

LITTLE HOOVER COMMISSION

A REVIEW OF THE GOVERNOR'S REORGANIZATION PLAN TO UNIFY AND STREAMLINE THE CALIFORNIA STATE PERSONNEL SYSTEM

Recommendation to the Legislature

June 23, 2011





LITTLE HOOVER COMMISSION

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Daniel W. Hancock
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Governor of California

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and members of the Senate

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Speaker of the Assembly
and members of the Assembly

The Honorable Connie Conway
Assembly Minority Leader

Marshall Geller

Alyson Huber
Assemblymember

Loren Kaye

Dear Governor and Members of the Legislature:

Michael J. Rubio
Senator

The Governor's Reorganization Plan #1 to create the California Department of Human Resources (CalHR) should move forward. The plan represents an important step toward addressing a 30-year-old governance conflict between the Department of Personnel Administration (DPA) and the State Personnel Board (SPB). Though the plan does not fully consolidate the state's personnel system or reform civil service, any effort that improves the current approach deserves support.

David A. Schwarz

Jonathan Shapiro

Mark Wyland
Senator

Stuart Drown
Executive Director

The real work is ahead: California must develop a new generation of employees with new skills to run state government as a significant portion of the workforce will retire in coming years. California assuredly will have a leaner government, which will require smarter hiring practices and an emphasis on training and leadership when filling the worker ranks. The turnover and loss of expertise already occurring will require more than a change in organizational structure affecting DPA and SPB. It demands a change in organizational culture at the state's personnel agencies.

Department managers interact with DPA and SPB as central "control" agencies for approval on day-to-day personnel tasks, from changing job qualifications to filling vacancies. The duties of DPA and SPB often overlap, frustrating would-be employees and causing conflict and delay as state managers navigate the two entities.

The dual – at times, dueling – roles diminish accountability and prevent the state from speaking with a single voice to promote the state as a career destination for public service. The support for aligning personnel functions within CalHR, voiced by human resources managers across state government, speaks to the validity of the plan.

The success of CalHR will hinge on its ability to lead and build a culture around service and support – instead of control and confusion – to personnel managers, employees and job candidates. The state's reactive approach to staffing its workforce on a vacancy-by-vacancy basis will no longer suffice.

The reorganization plan acknowledges these broader human resources challenges, and the Commission is encouraged that the administration views the underlying mission of CalHR as a catalyst for the fundamental change that needs to occur within state

personnel administration. The Commission believes the plan builds a foundation from which to address these greater workforce challenges in state government, as well as to identify barriers that may prevent CalHR from reaching its goals.

The reorganization plan establishes CalHR as of July 1, 2012, replacing DPA and absorbing an undetermined number of positions from SPB involved in day-to-day personnel transactions. None of SPB's constitutional duties would change, including the grievance and appeals process it oversees.

Though the reorganization process cannot alter the state Constitution, where SPB's authority resides, the Commission retains its longstanding reservations about the SPB's role over hiring practices.

Decades of studies by the Little Hoover Commission and others have called for updating the SPB's authority over the "merit system," placed in the state Constitution in 1934 to eliminate patronage hiring. If the reorganization plan moves forward, SPB will continue to co-exist with CalHR. Despite pledges of cooperation, the Commission remains concerned about the SPB's defense of the classification and examination process.

The Commission wants a strong, well-designed personnel system to succeed. Tracking progress on the implementation will be critical to holding the agencies accountable and making course corrections as needed.

There are expectations for budget savings and a faster turnaround for processing personnel transactions. The administration estimates it can cut roughly 60 of 400 positions – about 15 percent of staffing – between DPA and SPB by eliminating redundancies and administrative overhead. The Commission found the estimate of \$6 million in annual savings to be somewhat speculative. Proposed savings could be offset by transition costs, and SPB will have sway in determining how many positions it will retain to carry out its core functions.

The Commission, however, finds the potential value of the reorganization plan greater than the immediate costs savings and decreased time involved to review and process personnel documents. The real savings will be in efficiency that will come from developing a top-flight workforce in state government. CalHR will need strong leaders who can execute a vision and strategy for the state's critical workforce needs. The Commission looks forward to checking back next year on this progress.

The Commission recommends that the plan be allowed to go into effect.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel W. Hancock", written in a cursive style.

Daniel W. Hancock
Chairman

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STREAMLINE THE CALIFORNIA STATE PERSONNEL SYSTEM***

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Introduction

The Governor has an obligation to periodically examine the organization of all agencies to determine the changes that are necessary to reduce expenditures, increase efficiencies and improve the management of public programs. A formal “reorganization” process has been detailed in the Government Code.¹

The statute defines and limits the kinds of changes that can be made through the reorganization process. Plans, for example, can transfer, consolidate and even abolish functions that “may not be necessary to the efficient operation of the state government.” But plans cannot, for example, include agencies that primarily report to the Legislature, judicial branches of state government or agencies administered by separately elected officers. The law requires that plans make provisions for transferring civil service employees, property records and fund balances of the agencies affected by a reorganization plan.

