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## Commission Calls for Stronger Approach to State Property Management

The Little Hoover Commission on Tuesday urged the Governor and Legislature to put the job of state property management into the hands of a new state department. The Commission recommended that the Governor use the reorganization process to consolidate and focus all property management functions statewide under this new department. The Commission recommended that state leaders develop policy and a strategic plan for property management with the goal of maximizing the value of the state's real property assets for better program outcomes, greater transparency and enhanced accountability. The Commission's recommendations are in its latest report, *Building Value: Modernizing Property Management*.

As part of the process, the State Auditor's Office should audit departments to develop a list of all state assets as a benchmark for enhancing the value and utility of the Statewide Property Inventory. Though the state maintains an inventory of its land acreage, buildings and office space, the Commission found that the list is incomplete, in part because the Department of General Services, which maintains the list, lacks adequate authority to ensure its accuracy.

In its study, the Commission found that the state should develop a long term strategy to manage the state's property assets to build value and make efficient use of state office buildings as state government changes in response to realignment, restructuring and technological advances. Too often, the focus has been on finding surplus property that could be sold for one-time gains to offset a budget shortfall. The Commission found that this practice does not reflect long-term thinking or productive management of state property assets.

The Commission recommended forming a Department of Asset Management within the new Government Operations Agency. The core of the new department would incorporate the functions of the Real Estate Services Division of the Department of General Services. As part of the reorganization, the Governor should form an advisory group made up of experts from successful California private sector property management firms to provide guidance on industry best practices and business systems. The advisory group should meet quarterly to assess and offer guidance on the department's performance in meeting the needs of customer departments, reducing the amount of vacant state office space and minimizing the use of privately leased office space.

"Management of state property must go beyond the idea of selling buildings to raise revenue in a difficult fiscal year," Commission Chairman Daniel Hancock said. "The state's real estate managers must have the authority they need to truly manage state property. This includes assembling an accurate listing of the state's assets as well as having a strong statewide policy and productive property management practices at its disposal."

In its report, the Commission recommended:

- ***The Legislature should request that the State Auditor conduct an audit of all state properties held by California state government departments, boards and commissions. The results should be used to update and enhance the Statewide Property Inventory.***
- ***The Governor, through the reorganization process, should create a Department of Asset Management within the Government Operations Agency, separate from the Department of General Services, to serve as the central state authority for managing California's real property assets, drive innovation to maximize state property assets and provide accountability to the public.*** The new department should manage the Statewide Property Inventory, which should be foundational in the state's property management strategy and should have an online interface designed to facilitate accessibility and ease of use for the public. The Governor should consolidate property management functions in state departments into the new department. The Governor should form a board of volunteer advisors made up of experts from top California firms that can help the state integrate industry best business practices into its property management operations. Staff from the Department of General Services Real Estate Services Division should be moved into the new department, and based on guidance from the advisory group, the division should be functionally reorganized to align with best industry practices. The department should be the lead on identifying and disposing of surplus state property, including the creation of an annual list of potential property sales that would go forward without action by the Legislature; proceeds from the sales should go toward paying down debt or other one-time outlays. The department should have flexibility in hiring exempt employees to build management capacity and expertise, and once it has established management expertise, the management of high-value oil, gas and mineral leases should be transferred to it from the State Lands Commission. The new department should lead the development of a comprehensive asset management policy, and should publish an annual report on its performance.
- ***California should create a clear asset management policy to guide property-related decisions by the Department of Asset Management and across state departments.*** The Department of Asset Management should serve as the central forum for drafting the policy, seeking input from all asset-controlling departments, private-sector partners, the Department of Finance and other interested persons.

The Little Hoover Commission is a bipartisan and independent state agency charged with recommending ways to improve the efficiency and effectiveness of state programs. The Commission's recommendations are submitted to the Governor and the Legislature for their consideration and action. For a copy of the report, visit the Commission's website: [www.lhc.ca.gov](http://www.lhc.ca.gov).