to be essentially what it had been. There really has to be a conscious effort to make that happen.”
- Wagstaff’s specific suggestions:

- The State shouldn't try to offer technical assistance to counties. Says Wagstaff: "If you've never worked there, you don't have a clue."
- The State should avoid the threat of sanctions: "I've never seen a situation where threat of sanctions works. It creates an atmosphere where rather than freely sharing information, you have tendency to delay data. It takes away from mutual effort of early identification of problems." Wagstaff suggests fiscal incentives, instead.
- "Additionally, if we're going to go this way, I'd put right into the legislation a requirement for a widespread stakeholder process for establishing desired program outcomes. I'd also want state-level outcomes to be set as well. For the state, that could be something like *timeliness* in providing technical assistance."
- The legislature should also hold regular hearings to monitor what's happening.

Scott Hill, Vice President – Education Policy, School Innovations and Advocacy; and, former Undersecretary, California Office of Education

- Advised against the 'takeover' model of state intervention: "We've had 232 school districts (from LA Unified to the smallest district in the state) go through the process of having some sanction applied by the state Board of Education. [The State] will tell people in your district office how to do their jobs better. But not a single child has one bit of direct support as a result of this."
- Education data: "We don't prioritize, don't try to sift through it. Having the State help decide what's important could be a real value-add."

Jennifer Rodriguez, Staff Attorney, Youth Law Center

- A caution: "I think it's really important that the flexibility we're providing counties doesn't dilute protections in areas like child welfare. With AB 636, we pushed hard to make sure conversation wasn't just about outcome measures, but about some process measures as well."
- "To dismantle something in the name of eliminating micromanagement, without acknowledging its reason for existing, could negatively affect people's lives. History happened for a reason, each one of those regulations was established because young people came forward and shared their experience in foster care. We're disregarding their experience if we say we only want maximum flexibility."

Richard Van Horn, Vice Chair, Mental Health Services Oversight and Accountability Commission

- Sanctions: "Sanctions don't work, incentives do. Staff must see what the state is doing as carrots. Sticks are the last resort."
- Technical assistance: "'Hello, I'm from the government, and I'm here to help.' That's the beginning of thousands of jokes. Technical assistance should come from peers, not from experts."

- Review time period: “A 10-year review is too far out. That’s a whole lifetime. It should be shorter.”
- Funding: “Changes in mental health have only happened when there was money to spend. It’s much harder, but you can also have change with big cuts if you make the right cuts.”

PANELIST INPUT – REVENUE RESTRUCTURING

Dan Wall, former Chief Legislative Advocate, County of Los Angeles

- “There’s a statement in here about returning some level of control over revenues back to the local level. To me that’s fundamental. I see California as destined to failure as long as we preserve the existing model for counties, cities, and schools.”
- Public financing options: “I don’t know if sales and VLF are appropriate for counties. When the business cycle goes down, our caseloads go up. We need a revenue source that’s different. There’s no such thing as a stable revenue source, but the property tax is relatively stable.”
- Piloting regionalization: “We have 58 counties, each with a number of cities, counties, schools, and special districts. Maybe we should try to pilot reorganization within the 58. If we can overcome the hurdles, we can move to a more macro structure.”

Michael Coleman, Fiscal Policy Advisor, CaliforniaCityFinance.com

- “Aligning authority and responsibility with revenues for those services—that sounds very logical. But right now, the state legislature decides who pays sales and property tax. If the State gets no revenue impact from those decisions, it’s not going to be as responsible.”
- Fiscalization of land-use: “Even though we identify one of the problems of our fiscal system being its impact on land-use, the analysis about how our reforms affect that problem hasn’t been done. Land-use is fiscalized. The problem is we have certain kinds that are more incentivized than others. It’s not just about sales tax. We need to make sure those incentives built into the system match up with our policy goals—so development of more affordable housing is favored, not discouraged, for example.”

Tim Youmans, Managing Principal, Economic and Planning Systems

- “Services are felt the most at the local level. [The revenue system] has to start working there, where majority of voters are. I don’t think this revenue structure goes nearly far enough yet.”
- A caution: “With the sales tax, everything we’re doing in public policy & land-use is targeted at reducing consumption, yet our revenue stream is built on that. A value-added tax, a broader tax, would be worth examining.”

Dean Mischynski, Adjunct Fellow, Public Policy Institute of California

- Specific suggestions: “There are a number of models for the way we talk about and envision the change we’re describing—the ‘tsunami model,’ where change happens overwhelmingly, and the ‘seepage model,’ where change happens by slow increment. Performance management happens much more by seepage, a little bit here, a little bit there, over time, evidence builds up. I think we need two things:
 - A set of proposals for the immediate future (realignment)
 - At the same time, a perpetual performance-management society that advocates and advances performance-management over time. Because it’s going to go on for 100 years, program by program, bit by bit, data source by source.”

PANELIST INPUT – EMPOWERING REGIONAL COOPERATION**Heather Fargo**, Executive Policy Officer, Strategic Growth Council

- “I think we need to add improving the environment as one of the outcomes we’re looking for. Environment matters, and it’s measureable.”
- Skepticism about COGs’ reach: “For the COGs to take on auditing and reviewing special districts and schools, they’re going to have to develop relationships that don’t exist. We’ll have to teach schools and special districts that COGs exist....I think you’ll want to take other existing regional planning entities—or new ones—and assign them this task.”
- The right goals will drive the right regional collaboration: “What if we established a statewide goal like we did with SB 375? Let’s do it with the dropout rate and say ‘We’re going to cut it in 5 years by 50 percent.’ Tell locals to do it, and they’ll find the best way, if we can pick a goal supported by citizens who want to achieve it.”

Bill Higgins, Executive Director, California Association of Councils of Governments

- “There’s been a lot of talk of matching revenue and responsibility. That’s good. And others have mentioned 375 – set a target and let people get there. What’s missing there is assurance that system’s going to be changed and added to. With 375, there’s already several state bills where it’s ‘Set your target, but do it this way.’”
- Long-term flexibility in implementation is a necessity: “If you’re building in constitutional protections, you’re going to have to guarantee some protection so regions can have a way to do this their own way.”

Ezra Rapport, Executive Director, Association of Bay Area Governments

- “There’s a natural point of tension between state and local government that exists everywhere because state government has a bigger point of view on how problems move around, and locals want as much control over their communities as possible. Local governments acting together create collective conditions, and the state has to deal with it.”

- What’s missing in California is a regional framework: “There’s been very little work in state constitution or political framework to strengthen that – as a result you have a wide variety of regional relationships that are very weak.”
- On the virtues of SB 375 as a model: “What’s good about it is it paints a picture of regional identity. We view the target on greenhouse gases as a metric. It’s one of many things that will have to take place for change to be meaningful. The state and CARB can look at it and see how things are going, but that’s not the point of the plan: It’s much bigger than that. It’s to help the state manage growth through regional planning, which has to be comprehensive to be meaningful and needs to incorporate water, special districts, education, and many other things.”
- COGs as a foundation: “You’d think it’d be logical for the state, local governments, and schools all to have the same strategy for infrastructure investment. ABAG is involved in 100 cities, we’re bringing in special districts and schools. This is not a minor task. To build on it would be very wise.”
- COGs role: “We need to move away from ‘review’ language for COGs and LAFCOs and focus on indicators, instead. Hang it on SB 375. I view that as a foundation we should be constructing things on.”
- On flexibility: “The restrictions that exist in statute about how much of infrastructure can be used in CEQA or for planning purposes, need to be adjusted to take into account that there is vast efficiency in organizing a regional plan for how to invest our restructure dollars.”

Connie Stewart, Executive Director, California Center for Rural Policy, Humboldt State University

- Regional indicators may need to vary: “The problem we have in our region with 375: Our region’s contribution to state greenhouse gas load is from fires. It’s not just cities working out transportation. There’s no discussion of fire management for reducing greenhouse gas [in 375]. We’ll hit a level in one day that’s more than we could ever possibly save.”
- Stewart listed a range of regional collaborations already up and running in her region—a four-county area that is the size of Massachusetts and Connecticut—ranging from a waste management authority to a variety of regional economic development partnerships and an education collaborative.

Hasan Ikhmeta, Executive Director, Southern California Association of Governments

- “I believe COGs are a good forum to start public policy debates on lots of issues. The issue is whether they’re funded, not whether they want to.”

INPUT - 'RIGHT-SIZING' THROUGH FUNCTIONAL INTEGRATION & CONSOLIDATION

Bill Chiat, Executive Director, California Association of Local Agency Formation Commissions

- Currently, LAFCOs don't review school districts or Joint Powers Agreements. Says Chiat: "We work with [JPAs] a lot, but there's nobody providing oversight, it's more or less an invisible form of government."
- Even with their new authority, LAFCOs are limited: "It's very very difficult for LAFCOs to look at reorganization of local agencies. Local agencies usually don't want to be reorganized. There's a lot of political pressure. Even when state passes a law that says you need to consolidate."
- But they're arguably still the right level of government for the job: "To avoid duplication or creating conflicting agencies that drive local governments crazy and waste lots of dollars, LAFCOs can play an important role. They already exist. The courts recognize them, and one court of appeals has even described LAFCOs as the Legislature's 'watchdog.'"