The law provides for the Governor to pursue those changes through an accelerated and streamlined legislative process. The reorganization process calls for the Governor to propose a plan, for the Little Hoover Commission to review and make an advisory recommendation regarding the plan and for the Legislature to either allow the reorganization to go into effect or to reject it by a majority vote in either house.

The Governor’s Reorganization Plan to unify and streamline the California state personnel functions was submitted to the Commission on May 10, 2011. Under the reorganization statute, the Governor must submit the plan to the Commission 30 days prior to submitting it to the Legislature. The Commission, in turn, must make a recommendation regarding the plan within 30 days of the plan being submitted to the Legislature.

In reviewing the plan, the Commission conducted a public hearing on June 2, 2011. The Commission invited testimony from the administration and representatives of all of the state units involved, including the Department of Personnel Administration, the State Personnel Board and the Department of Fair Employment and Housing. The Commission also heard from employee groups about the reorganization plan’s impact on state workers. Human resources managers in state departments and an academic expert in civil service

issues also provided testimony. A list of the hearing witnesses is contained in Appendix A.

The Commission also drew on previous work by the Legislative Analyst's Office, the California Constitutional Revision Commission, the California Performance Review, as well as the Commission studies analyzing California's personnel system, contained in the follow reports:

- Personnel Management in the State Service (August 1979).
- Too Many Agencies, Too Many Rules: Reforming California's Civil Service (April 1995).
- Of the People, By the People: Principles for Cooperative Civil Service Reform (January 1999).
- Serving the Public: Managing the State Workforce to Improve Outcomes (June 2005).

The Commission's reports are available at www.lhc.ca.gov.

Governor's Reorganization Plan

The Governor's Reorganization Plan (GRP) proposes to streamline overlapping functions and align resources of the State Personnel Board and the Department of Personnel Administration by creating a new California Department of Human Resources (CalHR).²

Under the reorganization plan, to take effect July 1, 2012, the Department of Personnel Administration (DPA) would be folded into CalHR, with the expectation that the State Personnel Board (SPB) would transfer staff involved in day-to-day personnel transactions and document review to the new agency.

The five-member SPB would not be eliminated. The SPB would retain staff to carry out its Constitutional authority to approve changes to classifications and probation periods, and to handle disciplinary actions as well as merit-system disputes over hiring and promotions. The staffing required to execute these core functions has yet to be determined.

Additionally, the state's civil-rights enforcement agency, the Department of Fair Employment and Housing, would take over from the SPB any employee complaints related to gender and racial discrimination. The SPB handles fewer than 100 of these types of complaints out of the 5,300 new cases it opens annually.³ The move has virtually no impact on either department.⁴

The administration views the plan as a foundational step that can better position state government to address hiring and compensation issues within a more unified human resources agency. With personnel duties now split between DPA and SPB, a flatter organizational structure should eliminate confusion and make it easier for departments to identify who is accountable for resolving personnel issues, DPA Director Ronald Yank said in testimony to the Commission.⁵

"The state's best HR experts will be in one location working cooperatively to redefine how HR is accomplished, simplify processes and procedures, eliminate duplication and create easy-to-use solutions and resources for all departments to use," according to the administration.

The State's Personnel System

- **State Personnel Board:** The five-member board, gubernatorially appointed, revises classification plans, develops exam techniques and hears employee appeals of discipline actions. Current budget: \$25 million; 169 employees.
- **Department of Personnel Administration:** Negotiates salaries, benefits and other employment terms with unions on behalf of the Governor. Administers compensation, evaluation and training programs, and layoff and grievance procedures. Current budget: \$86 million; 223 employees.
- **Public Employment Relations Board:** Protects the rights of workers to unionize and hears appeals of unfair labor practices. Current budget: \$6 million; 40 employees.
- **Department of Fair Employment and Housing:** Investigates complaints of discrimination in housing, employment and public accommodations. Current budget: \$20 million; 187 employees.

Numerous other agencies also play a role in personnel management, including:

- **Office of Administrative Law:** Reviews and approves regulations proposed by state agencies, including most personnel management rules.
- **Department of General Services:** Reviews contracts for personnel services from private firms for legal adequacy.
- **Department of Finance:** Analyzes department budget proposals, including the expansion and reduction of staff.
- **State Compensation Insurance Fund:** Offers insurance protection to employers against on-the-job injury claims, and administers benefit claims.
- **Public Employees' Retirement System (CalPERS):** Contracts and approves health benefit plans for state workers; hears employee appeals on coverage disputes.
- **State Controller:** Administers the state payroll.

