

# C- California

People who work in California government love to talk about how their state dwarfs entire countries in both population and economy. Well, everybody needs something to be proud of. They certainly can't talk about how the state dwarfs anyone in the quality of its management. When it comes to management, California is the dwarf. Governor Arnold Schwarzenegger has promised loads of reforms—and he couldn't start quickly enough. The state's budget is balanced on a tower of debt; it's not spending nearly enough on its infrastructure, and with the exception of a lone outpost in the Legislative Analyst's Office, the use of performance information is minuscule.

In fairness, Schwarzenegger had the courage to put the weight of his office behind what was called the California Performance Review, a four-volume report whose production was made possible by some 275 high-level volunteers working for about five months in the spring and summer of 2004. In total, the CPR made about 1,200 individual recommendations covering 280 issue areas. Many of these recommendations will never be utilized, but at least the CPR brought some of the biggest problems to light, including all of those mentioned above.

Generally, the state's difficulties are not the fault of the current administration. In many cases, California is a victim of its initiative process, which hampers the ability of elected officials to get their jobs done. Proposition 98, for example, requires that 40 percent of the general fund revenues go to education, which may or may not be a reasonable figure. But it gives budget writers no flexibility. In a similar way, the public's decision last November to devote \$3 billion to stem-cell research may be morally upstanding. But all such mandates take the steering wheel of government out of the hands of the governor and legislature. And they don't put the wheel in anybody else's hands, either. Usually, this results in an accident of some sort.

One of the most recent collisions came with a significant plunge in tax revenues, even as the legislature was adding spending obligations and cutting taxes. As soon as Schwarzenegger took office, he rolled back the state's vehicle license fee, which made the upcoming shortfall bigger. "We're out of

balance," says Legislative Analyst Elizabeth Hill. Last May, Hill estimated that the state would have a \$6 billion shortfall in 2005-06, based on existing law and expenditures. The budget enacted last August may widen that fiscal gap to about \$8 billion.

To deal with trouble like this in past years, California authorized borrowing of \$26 billion; that accounted for about 40 percent of the total response to budget shortfalls. The variety of ways California borrowed is testimony to the state's creativity. It used deficit-reduction bonds, pension bonds, tobacco securitization bonds, tribal gaming bonds, loans from local governments and school districts, and loans from state special funds, including transportation. But the ability for the state to borrow its way out of trouble may not last forever.

Astonishingly, for a place known as a corporate tech mecca, California's state IT system isn't nearly where it should be. It's hardly even a system. In the words of Chief Information Officer Clark Kelso, financial management technology in California is "a patchwork of many individual systems that require hand input still. Most departments maintain their own financial systems and as director of a big department, you can't track easily what your burn rate is on your expenditures. Your own people can't tell you if you're going to run through your money until halfway through the year." Heaping irony on irony, the central technology office in California was essentially disbanded, and as a result, Kelso doesn't have an operational staff or any budget authority. "I've got 18 initiatives I'm supposed to be leading," he says. "And I don't have any power."

As for personnel management in general, some larger force must be on California's side. The state does minimal workforce planning, and its hiring isn't particularly timely or efficient. And yet, perhaps because of the non-governmental attractions of California as a place to live, it seems able to hold on to a reasonable cadre of competent employees. As one high-ranking human resources official says, "I'm looking for something that would account for what on paper is a seriously dysfunctional system and the fact that we perform as a state at a reasonable level."

**For additional data and analysis, go to:**  
<http://results.gpponline.org/california>

● Strength ○ Mid-level ● Weakness

Category	Grade
<b>Money</b>	<b>D</b>
Long-Term Outlook	○
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●
<b>People</b>	<b>C-</b>
Strategic Workforce Planning	●
Hiring	●
Retaining Employees	○
Training and Development	●
Managing Employee Performance	○
<b>Infrastructure</b>	<b>C</b>
Capital Planning	○
Project Monitoring	○
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●
<b>Information</b>	<b>C</b>
Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Program Evaluation	●
Electronic Government	○

**Population (rank):** 33,871,648 (1)  
**Average per capita income (rank):** \$33,749 (9)  
**Total state spending (rank):** \$184,927,602,000 (1)  
**Spending per capita (rank):** \$5,283 (11)  
**Governor:** Arnold Schwarzenegger (R)  
**First elected:** 10/2003  
**Senate:** 40 members: 25 D, 15 R  
**Term limits:** 8 years (lifetime)  
**Assembly:** 80 members: 48 D, 32 R  
**Term limits:** 6 years (lifetime)