Christopher Tooker, Chair, Sacramento LAFCO

- On empowering COGs vs. LAFCOs: COGs currently have few mandates or authority, while LAFCOs have both. Recommended providing LAFCOs with targets to improve the efficiency of municipal service delivery with adequate authority and technical assistance to carry them out. This should include incentives for local agencies to develop collaborative working relationships with other agencies to improve service delivery.
- On whether to set up a commission on consolidation: Instead of setting up a commission, suggested reviewing recommendations of the *Commission on Local Governance for the 21st Century*.

Jesse Brown, Executive Director, Merced County Association of Governments

- "LAFCOs must be truly independent, with their own staff, not part-time staff. Right now, LAFCOs are by nature reactive and regulatory bodies. Cities ask for changes, LAFCOs respond. Asking for more of them is counter to their culture."
- On whether to set up a commission on consolidation: Along with statutory establishment of a committee—which must include the public—Brown suggested a pilot study or project in a few different geographic areas to show it can work.

Stephen Lucas, Executive Officer, Butte LAFCO

- On empower COGs vs. LAFCOs: As the existing independent local government 'watchdog,' Lucas believes greater emphasis should be put on LAFCO independence and a rethinking of how LAFCOs are funded. Lucas offered a warning about the possibility that COGs and LAFCOs might be driven into competition by the proposal, particularly since, at present, regional transportation decisions are not driven by LAFCO municipal performance reviews, but by city and county land-use plans.

- On whether to set up a commission on consolidation: Lucas pointed out that LAFCOs already perform the service the proposed committee would perform. To be effective, governmental consolidation and integration efforts will require a common depository of local government agency data that has earned the trust of local agencies. LAFCO expertise will be instrumental in this process.

Roseanne Chamberlain, Executive Officer, Amador LAFCO

- “I can’t emphasize enough the power of regional collaboration, even if the size of the regions is always subject to argument. We already have tools in the toolbox, and we have a record of doing more or less a pretty good job of discouraging urban sprawl.”

INPUT - WILL THE PROPOSAL ENABLE BETTER RESULTS AND ACCOUNTABILITY?

Phillip Crandall, Director, Humboldt County Department of Health and Human Services

- Crandall described his agency’s own successful service integration efforts, aided by the passage of AB 1881 in 2004. Among the lessons learned he would apply to the *California Forward Framework*:
 - The state role: “It certainly shouldn’t be technical assistance. Instead, they should bring together or convene experts to disseminate information peer to peer. The state itself shouldn’t even try. They don’t have the expertise.”
 - Consolidation: “A decade-long phased-in plan as we’re moving along is something that’s more likely. We looked at administrative unification first (IT systems etc.) to create the capacity. Only then did we look to program support for integration.”
 - Data: “Health care reform may gut efforts by counties to provide data as a result of its own information-collecting efforts.”

Richard Miller, District Superintendent, Riverside Unified School District

- “When you talk about integration of services, that’s a no-brainer. I think you’re raising the right questions, you’re moving in the right direction. We need a compelling vision of what as a California student or parent I should get. What’s the outcome you want?”
- “Right now, we’re an input system. We get paid if a kid sits in the seat and shows up in school. What if the way schools got funded—take Algebra—what if we only got paid when the students demonstrated competence based on an independent evaluation? What if we had a system based not on seat-time, but outcomes?”

Rick Miller, Executive Director, California Office to Reform Education

- “Schools are already moving in this direction. We have agreed-upon metrics, standards we expect every student to know and be able to do. We have an assessment system that needs work, but people have bought into it. The concern I have with an outcomes-based focus is not so much for those who do well but for those who struggle.”

- “There a huge equity issue here: Most of the time it’s students of color and low-income kids in these systems. If we don’t have an answer for them, we have to think about getting out of the business.”
- “To me it’s a no-brainer: We go to outcomes for high-performing schools. It’s the other schools we go in the other direction.”
- Technical assistance: “I really like your notion of state becoming a broker of expertise: Their job is to find where things are working & put things together.”

INPUT – THE STATE PERSPECTIVE

Secretary Diana Dooley, California Health and Human Services Agency

- “I’m very impressed with your proposals and agree to see how we can make as many of them work as possible. Clearly the governor is committed to realignment; it was a foundational part of his balanced-budget approach. The critical mass that’s required, I’m sorry to say hasn’t yet developed, even on this first down payment on realignment.”
- Dooley questioned the notion that the state will have to accept differences from county to county. “Many of the current mandates exist to avoid that. So the state’s role may need to be bigger than your paper contemplates, from working towards performance measures to oversight of that.”

Secretary Matthew Cate, California Department of Corrections and Rehabilitation

- “One thing we all have to recognize is that the success or failure of our departments, the impact is all local. I’m not sure communities fully understand that when someone’s arrested and goes to state prison, 95 percent of those people return to the very communities they left. The time they spend in the criminal justice system will have a direct impact on that community.”
- There are certain things the state does really well, others it doesn’t:
 - “In prisons, we do a poor job of handling short-term offenders: 47,000 offenders spend 90 days or less in state prison. That’s just enough time to spend an incredible amount of money. That’s something we need to do less of.”
 - “Local government should make more decisions. Right now, we don’t test if someone’s positive for THC. Some counties may decide we don’t want to drug test at all. Others will say we are. That’s a good local government decisions.”

PANELIST INPUT - LEGISLATORS’ PERSPECTIVES

Sen. Carol Liu, Chair, Senate Human Services Committee and Member, Senate Governance and Finance Committee

- “From my perspective, we applaud your work. There are lots of hurdles going to occur as we try to look at realignment, restructuring, and reform, but I think there’s clarity on where we want to go to make this dysfunctional place better.”
- “After last week’s discussion on the budget, most of us just turned to business-as-usual, the bill mill. We should use our committees to dictate where we go from here, how to

set standards, rather than just do bills. This is the time to set precedents, and you're right on time. It's time to rethink how we deliver services here in the state of California."

Sen. Loni Hancock, Chair, Senate Public Safety Committee and Member, Senate Governance and Finance Committee

- "I fully support the goals *California Forward* has laid out. It's going to be difficult to achieve in the context of an all-cuts budget."
- "My job over the next three years is to see if we can fix this in one of the three sectors. That's what it will take to rationalize California government. If you don't do the first two [big portions of state spending, meaning HHS and Education] well, you're going to end up putting all the money into the third [prisons], and our track record there isn't good."
- Hancock approved in particular of approach to restructuring and regionalizing:
 - "Restructuring – probably a better word than realignment because we really are going to have profoundly change how we do business. Just look at public safety: Setting goals and a vision a la *California Forward*, that would be a major conversation in this state. We really don't know if we're deterring, we're punishing, we're correcting. What's the purpose of our criminal justice system? Until we define that, I spend most of my policy time on the bill mill."
 - "Regionalization – I'm beginning to feel that will be the hope of our state at this point. We have COGs that don't have fundraising or real government authority, they're a coordinating mechanism. But we do have environmentally and socially a state made up of regions. I think we need to return authority to local & county government and to regional government, and we need to regionalize the way we raise money. So those that have responsibility for programs also have the ability to raise the funds for the program."

PANELIST INPUT - A CITY PERSPECTIVE

Mayor Ron Loveridge, City of Riverside

- "This is not a parlor game. It's not just an exercise. Across the country, a discussion has started about how we will deliver services in the 21st century. This is the tip of the spear of that discussion."
- On the challenges of measuring outcomes: "You could run a measurement on the City of Irvine and the City of San Bernardino. Irvine will get remarkably high scores. San Bernardino will get low scores on the same measures. What does that mean? What should we do with that information? Does that mean San Bernardino should get less money? This whole question needs to be part of thinking about performance-measurement. Cities make rational decisions if the incentives are right."

STAKEHOLDER MEETINGS

REGIONAL STAKEHOLDER ROUNDTABLES

Following the success of the Sacramento Stakeholder Roundtables, *California Forward* hosted a series of Regional Stakeholder Roundtables in South Los Angeles, El Monte, Downtown L.A., West Hollywood, San Diego, Rancho Cucamonga, San Bernardino, San Francisco, San Jose, Oakland, and Selma.

The five proposals in the Framework were vetted with several hundred local leaders, including county administrators, county supervisors, mayors, city council members, police chiefs, probation chiefs, school superintendents, community college and university chancellors, nonprofit service providers, the directors of councils of government, and many others.