Source: Department of Finance. "2011-12 California Budget." Sacramento, CA. Also, Little Hoover Commission. April 1995. "Too Many Agencies, Too Many Rules: Reforming California's Civil Service." Sacramento, CA.

Cost Savings Estimate

The administration estimates that roughly 60 out of 400 positions in DPA and SPB can be eliminated by reducing duplication and administrative overhead through 2013-14. A 15 percent staff-reduction target would lead to savings of \$5.8 million a year in salaries and benefits, according to the plan.⁶ The staffing reduction also includes the elimination of the 15-member team from the Human Resources Modernization Project (HR Mod), a joint DPA-SPB effort created in 2008 to streamline civil service processes. That work is expected to be integrated into CalHR's central mission.

The Department of Finance estimates that cutting operating expenses and contracts could raise the annual savings total to \$10 million.⁷ The savings, however, could be offset by one-time moving costs related to

moving CalHR employees to a new physical location, though the administration expects those expenses to be absorbed.⁸

The administration also projects savings for the state’s 2,900 department-level human resources officers, who could be spending less time navigating the state’s personnel bureaucracy, leading to further staffing reductions in line departments by:

- Eliminating dual-approval requirements.
- Enhancing statewide training through online courses.
- Creating online tools for departments.
- Streamlining audits.⁹

The reorganization plan suggests that a 15 percent staffing reduction at the department level would be possible, resulting in \$39 million in annual savings.¹⁰ The timeframe for achieving those savings, however, is unclear. “Until there are specific efficiencies identified, we do not know what level of reduction would be reasonable,” according to the Department of Finance.¹¹

Phased-in Savings from CalHR

Fiscal year	Estimated Cumulative Savings from Salaries and Benefits	Cumulative Personnel Reduction
2011-12	\$1.3 million	11.3 personnel years
2012-13	\$3.6 million	36.5 personnel years
2013-14	\$5.8 million	60.6 personnel years

Note: 2011-12 savings are personal services achieved through the elimination of the HR Mod project.

Source: Diana L. Ducay, Program Budget Manager, Department of Finance. Sacramento, CA. May 27, 2011. Written testimony to the Commission.

History Shapes Current Debate

The governance challenges between the dual – at times, dueling – personnel agencies are well known to managers and employees inside state government. To job seekers and outsiders, it is nothing short of confusing. There are few defenders of the current approach, in which departments “ping pong” between the DPA and SPB on hiring, pay, probation, promotions, transfers, discipline and layoff issues. “A unified personnel department would provide ‘one-stop’ assistance for departments, eliminating the laborious process of being shuffled between

two different departments,” according to the Governor’s Reorganization Plan.¹²

Much of the bureaucratic tension between the agencies is rooted in the overlapping but clashing policy objectives between the civil service “merit” system and collective bargaining.¹³ Though the Governor’s Reorganization Plan avoids this discussion, the context is important to understanding the turf battles.

The SPB is in charge of enforcing the 100-year-old merit principle, which is the Progressive Era ideal that ended patronage, replacing the spoils system with hiring through a competitive examination process intended to produce the most qualified applicants and a professional workforce. The SPB replaced the state’s original Civil Service Commission, which was created by statute in 1913. Voters established SPB through a constitutional amendment in 1934 during a wave of populist sentiment that saw Upton Sinclair on the ballot for Governor that year.¹⁴ Through its audits and hearing process, the SPB ensures that personnel decisions are based on the qualifications and performance of employees – not for political reasons.

Despite its longevity, civil service is still somewhat of an experiment. There is ongoing disagreement over the usefulness of the examination process for job seekers, the rigidity of the state’s 4,000 job classification categories, and how much personnel authority to decentralize and delegate to departments. Also, issues that vexed reformers in the early days – such as disciplining and dismissing poor-performing workers and rewarding high-performers – remain unresolved.¹⁵

In the 1950s and 1960s, adherence to civil service rules and the written examination process clashed with the civil rights movement and gender-equity struggles, as minorities and women sought greater opportunities for employment and career advancement. Hiring preferences based on seniority, and for veterans and the disabled, also eroded civil service conventions. Department executives were finding the rules overly restrictive as well, and pushed for more flexibility to select employees and managers.¹⁶

As the state workforce grew in size – and political strength – state employees sought a greater role in influencing their compensation and work conditions. In the 1970s, workers successfully pushed the Legislature to allow public employees to collectively bargain with the administration for pay and benefits. In 1977, the State Employer-Employee Relations Act, also known as the Ralph C. Dills Act, marked the turning point for state employees, ushering in the era of collective bargaining on top of the civil service system.

Some believed that collective bargaining would slowly eliminate the need for civil service. In a 1976 California Journal article, Marty Morgenstern – then-Governor Jerry Brown’s director of employee relations – contended that working conditions, job protections and other matters handled by the civil service system would be succeeded by contracts hammered out at the negotiating table.¹⁷ Mr. Morgenstern, who returned to the Governor’s Office in January 2011 as secretary of the Labor and Workforce Development Agency, engineered the current reorganization plan.

