

## STATEMENT BEFORE THE LITTLE HOOVER COMMISSION

November 12, 2004

Chairperson Alpert and Members of the Commission,

I appreciate the opportunity to speak before you and present the viewpoint of the California State Employees Association regarding proposed plans to substantially change the organizational framework of California's government.

State employees have committed their working lives to public service. They have deliberately chosen careers in government in order to serve the needs of their fellow citizens. Many of us are members of Service Employees International Union Local 1000. Service is the first word in our union's name.

If this Commission or the Legislature or the Governor want to initiate changes in government structures and operations to improve public services, we won't just lend a hand, we'll lend our hearts to the effort.

However, as long-time observers and participants in state politics, we know only too well that there are politicians and lobbyists that talk the language of pragmatic reform - but in practice offer policies characterized by rigid ideology and special interest payoffs. Sadly, the experience of the California Performance Review demonstrates much more vividly how *not* to manage a reorganization plan than how to effectively implement one.

Where the process of policy development should have been open and public, the CPR was closed and secretive.

Where participants in the design of the new structures should have been held to the highest ethical standards to prevent conflicts of interest, the CPR became a Thanksgiving Turkey from which those eager to profit from taxpayer revenues sliced the choicest morsels.

Where efforts should have been made to hear all sides on critical issues and produce balanced recommendations, the CPR closed its ears to any who challenged its ideological prejudices.

The Little Hoover Commission now has the chance to reverse these practices and help California to do the job right - the second time.

The first two subjects of your hearings **Public Sector Reorganization** and **Managing Transformational Change** certainly indicate you are open to considering the issues the CPR ignored. I am delighted to participate in this effort.

Public Sector Reorganization should be based on recognition of a fundamental concept. **Government is not a business.** This may seem self-evident. However, it is important to emphasize the critical ways reorganization in the public sector must differ from private sector approaches.

To begin with, the requirements of decision-making are different. Businesses make decisions to generate desired outcomes. In democracies, governments *represent* people. In a democracy, the advantages of a faster process must be weighed against the risk that it denies citizens the chance to be heard. Similarly, the efficiencies of centralization must be weighed against the possible loss of flexibility that better meets the needs of diverse constituencies.

Moreover, it is vital to recognize that, in a democracy, the people are fully entitled to value other things more than efficiency. The CPR report observes that the state's hiring procedures may be less efficient because it gives preferences to veterans. That may be true. But the people of California are entitled to decide they will accept a little less efficiency in order to reward those who risked their lives to protect our freedom. Government is distinct from business also in its relationship to economic externalities. A business can externalize costs in a way that government can't. For example, a private mental health clinic can raise its prices to improve profitability. What happens to those who can't pay the higher prices doesn't impact the firm's bottom line. But if the government cuts mental health services and those who lose services commit crimes, the government pays. If they wind up in the emergency room of the County hospital, the government pays. If they can no longer care for their children, the government pays.

Finally, the government has obligations to serve the entire community. That is not expected of the private sector. If a private shuttle service that serves four airports decides to terminate services at two of them to provide superior service at the remaining two, you can legitimately test customer satisfaction by surveying the riders where the firm still operates. But if a public transit system closes two routes to improve services on two other routes, you can't evaluate it by only surveying customers on the improved routes. The government has obligations to the *former riders of the closed routes*. They have to be surveyed too. Only then can the government determine the effects of its action on *all* of its customers.

Another important concept in public sector reorganization is that reorganization should be a mechanism to serve public goals, not to define public goals. The CPR simply assumed that Californians preferred centralization to decentralization. It preemptively decided that citizens wanted fewer government services rather than more services. In one section, it arbitrarily declared that the state workforce should be reduced by 12,000 employees with no analysis of the impacts of that cutback on service levels. Decisions of that type should be made through normal democratic processes - either through the legislative process or at the ballot box. If the public indicates it wants more services, as it did with Proposition 63 on Election Day, it is the responsibility of reorganization plans to improve the effectiveness of those expansions.

Still another useful concept in public sector reorganization is the value of input from rank-and-file state employees. Leaders may have impressive visions, but they may have minimal understanding of how ongoing systems actually operate. In one California city, leaders had the vision that police officers should have instant access to data banks loaded with information about vehicles and suspects. If they had talked to patrolmen before they invested in the new hardware, they might have learned an officer couldn't

access the new system and drive safely at the same time. Many state employees have decades of hands-on experience and are eager to contribute to a service improvement strategy. All you have to do is offer them the real chance to be heard.

Finally, public sector reorganization should not be a front for privatization. Privatization presents numerous challenges to government and the public. These include the costs of oversight, the management of oversight, the maintenance of quality standards, the prevention of fraud and corruption, the assurance of security for people, property and information, the capacity to restore public sector operations if privatization fails, and numerous others. In its race to ideological purity on this issue, the CPR evaluated absolutely none of these issues. Its footnotes are a who's who of groups who lack objectivity on this subject. Our position is straightforward: you can't make all the potential pitfalls of privatization vanish by changing its name to reorganization.

Regarding the second subject of today's hearing "Managing Transformational Change," I have a few additional comments.

First, in evaluating progress in transformation, you have to keep your eyes on the right objectives - which should be the outcomes for the public. If the state were to adopt a new way of managing flu vaccinations, we should not only be watching the cost per injection but also the percentage of high-risk people who are inoculated. Otherwise, we might wind up with the most cost-effective program in the country and the most uncontrollable pandemic at the same time.

Second, transformations are more successful when they have the buy-in of employees. This task involves more than simply being open to input on how change can be implemented. It also entails explaining why change is needed, how change advances the objectives of the organization, how public services are improved, and how the organization plans to mitigate problems for workers that change creates.

Finally, transformational change opens a window for special interest activity that requires careful monitoring and controls. Everyone who shows up offering to help the state accomplish transformation for a once-in-a-lifetime price doesn't have the well being of the public in mind. In San Jose, in the heart of Silicon Valley, we have had the spectacle of volunteers from a major firm assisting in drafting an RFP for the technology at a new City Hall. The RFP virtually required that their firm would provide millions of dollars of components. The California Fair Political Practices Commission has stated clearly, "Unpaid members of Boards and Commissions and consultants to local and state agencies also may be required to disclose their personal financial interests if they make or participate in making governmental decisions that could affect their private financial interests." We could not agree more. Every advisor or consultant who participates in designing major reorganization plans should be required to complete the FPPC Form 700 to disclose conflicts of interest.

I hope that these suggestions have been helpful. Again, I appreciate the chance to present the perspective of state employees. We will offer additional input in the subsequent hearings scheduled by the Commission.