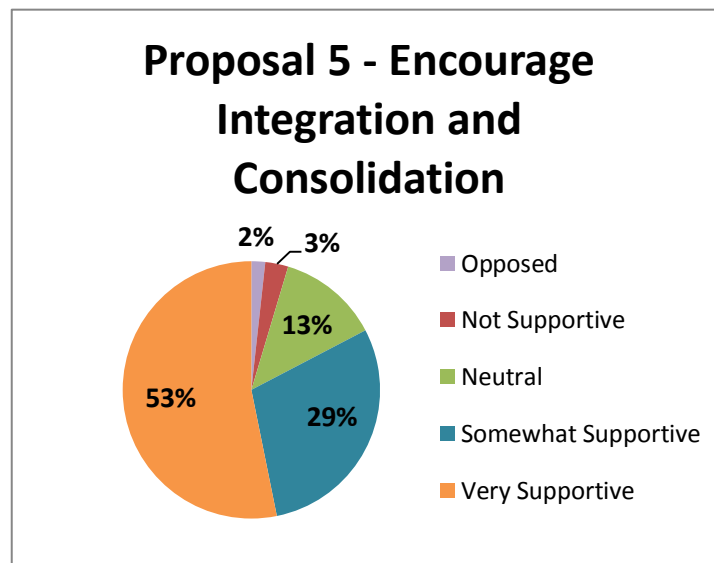
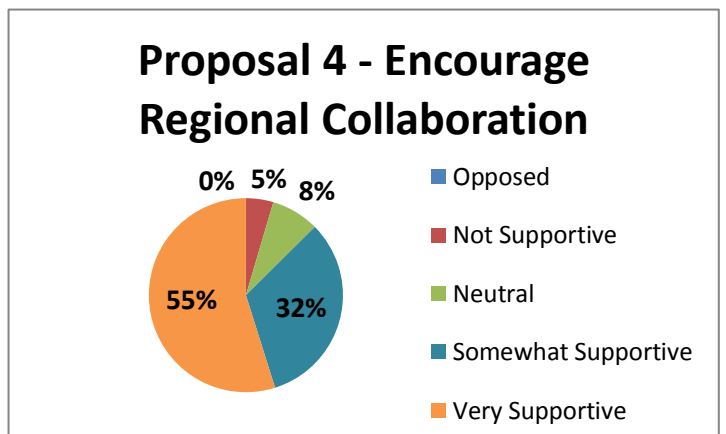
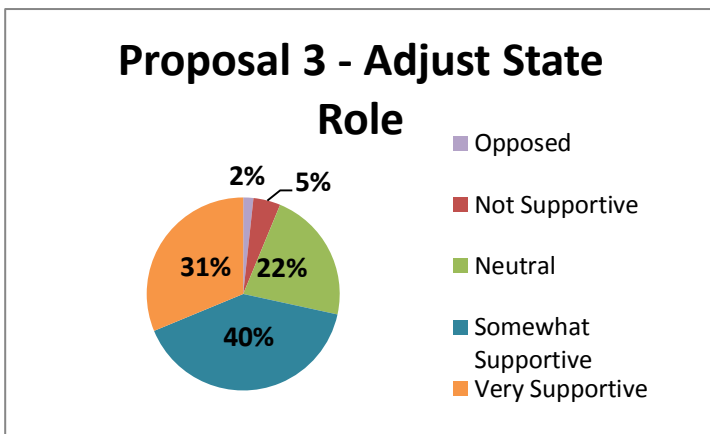
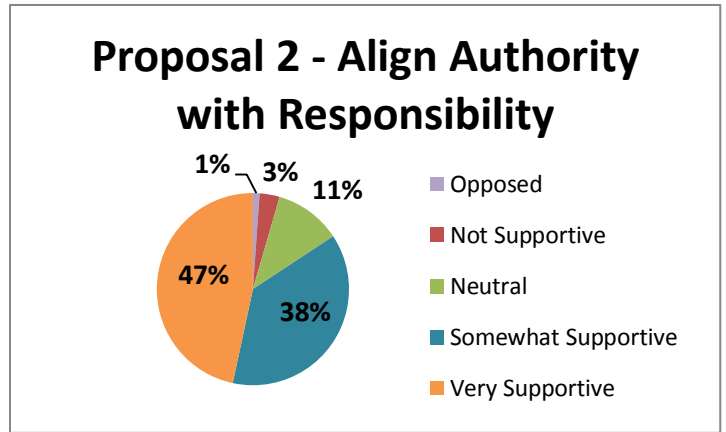
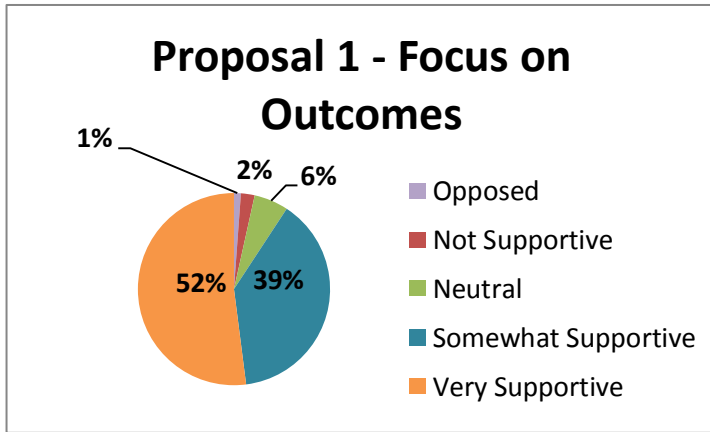
The Framework and its proposals, having already been tested and revised by stakeholders in the Sacramento Roundtables, held up well under the scrutiny of regional leaders. Most stakeholders agreed with its general premise. Although there was general support for the Framework, some concerns were still expressed about the details of these proposals and how they might be implemented.

These concerns included:

- Who decides on which outcomes to measure?
- What impacts will this sort of restructuring have on the government workforce?
- With more local control, how do we avoid waste and abuse akin to the City of Bell experience?
- With more local control, how do we ensure that all communities are held to the same standards?
- Many stakeholders felt that a regional approach is necessary, but they would prefer that it is convened by a university or a public/private partnership, rather than a Council of Government.

At the conclusion of each Regional Roundtables, participants were asked to vote on their impressions of the proposal. Their responses to each recommendation in the Framework can be found on the next page.

REGIONAL ROUNDTABLES
RESPONSE TO FRAMEWORK PROPOSALS



Appendix 6 – Leadership Council Endorsement of the Framework

Despite the growing reputation as a state on the brink of failure, some public agencies in California operate on the edge of innovation. The wisdom of those public servants informed this Framework for a new governance model involving the state and the thousands of local governments that together provide essential services to 36 million Californians and counting.

For all of the gridlock among elected leaders and bitterness among partisans, the vast majority of Californians are clear on what they want in schools, public health and safety programs, and just their government in general: They want results, transparency and accountability. Those simple and reasonable expectations are advanced by this Framework.

During the first half of 2011, *California Forward* convened, presented, listened and distilled. Some of these conversations were one-on-one. Others were hundreds of people at a time. We consulted with those administrators known for making complex systems work in the toughest situations for those Californians most in need. We engaged community and business leaders—sweating to solve neighborhood problems and meet payroll—on whether these changes might restore their confidence that government can do for them what they cannot do for themselves.

The work product of this statewide conversation is the *Smart Government* Framework. It is not perfect. Many details are yet to be resolved. It is still a “work in progress.” But it is a faithful testimonial to what innovators in government are already doing and a strategic action plan for enabling communities to produce better results.

The Framework is built on three cornerstone values referred to as the “Three Es.” At every level, government needs to advance a Prosperous **E**conomy, Quality **E**nvironment and Community **E**quity. One value cannot be sacrificed for the other. Paraphrasing Theodore Roosevelt, California will not be a great place for anyone until it is a good place for everyone.

The Framework establishes five overarching outcomes that are the ultimate intentions of general purpose government: Increased employment, improved education, decreased poverty, decreased crime, and improved health. Government is not solely responsible for any of these outcomes—yet many programs and government agencies were created to contribute to these outcomes. From the perspective of the voter, the taxpayer, the client, the student, and the citizen, government must get better every day at its part of the bargain if Californians are going to compete in the global marketplace, improve the quality of life in their neighborhoods, and leave a better California to the next generation.

The Framework articulates five principles and proposals that align authority and responsibility to the level of government best able to respond to public needs and address public issues. The state would take on a new role of supporting excellence among the communities and regions as they coordinate and integrate actions to advance the five big outcomes. Schools alone cannot reduce the high school dropout rate, nor can cities, counties or colleges alone create the conditions that attract private capital that generates worthwhile jobs.

The next step is to advance the Framework through specific actions—in communities ready to act, through the Legislature, or at the ballot box. *California Forward*, inspired and honored by those who helped to develop the Framework, is committed to its fruition. We will work with practitioners to develop detailed proposals for specific elements of the new governance model.