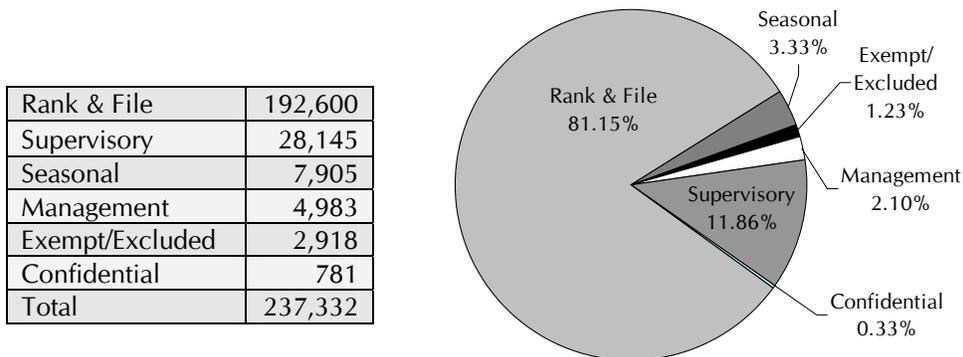
“Patchwork” Personnel System Emerges

In 1979, in his State of the State address at the beginning of his second term, Governor Brown asked the Little Hoover Commission to study the civil service system and the organizational issues confronting state government with the advent of collective bargaining.¹⁸

The Commission concluded that a “patchwork” governance system already was taking shape as the administration and workers navigated the new union-negotiating environment. The Commission’s solution called for a unified personnel department that would modernize the traditional civil service approach to hiring and disciplining government workers. Even 32 years ago, the Commission voiced concern that civil service protocols had grown outdated. “California’s history in personnel management since 1934 demonstrates that the state is loyal to a tradition once firmly established, loyal to the point of locking itself into a system and structure,” the Commission concluded.¹⁹

The Governor and the Legislature took the first steps in 1981 by creating the Department of Personnel Administration to represent the Governor in labor negotiations. The department later took on functions of day-to-day personnel management, training programs and benefits administration.

Civil Service Positions by Designation (Statewide)
Data as of November 2009



Source: State Controller’s Office. November 2009. “Civil Service Positions by Designation (Statewide).” Sacramento, CA.

The other key Commission recommendation from 1979 never took hold. The Commission urged that a constitutional ballot measure be forwarded to voters to replace the State Personnel Board. The Commission recommended that the SPB staff involved in examinations and hiring be moved over to the DPA and that the SPB be reconstituted as the “Employee Equity Board” to adjudicate appeals and conduct investigations related to violations of merit principles or equal opportunity and to serve as a neutral third party in collective bargaining disputes.²⁰

Because the SPB remained in place, the state was left with two personnel agencies, with roles than can conflict and overlap depending on which employees are covered by collective bargaining contracts (about 81 percent of the workforce) and which employees are protected from political interference by civil service rules (about 98 percent of the workforce).²¹ The bifurcation is spelled out on a “who does what” list on the DPA Web site that prints out to nine pages.²²

Additional responsibilities for settling employee disputes fall under the state’s Public Employee Relations Board, created in 1977 as part of the Dills Act to investigate unfair labor practices, and the Fair Employment and Housing Department, which hears race and gender discrimination complaints from private- and public-sector employees.

Resistance to Change Remains Strong

The administration calls its reorganization proposal “obvious,” yet efforts to alter the state’s civil service system and personnel governance structure have failed for decades.²³ Over time, the reform recommendations have changed little since the Commission’s 1979 study. The Commission’s follow-up reports, as well as studies by the Legislative Analyst’s Office, the Constitutional Revision Commission and the California Performance Review all have recommended overhauling the civil service system as well as the governance structure of the SPB and DPA (*see Appendix B*).

In its hard-hitting 1995 report, the Little Hoover Commission said the SPB is “obsolete, protection against a bygone enemy, and should be eliminated.”²⁴ The Commission called for the state to use collective bargaining as a means to expedite hiring, discipline and other personnel issues. Replacing all or parts of the civil service system, however, has met resistance from multiple players.

- Anything seen as encroaching on the merit principle is politically controversial. In a 1995 report, the LAO argued that the core foundation of civil service was protection against political

interference with the workforce. "The principle is as appropriate now as it was then," the LAO said.²⁵ The current reorganization proposal, on Page 1, also emphasizes the public interest in preserving the merit principle.²⁶

- The issue of collective bargaining in the public sector always has been controversial, and expanding its scope makes some critics uneasy.
- Some state workers prefer the added layer of protections and job security afforded by the SPB. In practice, managers feel discouraged from taking adverse actions against poor-performing employees and are unwilling to navigate the SPB's cumbersome and costly appeals process.
- The SPB has fought efforts to alter its role. "Even when unions agree to reforms in the context of labor negotiations, SPB sometimes steps in and objects," notes one civil-service expert.²⁷ For example, not all employee groups prefer the SPB's time-consuming disciplinary process. However, when unions have negotiated with the administration to create alternative, dispute-resolution forums, the SPB has sued successfully to block those efforts, arguing its jurisdiction – and protection of the merit principle – cannot be bargained away.²⁸

The forced partnership of the SPB and DPA, for now, continues, as state managers find ways to work with, or around, both personnel departments.

