STATE OF CALIFORNIA

EDMUND G. BROWN, Governor

COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY

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February 28, 1966

Hon. Edmund G. Brown
Governor, State of California

Hon. Hugh M. Burns
President Pro Tempore, and to Members of the Senate

Hon. Jesse M. Unruh
Speaker, and to Members of the Assembly

Gentlemen:

Since the creation of this Commission in 1962, the members have been interested in improving further the environment for good management practice as a means of fostering greater efficiency and economy in the State Government. Our study and report on "Management Manpower Requirements" was focused in part on this interest as was the Commission's first report, "Findings and Recommendations Concerning Reorganization of the Executive Branch of the California State Government".

After many Commission meetings, detailed staff work, and considered deliberation, we have concluded that a necessary step in realizing this environment is to accelerate the move to a more effective system of executive budget planning, presentation, review and administration. In recent weeks we have been apprised of the state's current and past efforts to revise its fiscal planning process to what is sometimes referred to as a "program budget".

This letter constitutes a preliminary report on the status of that effort as well as our endorsement of a stepped-up program to convert the present fiscal plan to one based more fully on program considerations.

In brief summary, although the state's over-all fiscal planning process has shown marked improvement over the past several years, the budget continues to place more

emphasis on amounts to be spent by departments for salaries and other objects of expenditure than it does to what is to be accomplished, to the proposed level of service, to the anticipated workload and to measures of costs. The budget document, when taken alone, does not always provide adequate standards and methods by which the Legislature and the Governor can review a year's work to see whether the money spent accomplished program objectives and whether the total benefits justified the costs. Legislative determinations as to whether individual activities should be initiated, continued at their present level, increased, decreased, or eliminated altogether are frequently made on the basis of program information and evaluations compiled independently through their own analysis rather than from the information as organized and presented in the budget document.

We acknowledge initial progress toward a more revealing form of program budgeting. Credit for this progress is shared by the Governor and the Department of Finance, who have encouraged the departments and the budget staff in the development of improved budget methods; to the Legislative Analyst, who has converted much of his analysis to a program format; to the Senate Finance Committee and to the Assembly Committee on Ways and Means, which has given vigorous support to improved methods.

Our concern at this point is primarily with the actual planning and presentation of the Executive Budget. This is the constitutional duty of the Governor. His program should be presented to the Legislature in the best form possible to facilitate its ready explanation and justification and thus permitting informed decision making -- the core of legislative action on the budget. One might question whether this constitutional responsibility is being fully met if the executive budget continues to be presented mainly in line-item detail, which omits a great deal of meaningful program information and performance evaluation, to be provided in part during the legislative review process by a source other than the Executive. Although this responsibility for the preparation and presentation of the budget cannot be shared with the Legislature, the Governor should make every effort to keep the Joint Budget Committee informed of changes being considered and steps being taken to present the state's fiscal plan in program format. Similarly, constructive assistance from that committee and its staff might well accelerate legislative understanding and acceptance to a transition from the present budget format with its primary emphasis on individual objects of expenditure to a budget which more fully directs consideration to the objective, performance and evaluation of defined programs. It should also be made clear in this process that despite this contemplated change in emphasis individual line-items may well continue to receive thorough consideration inasmuch as the need will still exist for much specific object of expenditure fiscal data.

Although we find that high executive and legislative officials are committed in principle to change to program budgeting, there are some lapses between this declared intent and the progress the state is making toward implementing it. We find this lack of complete progress ascribed to many causes which we think it unnecessary to report here, since we are more concerned with encouraging further positive action.

We do, however, urge a fresh declaration of intent that the state shall complete the move to the adoption of a budget process utilizing a budget document prepared and presented mostly on the basis of program considerations. Further, we recommend widespread instruction on the objectives and purpose of this type of fiscal planning together with extensive and detailed staff work to identify and overcome the many conceptual, operational and institutional obstacles and problems that will be encountered in the design, installation and operation of the program-budget concept. This is an important and difficult assignment with far-reaching implications. It cannot be taken lightly and certainly it is not a job to be attended to only when all other work is accomplished. Accordingly, the Department of Finance must be provided with enough able staff, dedicated to this purpose to give full time to speeding the conversion and in assisting the operating departments in satisfactorily complying with new requirements.

This Commission intends to continue to do all possible to stimulate the effort and accelerate the trend toward improved program and fiscal planning. To this end, we shall make and report on periodic evaluations of progress. We shall encourage the design and application of new accounting and data systems which are needed to provide the factual basis this all requires. We shall be alert to the implications of fiscal program planning and performance evaluation in every other study we make. We shall continue an all-out effort to help improve the environment for sound management practices in state government.

Finally, we observe that early 1967 will mark the start of a Governor's term and the first meeting of a substantially reconstituted Legislature. We suggest, therefore, that steps be taken immediately to prepare to offer most or all of the budget for 1967-68 on a program basis.

Respectfully,

Harold Furst

Harold Furst, Chairman
Assemblyman Milton Marks, Vice Chairman
Assemblyman George E. Danielson
Don B. Leiffer
State Senator George Miller, Jr.
Manning J. Post
Richard E. Sherwood
Roy Sorenson
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Frank D. Tellwright
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