We will work with lawmakers who see the Framework as a way to assess and improve legislation. We will work with others to advance true public interest initiatives to voters.

We, the Leadership Council of *California Forward*, commit ourselves to give Californians the *Smart Government* that will lead to better jobs and education, less poverty and crime, and greater health and well-being.

Appendix 7 – Model Initiative Language

11-2-11
Final
Model Initiative

The Government Performance and Accountability Act

SECTION ONE. Findings and Declarations.

The People of the State of California hereby find and declare that government must be:

1. **Trustworthy.** California government has lost the confidence of its citizens and is not meeting the needs of Californians. Taxpayers are entitled to a higher return on their investment and the public deserves better results from government services.
2. **Accountable for Results.** To restore trust, government at all levels must be accountable for results. The people are entitled to know how tax dollars are being spent and how well government is performing. State and local government agencies must set measurable outcomes for all expenditures and regularly and publicly report progress toward those outcomes.
3. **Cost-Effective.** California must invest its scarce public resources wisely to be competitive in the global economy. Vital public services must therefore be delivered with increasing effectiveness and efficiency.
4. **Transparent.** It is essential that the public's business be public. Honesty and openness promote and preserve the integrity of democracy and the relationship between the people and their government.
5. **Focused on Results.** To improve results, public agencies need a clear and shared understanding of public purpose. With this measure, the people declare that the purpose of state and local governments is to promote a prosperous economy, a quality environment, and community equity. These purposes are advanced by achieving at least the following goals: increasing employment, improving education, decreasing poverty, decreasing crime, and improving health.
6. **Cooperative.** To make every dollar count, public agencies must work together to reduce bureaucracy, eliminate duplication, and resolve conflicts. They must integrate services and adapt strategies that have been proven to work and can make a difference in the lives of Californians.

7. **Closer to the People.** Many governmental services are best provided at the local level, where public officials know their communities and residents have access to elected officials. Local governments need the flexibility to tailor programs to the needs of their communities.
8. **Supportive of Regional Job Generation.** California is composed of regional economies. Many components of economic vitality are best addressed at the regional scale. The State is obliged to enable and encourage local governments to collaborate regionally to enhance the ability to attract capital investment into regional economies to generate well-paying jobs.
9. **Willing to Listen.** Public participation is essential to ensure a vibrant and responsive democracy and a responsive and accountable government. When government listens, more people are willing to take an active role in their communities and their government.
10. **Thrifty and Prudent.** State and local governments today spend hundreds of millions of dollars on budget processes that do not tell the public what is being accomplished. Those same funds can be better used to develop budgets that link dollars to goals and communicate progress toward those goals, which is a primary purpose of public budgets.

SECTION TWO. Purpose and Intent.

In enacting this measure, the People of the State of California intend to:

1. Improve results and accountability to taxpayers and the public by improving the budget process for the State and local governments with existing resources.
2. Make state government more efficient, effective, and transparent through a state budget process that does the following:
 - a. Focuses budget decisions on what programs are trying to accomplish and whether progress is being made.
 - b. Requires the development of a two-year budget and a review of every program at least once every five years to make sure money is well spent over time.
 - c. Requires major new programs and tax cuts to have clearly identified funding sources before they are enacted.
 - d. Requires all legislation – including the Budget Act – to be public for three days before lawmakers can vote on it.

3. Move government closer to the people by enabling and encouraging local governments to work together to save money, improve results, and restore accountability to the public through the following:
 - a. Focusing local government budget decisions on what programs are trying to accomplish and whether progress is being made.
 - b. Granting counties, cities, and schools the authority to develop through a public process a Community Strategic Action Plan for advancing community priorities that they cannot achieve by themselves.
 - c. Granting local governments that complete an Action Plan flexibility in how they spend state dollars to improve the outcomes of public programs.
 - d. Granting local governments that complete an Action Plan the ability to identify state statutes or regulations that impede progress and a process for crafting a local rule for achieving a state requirement.
 - e. Encouraging local governments to collaborate to achieve goals more effectively addressed at a regional scale.
 - f. Providing some state funds as an incentive to local governments to develop Action Plans.
 - g. Requiring local governments to report their progress annually and evaluate their efforts every four years as a condition of continued flexibility – thus restoring accountability of local elected officials to local voters and taxpayers.
4. Involve the people in identifying priorities, setting goals, establishing measurements of results, allocating resources in a budget, and monitoring progress.
5. Implement the budget reforms herein using existing resources currently dedicated to the budget processes of the State and its political subdivisions without significant additional funds. Further, establish the Performance and Accountability Trust Fund from existing tax bases and revenues. No provision herein shall require an increase in any taxes or modification of any tax rate or base.

SECTION THREE. Section 8 of Article IV of the California Constitution is hereby amended to read:

SEC. 8. (a) At regular sessions no bill other than the budget bill may be heard or acted on by committee or either house until the 31st day after the bill is introduced unless the house dispenses with this requirement by rollcall vote entered in the journal, three fourths of the membership concurring.

(b) The Legislature may make no law except by statute and may enact no statute except by bill. No bill may be passed unless it is read by title on 3 days in each house except that the house may dispense with this requirement by rollcall vote entered in the journal, two thirds of the membership concurring. No bill other than a bill containing an urgency clause that is passed in a special session called by the Governor to address a state of emergency declared by the Governor arising out of a natural disaster or a terrorist attack may be passed until the bill with amendments has been in printed and distributed to the members and available to the public for at least three days. No bill may be passed unless, by rollcall vote entered in the journal, a majority of the membership of each house concurs.

(c) (1) Except as provided in paragraphs (2) and (3) of this subdivision, a statute enacted at a regular session shall go into effect on January 1 next following a 90-day period from the date of enactment of the statute and a statute enacted at a special session shall go into effect on the 91st day after adjournment of the special session at which the bill was passed.

(2) A statute, other than a statute establishing or changing boundaries of any legislative, congressional, or other election district, enacted by a bill passed by the Legislature on or before the date the Legislature adjourns for a joint recess to reconvene in the second calendar year of the biennium of the legislative session, and in the possession of the Governor after that date, shall go into effect on January 1 next following the enactment date of the statute unless, before January 1, a copy of a referendum petition affecting the statute is submitted to the Attorney General pursuant to subdivision (d) of Section 10 of Article II, in which event the statute shall go into effect on the 91st day after the enactment date unless the petition has been presented to the Secretary of State pursuant to subdivision (b) of Section 9 of Article II.

(3) Statutes calling elections, statutes providing for tax levies or appropriations for the usual current expenses of the State, and urgency statutes shall go into effect immediately upon their enactment.

(d) Urgency statutes are those necessary for immediate preservation of the public peace, health, or safety. A statement of facts constituting the necessity shall be set forth in one section of the bill. In each house the section and the bill shall be passed separately, each by rollcall vote entered in the journal, two thirds of the membership concurring. An urgency statute may not create or abolish any office or change the salary, term, or duties of any office, or grant any franchise or special privilege, or create any vested right or interest.

SECTION FOUR. Section 9.5 is hereby added to Article IV of the California Constitution to read:

SEC. 9.5. (a) A bill passed by the Legislature that (1) establishes a new state program, including a state-mandated local program described in Section 6 of Article XIII B, or a new agency, or expands the scope of such an existing state program or agency, the effect of which would, if funded, be a net increase in state costs in excess of twenty-five million dollars (\$25,000,000) in that fiscal year or in any succeeding fiscal year, or (2) reduces a state tax or other source of state revenue, the effect of which will be a net decrease in state revenue in excess of twenty-five million dollars (\$25,000,000) in that fiscal year or in any succeeding fiscal year, is void unless offsetting state program reductions or additional revenue, or a combination thereof, are provided in the bill or another bill in an amount that equals or exceeds the net increase in state costs or net decrease in state revenue. The twenty-five million dollar (\$25,000,000) threshold specified in this section shall be adjusted annually for inflation pursuant to the California Consumer Price Index.

SECTION FIVE. Section 10 of Article IV of the California Constitution is hereby amended to read:

SEC. 10. (a) Each bill passed by the Legislature shall be presented to the Governor. It becomes a statute if it is signed by the Governor. The Governor may veto it by returning it with any objections to the house of origin, which shall enter the objections in the journal and proceed to reconsider it. If each house then passes the bill by rollcall vote entered in the journal, two-thirds of the membership concurring, it becomes a statute.

(b) (1) Any bill, other than a bill which would establish or change boundaries of any legislative, congressional, or other election district, passed by the Legislature on or before the date the Legislature adjourns for a joint recess to reconvene in the second calendar year of the biennium of the legislative session, and in the possession of the Governor after that date, that is not returned within 30 days after that date becomes a statute.