Attention Shifts: Function Over Form

Despite structural barriers, several civil-service reforms in California state government have taken hold over the years, such as minimizing the use of written tests, opening up the management pool and delegating more of the hiring process to the department level. In 2008, the Legislature created the Human Resources Modernization Project (HR Mod) as a joint DPA-SPB effort to further consolidate classifications and improve training and workforce planning.

So many hurdles remain, however, that the administration refers to today's personnel system as "increasingly complex and dysfunctional."²⁹ In a 2008 study, the Pew Center for the States gave California the letter grade of C-minus for its human resource efforts in workforce planning, hiring, retaining employees, training and managing performance.³⁰ "It's no secret that California's personnel system is dysfunctional," noted the Pew report, citing the DPA-SPB overlap as part of the trouble. "An outdated and inefficient merit system makes it painfully difficult for

newcomers to break into state government. Many jobs are not even open to anyone who doesn't currently work for the state, and those that are take months to fill."³¹

The extended stalemate over the governance structure also has become accepted, which may have forced a shift among policy-makers to focus

***Redundancy Example:
Establishing a CEA Position***

The Career Executive Assignment (CEA) position is a member of a department's top management team. To establish a new CEA position, departments must send requests to both the SPB and DPA.

The SPB reviews the request to see if the position confirms with statutory requirements that the position will have broad responsibility for policy. If approved by SPB staff, the request is forwarded to the full board for adoption.

Concurrently, DPA reviews the request to allocate the position. Once adopted by the SPB, DPA analyzes the position for scope of authority, location in the organizational structure, number of subordinate staff, and size and mission of the requesting department.

Because of this process, the establishment of a CEA position can take up to six months. DPA also has responsibility to monitor salaries for the CEA classifications. The SPB has jurisdiction over CEA examinations and return rights upon termination of their appointment.

Source: Marty Morgenstern, Secretary, Labor and Workforce Development Agency. Sacramento, CA. May 27, 2011. Written testimony to the Commission.

on solving broader workforce challenges, made more urgent as the Baby Boomers begin to retire. In a 1999 report, the Commission stressed a collaborative approach for employees and employers to jointly address critical issues related to workforce planning, such as recruitment, hiring, compensation and training.³² A Commission report in 2005 also framed civil-service reform and the DPA vs. SPB debate around the desired outcomes of a top-flight workforce. "Calcified personnel practices that were intended to measure 'merit' discourage highly qualified people from applying for and landing state jobs," the Commission said. "Training and development are afterthoughts. And in the name of fairness, compensation rules do little to distinguish between good and bad performance."³³

The administration has concluded that the state cannot carry out a broader human resources strategy without first addressing the long-standing governance challenges posed by the state's two personnel agencies. According to the Governor's Reorganization Plan, "consolidating all day-to-day operational personnel management jobs in one agency will create an organization with the resources that can begin to exercise leadership to accomplish long overdue reforms necessary to restore quality to public service."³⁴

Moving the Plan Forward

The administration makes a solid case to create a California Department of Human Resources (CalHR). For 30 years, the state has operated two personnel agencies with conflicting and overlapping functions. Though the plan lays out a vision for a consolidated human resources agency, much work and cooperation will be needed to bridge the Department of Personnel Administration and the State Personnel Board in order for CalHR to lead a new workforce strategy for state government.

Details need to be worked out as to the extent of the DPA-SPB merger. CalHR will take over the DPA, but the Commission heard conflicting input about the role that the SPB will continue to play. Because none of the SPB's authority will change, it is unclear how many SPB positions will transfer to the new agency. SPB will continue all constitutionally prescribed functions, including:

- Appeals of employee discipline.
- Personal services contract appeals.
- Whistleblower retaliation complaints.
- Prescribing probationary periods and establishing classifications.
- Oversight of laws related to the merit system and discipline.
- Performance of audits to assure merit system compliance.

The president of the five-member SPB is supportive of the reorganization plan as long it does not “diminish the board’s role as established by the Constitution, legislation and case law.”³⁵ That sentiment could limit SPB’s participation in a human resource agency consolidation. With a current 20 percent vacancy rate at SPB, “additional vacancies will further erode our ability to perform our core functions,” the SPB executive officer wrote in testimony to the Commission.³⁶

SPB does seem willing to turn over ministerial personnel transactions and approval processes to CalHR, which the administration maintains will represent a substantial staffing shift.