(2) Any bill passed by the Legislature before June 30 of the second calendar year of the biennium of the legislative session and in the possession of the Governor on or after June 30 that is not returned on or before July 31 of that year becomes a statute. In addition, any bill passed by the Legislature before September 1 of the second calendar year of the biennium of the legislative session and in the possession of the Governor on or after September 1 that is not returned on or before September 30 of that year becomes a statute.

(3) Any other bill presented to the Governor that is not returned within 12 days becomes a statute.

(4) If the Legislature by adjournment of a special session prevents the return of a bill with the veto message, the bill becomes a statute unless the Governor vetoes the bill within 12 days after it is presented by depositing it and the veto message in the office of the Secretary of State.

(5) If the 12th day of the period within which the Governor is required to perform an act pursuant to paragraph (3) or (4) ~~of this subdivision~~ is a Saturday, Sunday, or holiday, the period is extended to the next day that is not a Saturday, Sunday, or holiday.

(c) (1) Any bill introduced during the first year of the biennium of the legislative session that has not been passed by the house of origin by January 31 of the second calendar year of the biennium may no longer be acted on by the house. No bill may be passed by either house on or after September 1 of an even-numbered year June 30 of the second year of the biennium except statutes calling elections, statutes providing for tax levies or appropriations for the usual current expenses of the State, and urgency statutes, bills that take effect immediately, and bills passed after being vetoed by the Governor.

(2) No bill may be introduced or considered in the second year of the biennium that is substantially the same and has the same effect as any introduced or amended version of a measure that did not pass the house of origin by January 31 of the second calendar year of the biennium as required in paragraph (1).

(d) (1) The Legislature may not present any bill to the Governor after November 15 of the second calendar year of the biennium of the legislative session. On the first Monday following July 4 of the second year of the biennium, the Legislature shall convene, as part of its regular session, to conduct program oversight and review. The Legislature shall establish an oversight process for evaluating and improving the performance of programs undertaken by the State or by local agencies implementing State-funded programs on behalf of the State based on performance standards set forth in statute and in the biennial Budget Act. Within one year of the effective date of this provision, a review schedule shall be established for all state programs whether managed by a state or local agencies implementing state-funded programs on behalf of the State. The schedule shall sequence the review of similar programs so that relationships among program objectives can be identified and reviewed. The review process shall result in recommendations in the form of proposed legislation that improves or terminates programs. Each program shall be reviewed at least once every five years.

(2) The process established for program oversight under paragraph (1) shall also include a review of Community Strategic Action Plans adopted pursuant to Article XI A for the purpose of determining whether any state statutes or regulations should be amended or repealed as requested by the participating local agencies based on a review of at least three years of experience with Community Strategic Action Plans that have been identified by the participating local agencies as state obstacles to improving results. The review shall assess whether the Action Plans have improved the delivery and effectiveness of services in all parts of the community identified in the plan.

(e) The Governor may reduce or eliminate one or more items of appropriation while approving other portions of a bill. The Governor shall append to the bill a statement of the items reduced or eliminated with the reasons for the action. The Governor shall transmit to the house originating the bill a copy of the statement and reasons. Items reduced or eliminated shall be separately reconsidered and may be passed over the Governor's veto in the same manner as bills.

(f) (1) If, following the enactment of the budget bill for the 2004-05 fiscal year or any subsequent fiscal year, the Governor determines that, for that fiscal year, General Fund revenues will decline substantially below the estimate of General Fund revenues upon which the budget bill for that fiscal year, as enacted, was based, or General Fund expenditures will increase substantially above that estimate of General Fund revenues, or both, the Governor may issue a proclamation declaring a fiscal emergency and shall thereupon cause the Legislature to assemble in special session for this purpose. The proclamation shall identify the nature of the fiscal emergency and shall be submitted by the Governor to the Legislature, accompanied by proposed legislation to address the fiscal emergency. In response to the Governor's proclamation, the Legislature may present to the Governor a bill or bills to address the fiscal emergency.

(2) If the Legislature fails to pass and send to the Governor a bill or bills to address the fiscal emergency by the 45th day following the issuance of the proclamation, the Legislature ~~may~~ shall not act on any other bill, nor may the Legislature adjourn for a joint recess, until that bill or those bills have been passed and sent to the Governor.

(3) A bill addressing the fiscal emergency declared pursuant to this section shall contain a statement to that effect. For purposes of paragraphs (2) and (4), the inclusion of this statement shall be deemed to mean conclusively that the bill addresses the fiscal emergency. A bill addressing the fiscal emergency declared pursuant to this section that contains a statement to that effect, and is passed and sent to the Governor by the 45th day following the issuance of the proclamation declaring the fiscal emergency, shall take effect immediately upon enactment.

(4) (A) If the Legislature has not passed and sent to the Governor a bill or bills to address a fiscal emergency by the 45th day following the issuance of the proclamation declaring the fiscal emergency, the Governor may, by executive order, reduce or eliminate any existing General Fund appropriation for that fiscal year to the extent the appropriation is not otherwise required by this Constitution or by federal law. The total amount of appropriations reduced or eliminated by the Governor shall not exceed the amount necessary to cause General Fund expenditures for the fiscal year in question not to exceed the estimate of General Fund revenues upon which the budget bill for that fiscal year, as enacted, was based.

(B) If the Legislature is in session, it may, within 20 days after the Governor issues an executive order pursuant to subparagraph (A), override all or part of the executive order by a rollcall vote entered in the journal, two-thirds of the membership of each house concurring. If the Legislature is not in session when the Governor issues the executive order by resolution, the Legislature shall have 30 days to reconvene and override all or part of the executive order by resolution by the

vote indicated above. An executive order or a part thereof that is not overridden by the Legislature shall take effect the day after the period to override the executive order has expired. Subsequent to the 45th day following the issuance of the proclamation declaring the fiscal emergency, the prohibition set forth in paragraph (2) shall cease to apply when (i) one or more executive orders issued pursuant to this paragraph have taken effect, or (ii) the Legislature has passed and sent to the Governor a bill or bills to address the fiscal emergency.

(C) A bill to restore balance to the budget pursuant to subparagraph (B) may be passed in each house by rollcall vote entered in the journal, a majority of the membership concurring, to take effect immediately upon being signed by the Governor or upon a date specified in the legislation, provided, however, that any bill that imposes a new tax or increases an existing tax must be passed by a two-thirds vote of the members of each house of the Legislature.

SECTION SIX. Section 12 of Article IV of the California Constitution is hereby amended to read:

SEC. 12. (a) (1) Within the first 10 days of each odd-numbered calendar year, the Governor shall submit to the Legislature, with an explanatory message, a budget for the ensuing two fiscal years, containing itemized statements for recommended state expenditures and estimated state revenues. The two-year budget, which shall include a budget for the budget year and a budget for the succeeding fiscal year, shall be known collectively as the biennial budget. Within the first 10 days of each even-numbered year, the Governor may submit a supplemental budget to amend or augment the enacted biennial budget.

(b) The biennial budget shall contain all of the following elements to improve performance and accountability:

(1) An estimate of the total resources available for the expenditures recommended for the budget year and the succeeding fiscal year.

(2) A projection of anticipated expenditures and anticipated revenues for the three fiscal years following the fiscal year succeeding the budget year.

(3) A statement of how the budget will promote the purposes of achieving a prosperous economy, quality environment, and community equity, by working to achieve at least the following goals: increasing employment; improving education; decreasing poverty; decreasing crime; and improving health.

(4) A description of the outcome measures that will be used to assess progress and report results to the public and of the performance standards for state agencies and programs.

(5) A statement of the outcome measures for each major expenditure of state government for which public resources are proposed to be appropriated in the budget and their relationship to the overall purposes and goals set forth in paragraph (3).

- (6) A statement of how the State will align its expenditure and investment of public resources with that of other government entities that implement state functions and programs on behalf of the State to achieve the purposes and goals set forth in paragraph (3).
- (7) A public report on progress in achieving the goals set forth in paragraph (3) and an evaluation of the effectiveness in achieving the goals according to the outcome measures set forth in the preceding year's budget.
- (c) If, for the budget year and the succeeding fiscal year, collectively recommended expenditures exceed estimated revenues, the Governor shall recommend reductions in expenditures or the sources from which the additional revenues should be provided or both. The recommendations shall include to the extent practical an analysis of the long-term impact that expenditure reductions or additional revenues would have on the state economy. Along with the biennial budget, the Governor shall submit to the Legislature, any legislation required to implement appropriations contained in the biennial budget, together with a five-year capital infrastructure and strategic growth plan, as specified by statute.
- (d) If the Governor's budget proposes to (1) establish a new state program, including a State-mandated local program described in Section 6 of Article XIII B, or a new agency, or expand the scope of an existing state program or agency, the effect of which would, if funded, be a net increase in state costs in excess of twenty-five million dollars (\$25,000,000) in that fiscal year or in any succeeding fiscal year, or (2) reduce a state tax or other source of state revenue, the effect of which will be a net decrease in state revenue in excess of twenty-five million dollars (\$25,000,000) in that fiscal year or any succeeding fiscal year, the budget shall propose offsetting state program reductions or additional revenue, or a combination thereof, in an amount that equals or exceeds the net increase in state costs or net decrease in state revenue. The twenty-five million dollar (\$25,000,000) threshold specified in this subdivision shall annually be adjusted for inflation pursuant to the California Consumer Price Index.
- (e) The Governor and the Governor-elect may require a state agency, officer or employee to furnish whatever information is deemed necessary to prepare the biennial budget and any supplemental budget.
- (e)(1) The biennial budget and any supplemental budget shall be accompanied by a budget bill itemizing recommended expenditures for the budget year and the succeeding fiscal year. A supplemental budget bill shall be accompanied by a bill proposing the supplemental budget.
- (2) The budget bill and other bills providing for appropriations related to the budget bill or a supplemental budget bill, as submitted by the Governor, shall be introduced immediately in each house by the persons chairing the committees that consider the budget.

(3) On or before May 1 of each year, after the appropriate committees of each house of the Legislature have considered the budget bill, each house shall refer the budget bill to a joint committee of the Legislature, which may include a conference committee, which shall review the budget bill and other bills providing for appropriations related to the budget bill and report its recommendations to each house no later than June 1 of each year. This shall not preclude the referral of any of these bills to policy committees, in addition to a joint committee.

~~(3)~~(4) The Legislature shall pass the budget bill and other bills providing for appropriations related to the budget bill by midnight on June 15 of each year. Appropriations made in the budget bill or in other bills providing for appropriations related to the budget bill for the succeeding fiscal year shall not be expended in the budget year.

~~(4)~~(5) Until the budget bill has been enacted, the Legislature shall not send to the Governor for consideration any bill appropriating funds for expenditure during the fiscal budget year or the succeeding fiscal year for which the budget bill is to be enacted, except emergency bills recommended by the Governor or appropriations for the salaries and expenses of the Legislature.

~~(d)~~g) No bill except the budget bill or the supplemental budget bill may contain more than one item of appropriation, and that for one certain, expressed purpose. Appropriations from the General Fund of the State, except appropriations for the public schools and appropriations in the budget bill, the supplemental budget bill, and in other bills providing for appropriations related to the budget bill, are void unless passed in each house by rollcall vote entered in the journal, two-thirds of the membership concurring.

~~(e)~~h) (1) Notwithstanding any other provision of law or of this Constitution, the budget bill, the supplemental budget bill, and other bills providing for appropriations related to the budget bill may be passed in each house by rollcall vote entered in the journal, a majority of the membership concurring, to take effect immediately upon being signed by the Governor or upon a date specified in the legislation. Nothing in this subdivision shall affect the vote requirement for appropriations for the public schools contained in subdivision ~~(d)~~g) of this section and in subdivision (b) of Section 8 of this article.

(2) For purposes of this section, “other bills providing for appropriations related to the budget bill or a supplemental budget bill” shall consist only of bills identified as related to the budget in the budget bill passed by the Legislature.

(3) For purposes of this section, “budget bill” shall mean the bill or bills containing the budget for the budget year and the succeeding fiscal year.

~~(f)~~i) The Legislature may control the submission, approval, and enforcement of budgets and the filing of claims for all state agencies.

(~~gj~~) (1) For the 2004-05 fiscal year, or any subsequent fiscal year, the Legislature ~~may~~ shall not send to the Governor for consideration, nor ~~may~~ shall the Governor sign into law, a budget bill for the budget year or for the succeeding fiscal year that would appropriate from the General Fund, for ~~that~~ each fiscal year of the biennial budget, a total amount that, when combined with all appropriations from the General Fund for that fiscal year made as of the date of the budget bill's passage, and the amount of any General Fund moneys transferred to the Budget Stabilization Account for that fiscal year pursuant to Section 20 of Article XVI, exceeds General Fund revenues for that fiscal year estimated as of the date of the budget bill's passage. The estimate of General Fund revenues shall be set forth in the budget bill passed by the Legislature. The budget bill passed by the Legislature shall also contain a statement of the total General Fund obligations described in this subdivision for each fiscal year of the biennial budget, together with an explanation of the basis for the estimate of General Fund revenues, including an explanation of the amount by which the Legislature projects General Fund revenues for that fiscal year in question to differ from General Fund revenues for the immediately preceding fiscal year.

(~~hk~~) Notwithstanding any other provision of law or of this Constitution, including-subdivision (c) of this section, Section 4 of this article, and Sections 4 and 8 of Article III, in any year in which the budget bill is not passed by the Legislature by midnight on June 15, there shall be no appropriation from the current budget or future budget to pay any salary or reimbursement for travel or living expenses for Members of the Legislature during any regular or special session for the period from midnight on June 15 until the day that the budget bill is presented to the Governor. No salary or reimbursement for travel or living expenses forfeited pursuant to this subdivision shall be paid retroactively.

SECTION SEVEN. Article XI A is hereby added to the California Constitution to read:

ARTICLE XI A. COMMUNITY STRATEGIC ACTION PLANS

SEC. 1. (a) Californians expect and require that local government entities publicly explain the purpose of expenditures and whether progress is being made toward their goals. Therefore, in addition to the requirements of any other provision of this Constitution, the adopted budget of each local government entity shall contain all of the following as they apply to the entity's powers and duties:

(1) A statement of how the budget will promote, as applicable to a local government entity's functions, role, and locally-determined priorities, a prosperous economy, quality environment, and community equity, as reflected in the following goals: increasing employment, improving education, decreasing poverty, decreasing crime, improving health, and other community priorities;

(2) A description of the overall outcome measurements that will be used to assess progress in all parts of the community toward the goals established by the local government entity pursuant to paragraph (1);

(3) A statement of the outcome measurement for each major expenditure of government for which public resources are appropriated in the budget and the relationship to the overall goals established by the local government entity pursuant to paragraph (1);

(4) A statement of how the local government entity will align its expenditure and investment of public resources to achieve the goals established by the local government entity pursuant to paragraph (1), and;

(5) A public report on progress in achieving the goals established by the local government entity pursuant to paragraph (1) and an evaluation of the effectiveness in achieving the outcomes according to the measurements set forth in the previous year's budget.

(b) Each local government entity shall develop and implement an open and transparent process that encourages participation of all aspects of the community on its proposed budget, including identifying community priorities pursuant to paragraph (1) of subdivision (a) of this section.

(c) This section shall become operative in the budget year of the local government entity which commences in the year 2014.

(d) The provisions of this section are self-executing and are to be interpreted to apply only to those activities over which local entities exercise authority.

SEC. 2. (a) A county, by action of the board of supervisors, may initiate the development of a Community Strategic Action Plan, hereinafter referred to as the Action Plan. The county shall invite the participation of all other local government entities within the county whose existing functions or services are within the anticipated scope of the Action Plan. Any local government entity within the county may petition the board of supervisors to initiate an Action Plan, to be included in the planning process, or to amend the Action Plan.

(b) The participating local government entities shall draft an Action Plan through an open and transparent process that encourages participation of all aspects of the community, including neighborhood leaders. The Action Plan shall include the following:

(1) A statement that (A) outlines how the Action Plan will achieve the purposes and goals set forth in paragraphs (1) through (5), inclusive, of subdivision (a) of Section 1 of this article, (B) describes the public services that will be delivered pursuant to the Action Plan and the roles and responsibilities of the participating entities, (C) explains why those services will be delivered more effectively and efficiently pursuant to the Action Plan, (D) provides for allocating resources to support the plan, including funds that may be received from the Performance and Accountability Trust Fund, (E) considers disparities within communities served by the Action Plan, and (F) explains how the Action Plan is consistent with the budgets adopted by the participating local government entities;

(2) The outcomes desired by the participating local government entities and how those outcomes will be measured; and

(3) A method for regularly reporting outcomes to the public and to the State.

(c) (1) The Action Plan shall be submitted to the governing bodies of each of the participating local government entities within the county. To ensure a minimum level of collaboration, the Action Plan must be approved by the county, local government entities providing municipal services pursuant to the Action Plan to at least a majority of the population in the county, and one or more school districts serving at least a majority of the public school pupils in the county.

(2) The approval of the Action Plan, or an amendment to the Action Plan, by a local government entity, including the county, shall require a majority vote of the membership of the governing body of that entity. The Action Plan shall not apply to any local government entity that does not approve the Action Plan as provided in this paragraph.

(d) Once an Action Plan is adopted, a county may enter into contracts that identify and assign the duties and obligations of each of the participating entities, provided that such contracts are necessary for implementation of the Action Plan and approved by a majority vote of the governing body of each local government entity that is a party to the contract.