“The intent of the consolidation is to make a careful determination of the need for staff resources (for SPB) to assure that all constitutional requirements are met, to reduce staff in the appropriate functional areas

and combine all remaining staff to form CalHR,” according to testimony by Mr. Morgenstern. “These changes will not be arbitrary.”³⁷ The changes also could be implemented through the budget process.

Taken in the best light, this move would allow SPB to focus on policy-setting and oversight responsibilities rather than carrying out day-to-day human resources operations such as recruitment, examinations and pre-employment screening. State workers who voiced concerns to the Commission about the grievance and appeals process staying within SPB should be assured that no changes have been proposed to SPB’s jurisdiction and independent review over disciplinary cases.

The plan directs DPA and the SPB to work with a Department of Finance audit team to map out current functions and identify redundancies, a process that will serve as an early test of cooperation. As part of the audit, this group will make a determination of which SPB positions can be moved. “CalHR’s success will depend on a cohesive, committed staff working toward common goals,” DPA Director Ron Yank said in written testimony to the Commission. “Bringing DPA and SPB staff together at this initial phase to set up CalHR will help us build that *esprit de corps*.”³⁸

A specific staffing reduction already identified is the elimination of the Human Resources Modernization (HR Mod) Project, a collaborative effort of the SPB and DPA created in 2007 to update and eliminate outdated job categories, streamline examinations and improve training. The reorganization plan calls for CalHR to assume the goals of HR Mod as a main focus, rather than a stand-alone side project.

What cannot be lost in the transition is the progress already made by HR Mod and the state’s investment in the project. The HR Mod team has launched on-line examinations for more applicants to quickly qualify for several entry-level, supervisory and legal positions, which have tripled the number of job candidates available for hire in some cases. HR Mod also has started thinning and combining the state’s 4,000 job classifications, and has been promoting more training opportunities.³⁹

“We don’t expect the work of the HR Mod project to lapse or terminate,” said DPA Director Yank. “In fact, one could say this reorganization gives new momentum to the HR Mod project because instead of tasking a small group to work on it ...it will become a part of CalHR’s mission.”⁴⁰

Measuring the CalHR's Progress and Success

Even if changes are made at the margin, department-level personnel officers are welcoming the proposed alignment.⁴¹ These “consumers” of DPA and SPB services need whatever tools the state can provide as they respond to a generational turnover in the workforce now underway. Their desire for clear, consistent and timely direction from a single personnel entity speaks to the poorly designed system they currently have to navigate, and for the need to make the sort of immediate adjustments called for in the reorganization plan.

“The current system, with overlapping jurisdictions, is cumbersome for human resources offices,” said LaVonne Coen, deputy director of administration at the Department of Health Care Services. “Departments are often forced to wait months for staff to review and analyze documents and render a final decision.”⁴²

If the plan moves forward, quantifying actual progress on the streamlining of personnel protocols will be an important component to understanding the success of the new CalHR department, and for the administration to make course corrections as necessary.

To that end, the reorganization plan notes that CalHR will establish “performance measures and best practices” for personnel offices at the department level to track progress and for the administration to hold departments accountable for carrying out CalHR goals and policies. The administration envisions more authority to be delegated to the department level, with delegation withdrawn for departments that do not adhere to CalHR policy goals.⁴³

Such accountability measures are essential. The Legislature, in its oversight role, will shoulder responsibility for maximizing the usefulness of this performance information.

The success of CalHR, however, hinges on more than improved timelines related to changes in personnel processes. More important is the potential of the reorganization plan to improve recruitment, hiring, retention and other human resources challenges the state faces, personnel managers told the Commission.

Reducing the number of days it takes to approve a personnel request – if the task of the request itself is outdated – will not achieve the desired results. A wholesale review of protocols should be part of CalHR’s development of “outcome” measures to evaluate progress on the agency’s efforts to strengthen the state’s workforce. The Commission is

“Rules and regulations are necessary to govern by; however, control agencies must find creative solutions to move state government forward, which may involve legislative changes. In order for departments to be effective and timely in personnel administration, they need support from a ‘customer-focused’ agency, not a ‘control-focused’ agency.”