(e) Local government entities which have adopted an Action Plan pursuant to Section 2 of this article and that have satisfied the requirements of Section 3 of this article, if applicable, may integrate state or local funds that are allocated to them for the purpose of providing the services identified by the Action Plan in a manner that will advance the goals of the Action Plan.

SEC. 3 (a) If the parties to an Action Plan adopted pursuant to Section 2 of this article conclude that a state statute or regulation, including a statute or regulation restricting the expenditure of funds, impedes progress toward the goals of the Action Plan or they need additional statutory authority to implement the Action Plan, the local government entities may include provisions in the Action Plan that are functionally equivalent to the objective or objectives of the applicable statute or regulation. The provision shall include a description of the intended state objective, of how the rule is an obstacle to better outcomes, of the proposed community rule, and how the community rule will contribute to better outcomes while advancing a prosperous economy, quality environment, and community equity. For purposes of this section, a provision is functionally equivalent to the objective or objectives of a statute if it substantially complies with the policy and purpose of the statute.

(b) The parties shall submit an Action Plan containing the functionally equivalent provisions described in subdivision (a) with respect to one or more state statutes to the Legislature during a regular or special session. If, within 60 days following its receipt of the Action Plan, the Legislature takes no concurrent action, by resolution or otherwise, to disapprove the provisions,

the provisions shall be deemed to be operative, with the effect in law that compliance with the provisions shall be deemed compliance with the state statute or statutes.

(c) If the parties to an Action Plan adopted pursuant to Section 2 of this article conclude that a regulation impedes the goals of the Action Plan, they may follow the procedure described in subdivision (a) of this section by submitting their proposal to the agency or department responsible for promulgating or administering the regulation, who shall consider the proposal within 60 days. If, within 60 days following its receipt of the Action Plan, the agency or department takes no action to disapprove the provisions, the provisions shall be deemed to be operative, with the effect in law that compliance with the provisions shall be deemed compliance with the state regulation or regulations. Any action to disapprove the provision shall include a statement setting forth the reasons for doing so. .

(d) This section shall only apply to statutes or regulations that directly govern the administration of a state program that is financed in whole or in part with state funds.

(e) Any authority granted pursuant to this section shall automatically expire four years after the effective date, unless renewed pursuant to this section.

SEC. 4. (a) The Performance and Accountability Trust Fund is hereby established in the State Treasury for the purpose of providing state resources for the implementation of integrated service delivery contained in the Community Strategic Action Plans prepared pursuant to this article. Notwithstanding Section 13340 of the Government Code, money in the fund shall be continuously appropriated solely for the purposes provided in this article. For purposes of Section 8 of Article XVI, the revenues transferred to the Performance and Accountability Trust Fund pursuant to this Act shall be considered General Fund proceeds of taxes which may be appropriated pursuant to Article XIII B.

(b) Money in the Performance and Accountability Trust Fund shall be distributed according to statute to counties whose Action Plans include a budget for expenditure of the funds that satisfies Sections 1 and 2 of this Article.

(c) Any funds allocated to school districts pursuant to an Action Plan must be paid for from a revenue source other than the State Performance and Accountability Trust Fund, and may be paid from any other source as determined by the entities participating in the Action Plan. The allocation received by any school district pursuant to an Action Plan shall not be considered General Fund proceeds of taxes or allocated local proceeds of taxes for purposes of Section 8 of Article XVI.

SEC. 5. A county that has adopted an Action Plan pursuant to Section 2 of this article shall evaluate the effectiveness of the Action Plan at least once every four years. The evaluation process shall include an opportunity for public comments, and for those comments to be included in the final report. The evaluation shall be used by the participating entities to improve the

Action Plan and by the public to assess the performance of its government. The evaluation shall include a review of the extent to which the Action Plan has achieved the purposes and goals set forth in paragraphs (1) through (5), inclusive, of subdivision (a) of Section 1 of this article, including: improving the outcomes among the participating entities in the delivery and effectiveness of the applicable governmental services; progress toward reducing community disparities; and whether the individuals or community members receiving those services were represented in the development and implementation of the Action Plan.

Sec. 6. (a) The State shall consider how it can help local government entities deliver services more effectively and efficiently. Consistent with this goal, the State or any department or agency thereof may enter into contracts with one or more local government entities to perform any function that the contracting parties determine can be more efficiently and effectively performed at the local level. Any contract made pursuant to this section shall conform to the Action Plan adopted pursuant to the requirements of Section 2 of this article.

(b) The State shall consider and determine how it can support, through financial and regulatory incentives, efforts by local government entities and representatives of the public to work together to address challenges, and resolve problems that local government entities have voluntarily and collaboratively determined are best addressed at the geographic scale of a region in order to advance a prosperous economy, quality environment, and community equity. The State shall promote the vitality and global competitiveness of regional economies and foster greater collaboration among local governments within regions by providing priority consideration for state-administered funds for infrastructure and human services, as applicable, to those participating local government entities that have voluntarily developed a regional collaborative plan and are making progress toward the purposes and goals of their plan set forth in paragraphs (1) through (5), inclusive, of subdivision (a) of Section 1 of this article.

SEC. 7. Nothing in this article is intended to abrogate or supersede any existing authority enjoyed by local government entities, nor to discourage or prohibit local government entities from developing and participating in regional programs and plans designed to improve the delivery and efficiency of government services.

SEC. 8. For purposes of this article, the term “local government entity” shall mean a county, city, city and county, and any other local government entity, including school districts, county offices of education, and community college districts.

SECTION EIGHT. Section 29 of Article XIII of the California Constitution is hereby amended to read:

SEC. 29. (a) The Legislature may authorize counties, cities and counties, and cities to enter into contracts to apportion between them the revenue derived from any sales or use tax imposed by them that is collected for them by the State. Before the contract becomes operative, it shall be

authorized by a majority of those voting on the question in each jurisdiction at a general or direct primary election.

(b) Notwithstanding subdivision (a), on and after the operative date of this subdivision, counties, cities and counties, and cities, may enter into contracts to apportion between them the revenue derived from any sales or use tax imposed by them pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law, or any successor provisions, that is collected for them by the State, if the ordinance or resolution proposing each contract is approved by a two-thirds vote of the governing body of each jurisdiction that is a party to the contract.

(c) Notwithstanding subdivision (a), counties, cities and counties, cities, and any other local government entity, including school districts and community college districts, that are parties to a Community Strategic Action Plan adopted pursuant to Article XI A may enter into contracts to apportion between and among them the revenue they receive from ad valorem property taxes allocated to them pursuant to Sections 24 and 25.5 of this article, if the ordinance or resolution proposing each contract is approved by a two-thirds vote of the governing body of each jurisdiction that is a party to the contract. Contracts entered into pursuant to this Section shall be consistent with each participating entity's budget adopted in accordance with Section 1 of Article XI A.

SECTION NINE. Chapter 6 (commencing with Section 55750) is hereby added to Part 2 of Division 2 of Title 5 of the Government Code to read as follows:

CHAPTER 6. COMMUNITY STRATEGIC ACTIONS PLANS.

SEC. 55750. (a) Notwithstanding Section 7101 of the Revenue and Taxation Code or any other provision of law, beginning in the 2013-14 fiscal year, the amount of revenues, net of refunds, collected pursuant to Section 6051 of the Revenue and Taxation Code and attributable to a rate of 0.035 percent shall be deposited in the State Treasury to the credit of the Performance and Accountability Trust Fund, as established pursuant to Section 4 of Article XI A, and shall be used exclusively for the purposes for which that fund is created.

(b) To the extent that the Legislature reduces the sales tax base and that reduction results in less revenue to the Performance and Accountability Trust Fund than the Fund received in the 2013-14 fiscal year, then the Controller shall transfer from the General Fund to the Performance and Accountability Trust Fund an amount that when added to the revenues received by the Performance and Accountability Trust Fund in that fiscal year equals the amount of revenue received by the Fund in the 2013-2014 fiscal year.

SEC. 55751. (a) Notwithstanding Section 7101 of the Revenue and Taxation Code or any other provision of law, beginning in the 2013-14 fiscal year, the amount of revenues, net of refunds, collected pursuant to section 6201 of the Revenue and Taxation Code and attributable to a rate of 0.035 percent shall be deposited in the State Treasury to the credit of the Performance and

Accountability Trust Fund, as established pursuant to Section 4 of Article XI A, and shall be used exclusively for the purposes for which that fund is created.

(b) To the extent that the Legislature reduces the use tax base and that reduction results in less revenue to the Performance and Accountability Trust Fund than the Fund received in the 2013-14 fiscal year, then the Controller shall transfer from the General Fund to the Performance and Accountability Trust Fund an amount that when added to the revenues received by the Performance and Accountability Trust Fund in that fiscal year equals the amount of revenue received by the Fund in the 2013-14 fiscal year.