Tina Campbell, Chief, Human Resource Services Division, Employment Development Department

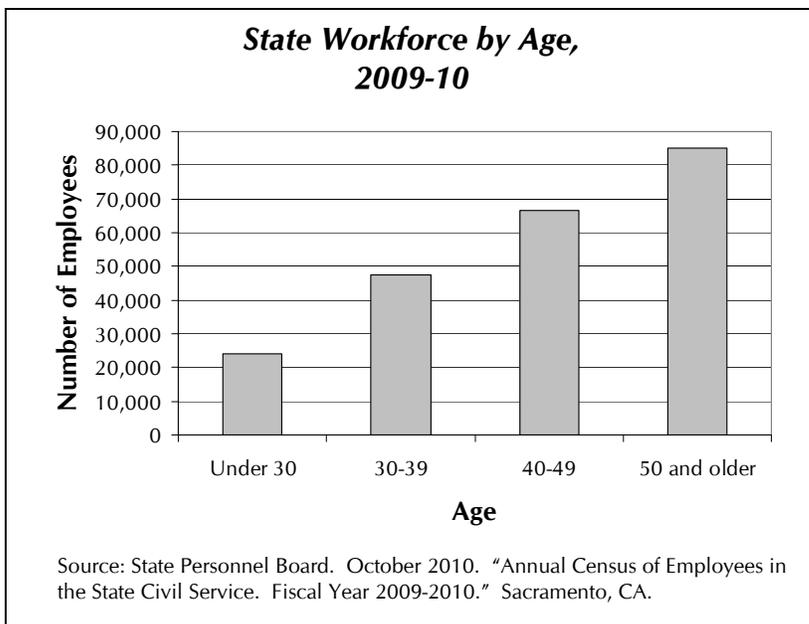
encouraged by testimony from DPA Director Ronald Yank that CalHR’s strategic-planning process will “focus on outcomes, not process, and encourage us to discard old practices and procedures if they no longer serve a useful purpose.”⁴⁴

The HR Mod project began setting goals in 2007 to reform civil service; its 2011 strategic plan update can serve as the foundation for CalHR’s efforts with common-sense priorities, such as shortening the hiring process, simplifying the classification system, ensuring all departments have workforce and succession plans and expanding cost-effective training tools.⁴⁵

Through the Ad Hoc Committee on Personnel, department-level human resources managers also can help set targets for acceptable CalHR response times, as well as the broader goals that focus on the “big picture” outcomes of the new agency. Their input in DPA’s 2010 personnel management survey and in HR Mod’s 2008 baseline survey should be used to inform a comprehensive strategic plan.⁴⁶

Conclusion

The Commission long has been a critic of the state’s personnel system; it is pleased to support progress that will help the state address workforce needs with a single voice. The reorganization plan, however, represents only a beginning. As University of Southern California professor Richard Callahan told the Commission: “There’s way more to it than moving the boxes.”⁴⁷



A change in organizational culture – moving toward a customer-focused personnel agency – will speed the success of CalHR more than changes in structural design. Likewise, strong leadership that can convey the vision and strategy of the new system is essential. The urgency to reposition the state’s hiring and training practices has already been made clear by the surge in retirements and the need to replace the loss of expertise, experience and institutional knowledge. Rebranding the personnel agencies into CalHR can inject leadership and momentum toward this effort.

As the state embarks on this path, barriers likely will remain from a constitutionally protected classification and examination system. The state cannot afford to adhere to outdated processes. For now, the administration is committed to working within the constitutional confines that afford the SPB broad authority – and veto power – over changes to key personnel policies. How SPB responds in the next two years to the consolidation, as well as to civil service reforms expected from CalHR, will shape SPB's future.

The Commission recommends that the Governor's Reorganization Plan #1 be allowed to move forward.

Appendices & Notes

✓ *Public Hearing Witnesses*

✓ *Comparison of Key Civil Service Reform Proposals*

✓ *Notes*

Appendix A

Public Hearing Witnesses

Public Hearing on Governor's Reorganization Plan June 2, 2011

Suzanne Ambrose, Executive Officer, State Personnel Board

Alvin Gittisriboongul, Chief Counsel, Legal Office, State Personnel Board

Richard Callahan, Associate Dean and Director of State Capital and Leadership Programs, University of Southern California School of Policy, Planning, and Development

Mike Jimenez, President, California Correctional Peace Officers Association (CCPOA)

Tina Campbell, Chief, Human Resource Services Division, Employment Development Department

Margarita Maldonado, Vice President-elect of Bargaining, Service Employees International Union (SEIU) Local 1000

Phyllis Cheng, Director, Department of Fair Employment and Housing

Marty Morgenstern, Secretary, Labor and Workforce Development Agency

LaVonne Coen, Deputy Director for Administration, Department of Health Care Services

Howard Schwartz, Chief Deputy Director, Department of Personnel Administration

Diana Ducay, Program Budget Manager, Administration Unit, Department of Finance

Maeley Tom, President, State Personnel Board

Brooks Ellison, Chief Negotiator, California Attorneys, Administrative Law Judges and Hearing Officers in State Employment (CASE)

Ronald Yank, Director, Department of Personnel Administration

Debbie Endsley, Former Director, Department of Personnel Administration

Appendix B

Comparison of Key Civil Service Reform Proposals

	Recommendation	1979 LHC	1995 LAO	1995 LHC	1996 CCRC	1999 LHC	2005 CPR	2005 LHC	2011 GRP
Organizational issues	Coordinate and centralize DPA and SPB classification, examination functions.	✓		✓	✓	✓	✓		✓
	Shorten terms of SPB members.				✓				
	Refocus SPB to oversee disciplinary and merit appeals.	✓			✓		✓		✓
	Develop with unions an alternative mediation process as sole venue for resolving disputes.			✓			✓		
	Transfer discrimination appeals to Department of Fair Employment and Housing.								✓
	Eliminate review of personnel regulations by Office of Administrative Law.		✓	✓			✓		
	Delegate more personnel authority to departments.	✓		✓			✓		✓
Recruitment and selection	Consolidate and update classifications.	✓	✓			✓	✓	✓	✓
	Create workforce and training plans; identify gaps between present and future skill levels.					✓	✓	✓	✓
	Improve recruitment program.		✓			✓	✓		✓
	Redefine merit pay; link salary adjustments to performance.		✓	✓		✓	✓	✓	
	Establish management development program.					✓	✓	✓	
	Expand, strengthen CEA class.	✓		✓			✓		
	Eliminate non-merit preference points.		✓				✓		
	Improve ability to hire managers from outside.	✓	✓	✓		✓	✓	✓	

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Notes

1. Government Code Section 12080.1.
2. Edmund G. Brown Jr. May 2011. "Governor's Reorganization Plan Number One: To Unify and Streamline the California State Personnel Board." Sacramento, CA.
3. Suzanne Ambrose, Executive Officer, State Personnel Board. Sacramento, CA. May 27, 2011. Written testimony to the Commission. Also, Lori Gillihan, Special Assistant to the Executive Officer. Sacramento, CA. May 31, 2011. Written communication.
4. Phyllis Cheng, Director, Department of Fair Employment and Housing. Sacramento, CA. May 27, 2011. Written testimony to the Commission.
5. Ronald Yank, Director, Department of Personnel Administration. Sacramento, CA. May 27, 2011. Written testimony to the Commission.
6. Edmund G. Brown Jr. See endnote 2.
7. Diana L. Ducay, Program Budget Manager, Department of Finance. Sacramento, CA. May 27, 2011. Written testimony to the Commission.
8. Diana L. Ducay Program Budget Manager, Department of Finance. Sacramento, CA. May 27, 2011. Personnel communication.
9. Marty Morgenstern, Secretary, Labor and Workforce Development Agency. Sacramento, CA. May 27, 2011. Written testimony to the Commission.
10. Edmund G. Brown Jr. See endnote 2.
11. Diana L. Ducay. See endnote 7.
12. Edmund G. Brown Jr. See endnote 2.
13. Katherine C. Naff. 2006. "Prospects for Civil Service Reform in California: A Triumph of Technique Over Purpose?" In *Civil Service Reform in the States: A Progress Report*, edited by J. Edward Kellough and Lloyd G. Nigro. SUNY Albany Press.
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16. Greg King. See endnote 14.
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19. Little Hoover Commission. August 1979. "Personnel Management in the State Service." Sacramento, CA.
20. Little Hoover Commission. See endnote 19.
21. State Controller's Office. November 2009. "Civil Service Positions by Designation (Statewide)." Sacramento, CA.
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26. Edmund G. Brown Jr. See endnote 2.
27. Katherine C. Naff. See endnote 13.
28. State Personnel Bd. v. Department of Personnel Admin. (2003, Cal App 3d Dist) 111 Cal App 4th 839, 4 Cal Rptr 3d 284, 2003 Cal App LEXIS 1326, aff'd (2005) 37 Cal 4th 512, 36 Cal Rptr 3d 142, 123 P3d 169, 2005 Cal LEXIS 13256. Note: In 2005, the state Supreme Court noted that the civil service system was established not only for the benefit and protection of individual employees. "The public in general has a strong interest in ensuring that partisanship plays no role in selection and advancement within the state civil service," the court said. "That public interest would be subverted if various ad hoc arbitral boards, operating beyond the control of the State Personnel Board and not bound to apply its merit-based standards, could review and reverse disciplinary actions taken against state civil service employees."
29. Edmund G. Brown Jr. See endnote 2.
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34. Edmund G. Brown Jr. See endnote 2.
35. Maeley Tom, President, State Personnel Board. Sacramento, CA. June 2, 2011. Testimony to the Commission.
36. Suzanne Ambrose. See endnote 3.
37. Marty Morgenstern. See endnote 9.
38. Ronald Yank. See endnote 5.
39. Debbie Endsley, Suzanne M. Ambrose and Tina Black. February 16, 2010. "Report to the Legislature: Human Resources Modernization Project." Sacramento, CA.
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41. Doris Bloom, Chair, Ad Hoc Committee on Personnel. Sacramento, CA. May 31, 2011. Written testimony to the Commission.
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