SEC. 55752. (a) In the 2014-15 fiscal year and every subsequent fiscal year, the Controller shall distribute funds in the Performance and Accountability Trust Fund established pursuant to Section 4 of Article XI A to each county that has adopted a Community Strategic Action Plan that is in effect on or before June 30 of the preceding fiscal year, and that has submitted its Action Plan to the Controller for the purpose of requesting funding under this section. The distribution shall be made in the first quarter of the fiscal year. Of the total amount available for distribution from the Performance and Accountability Trust Fund in a fiscal year, the Controller shall apportion to each County Performance and Accountability Trust Fund, which is hereby established, to assist in funding its Action Plan, a percentage equal to the percentage computed for that county under subdivision (c).

(b) As used in this section, the population served by a Community Strategic Action Plan is the population of the geographic area that is the sum of the population of all of the participating local government entities, provided that a resident served by one or more local government entities shall be counted only once. The Action Plan shall include a calculation of the population of the geographic area served by the plan, according to the most recent Department of Finance demographic data.

(c) The Controller shall determine the population served by each county's Action Plan as a percentage of the total population computed for all of the Action Plans that are eligible for funding pursuant to subdivision (a).

(d) The funds provided pursuant to Section 4 of Article XI A of the California Constitution and this Chapter represent in part on-going savings that accrue to the State that are attributable to the 2011 realignment and of this Act. Four years following the first allocation of funds pursuant to this section, the Legislative Analyst's Office shall assess the fiscal impact of the Action Plans and the extent to which the plans have improved the efficiency and effectiveness of service delivery or reduced the demand for state funded services.

SECTION TEN. Section 42246 is hereby added to Article 2 of Chapter 7 of Part 24 of Division 3 of Title 2 of the Education Code to read:

SEC. 42246. A school district's receipt of funds pursuant to a Community Strategic Action Plan authorized by Article XI A of the California Constitution shall not be considered in calculating the State's portion of the district's revenue limit under Section 42238 or any successor statute.

SECTION ELEVEN. Section 11802 is hereby added to Article 1 of Chapter 8 of Part 1 of Division 3 of Title 2 of the Government Code to read:

SEC. 11802. No later than June 30, 2013, the Governor shall, after consultation with state employees and other interested parties, submit to the Legislature a plan to implement the performance-based budgeting provisions of Section 12 of Article IV of the California Constitution. The plan shall be fully implemented in the 2015-16 fiscal year and in each subsequent fiscal year.

SECTION TWELVE. Section 13308.03 is hereby added to Article 1 of Chapter 3 of Part 3 of Division 3 of Title 2 of the Government Code to read:

SEC. 13308.03. In addition to the requirements set forth in Section 13308, the Director of Finance shall:

(a) By May 15 of each year, submit to the Legislature and make available to the public updated projections of state revenue and state expenditures for the budget year and the succeeding fiscal year either as proposed in the budget bill pending in one or both houses of the Legislature or as appropriated in the enacted budget bill, as applicable.

(b) Immediately prior to passage of the biennial budget, or any supplemental budget, by the Legislature, submit to the Legislature a statement of total revenues and total expenditures for the budget year and the succeeding fiscal year, which shall be incorporated into the budget bill.

(c) By November 30 of each year, submit a fiscal update containing actual year-to-date revenues and expenditures for the current year compared to the revenues and expenditures set forth in the adopted budget to the Legislature. This requirement may be satisfied by the publication of the Fiscal Outlook Report by the Legislative Analyst's Office.

SECTION THIRTEEN. Section 9145 is hereby added to Article 7 of Chapter 1.5 of Part 1 of Division 2 of Title 2 of the Government Code to read:

SEC. 9145. For the purposes of Sections 9.5 and 12 of Article IV of the Constitution, the following definitions shall apply:

(a) "Expand the scope of an existing state program or agency" does not include any of the following:

- (1) Restoring funding to an agency or program that was reduced or eliminated in any fiscal year subsequent to the 2008-09 fiscal year to balance the budget or address a forecasted deficit.
- (2) Increases in state funding for a program or agency to fund its existing statutory responsibilities, including increases in the cost of living or workload, and any increase authorized by a memorandum of understanding approved by the Legislature.
- (3) Growth in state funding for a program or agency as required by federal law or a law that is in effect as of the effective date of the measure adding this section.
- (4) Funding to cover one-time expenditures for a state program or agency, as so identified in the statute that appropriates the funding.
- (5) Funding for a requirement described in paragraph (5) of subdivision (b) of Section 6 of Article XIII B of the California Constitution.
- (b) “State costs” do not include costs incurred for the payment of principal or interest on a state general obligation bond.
- (c) “Additional revenue” includes, but is not limited to, revenue to the State that results from specific changes made by federal or state law and that the state agency responsible for collecting the revenue has quantified and determined to be a sustained increase.

SECTION FOURTEEN. Amendment.

The statutory provisions of this measure may be amended solely to further the purposes of this measure by a bill approved by a two-thirds vote of the members of each house of the Legislature and signed by the Governor.

SECTION FIFTEEN. Severability.

If any of the provisions of this measure or the applicability of any provision of this measure to any person or circumstances shall be found to be unconstitutional or otherwise invalid, that finding shall not affect the remaining provisions or applications of this measure to other persons or circumstances, and to that extent the provisions of this measure are deemed to be severable.

SECTION SIXTEEN. Effective Date.

Sections Four, Five, and Six of this Act shall become operative on the first Monday of December in 2014. Unless otherwise specified in the Act, the other sections of the Act shall become operative the day after the election at which the Act is adopted.

SECTION SEVENTEEN. Legislative Counsel.

(a) The People intend for this measure to be consistent with the amendments to Section 12 of Article IV of the Constitution proposed by Assembly Constitutional Amendment No. 4, Resolution Chapter 174 (“ACA 4”), which will appear on the November __, 2014 election ballot.

(b) Unless the Legislature amends ACA 4 to the contrary, in preparing and proofreading the text of ACA 4 for placement on the ballot pursuant to Elections Code Sections 9086 and 9091 and Government Code Section 88005.5, the Legislative Counsel shall display ACA 4’s proposed amendments to Article IV, Section 12 as follows:

(1) The amendments to Article IV, Section 12 contained in this measure shall remain in place and shall not be shown in strikeout text.

(2) The words “The itemized statement of estimated total state resources available to meet recommended expenditures submitted pursuant to this subdivision shall identify the amount, if any, of those resources that are anticipated to be one-time resources” shall be inserted into subdivision (a), paragraph (1) of Section 12 and shall be displayed in italics as follows:

SEC. 12. (a) (1) Within the first 10 days of each odd numbered calendar year, the Governor shall submit to the Legislature, with an explanatory message, a budget for the ensuing two fiscal years, containing itemized statements for recommended state expenditures and estimated *total state resources available to meet those expenditures*. *The itemized statement of estimated total state resources available to meet recommended expenditures submitted pursuant to this subdivision shall identify the amount, if any, of those resources that are anticipated to be one-time resources*. The two-year budget, which shall include a budget for the budget year and a budget for the succeeding fiscal year, shall be known collectively as the biennial budget. Within the first 10 days of each even numbered year, the Governor may submit a supplemental budget to amend or augment the enacted biennial budget.

(3) The term “Fund” shall be substituted for “Account,” and the phrases “transfers, and balances available from the prior fiscal year” and “transfers, and balances” shall be inserted into subdivision (k), paragraph (1) of Section 12 and shall be displayed in italics and strikeout text as follows:

(g) (1) For the 2004-05 fiscal year, or any subsequent fiscal year, the Legislature shall not send to the Governor for consideration, nor shall the Governor sign into law, a budget bill for the budget year or for the succeeding fiscal year that would appropriate from the General Fund, for each fiscal year of the biennial budget, a total amount that, when combined with all appropriations from the General Fund for that fiscal year made as of the date of the budget bill’s passage, and the amount of any General Fund moneys transferred to the Budget Stabilization ~~Account~~ *Fund* for that fiscal year pursuant to Section 20 of Article XVI, exceeds General Fund revenues, *transfers, and balances available from the prior fiscal year* for that fiscal year

estimated as of the date of the budget bill's passage. That estimate of General Fund revenues, *transfers and balances* shall be set forth in the budget bill passed by the Legislature. The budget bill passed by the Legislature shall also contain a statement of the total General Fund obligations described in this subdivision for each fiscal year of the biennial budget, together with an explanation of the basis for the estimate of General Fund revenues, including an explanation of the amount by which the Legislature projects General Fund revenues for the fiscal year in question to differ from General Fund revenues for the immediately preceding fiscal year.



California Forward's mission is to work with Californians to help create a “smart” government – one that’s small enough to listen, big enough to tackle real problems, smart enough to spend our money wisely in good times and bad, and honest enough to be held accountable for results.

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