COMMISSION ON CALIFORNIA STATE GOVERNMENT
ORGANIZATION AND ECONOMY

Findings and Recommendations Concerning Reorganization of the Executive Branch of California State Government

MEMBERS OF THE COMMISSION

EUGENE C. LEE, *Chairman*

ASSEMBLYMAN MILTON MARKS, *Vice Chairman*

ASSEMBLYMAN JOHN T. KNOX
STATE SENATOR GEORGE MILLER, JR.
MANNING J. POST
SOL PRICE
RICHARD E. SHERWOOD
ROY SORENSON
STATE SENATOR VERNON L. STURGEON
DAIR TANDY
FRANK D. TELLWRIGHT

L. H. HALCOMB, JR., *Executive Secretary*

CONTENTS

	Page
Letter of Transmittal and Summary of Finding and Recommendations	5
Finding and Recommendations Concerning Reorganization of the Executive Branch of State Government	8
Appendix A—Statute Providing for Commission on California State Government Organization and Economy	19
Appendix B—Letters to Commission From Agency Administrators Containing the Evaluation, Objectives and Accomplishments of Specific Agencies	22

STATE OF CALIFORNIA
COMMISSION ON
CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY
1209 Eighth St.
SACRAMENTO

Chairman
EUGENE C. LEE
Berkeley
Vice Chairman
MILTON MARKS
Assemblyman, San Francisco
JOHN T. KNOX
Assemblyman, Richmond
GEORGE MILLER, JR.
Senator, Martinez
MANNING J. POST
North Hollywood
SOL PRICE
San Diego
RICHARD E. SHERWOOD
Los Angeles
ROY SORENSON
San Francisco
VERNON L. STURGEON
Senator, Paso Robles
DAIR TANDY
Oroville
FRANK D. TELLWRIGHT
Carmel
L. H. HALCOMB, JR.
Executive Secretary

EDMUND G. BROWN
GOVERNOR

LETTER OF TRANSMITTAL
and
SUMMARY OF FINDINGS AND RECOMMENDATIONS

December 31, 1962

HONORABLE EDMUND G. BROWN
Governor, State of California

HONORABLE HUGH M. BURNS
President pro Tempore, and to Members of the Senate

HONORABLE JESSE M. UNRUH
Speaker, and to Members of the Assembly

GENTLEMEN: The Commission on California State Government Organization and Economy, which held its initial meeting on April 24, 1962, presents herewith its first report to the Governor and the Legislature in accordance with the provisions of Chapter 6, Division 1, Title 2 of the Government Code. This report, based on an evaluation of testimony from over 90 expert witnesses, presents the Commission's findings and recommendations following an independent review of the reorganization of the executive branch of the state government. The report includes the Commission's observations on the "agency" concept of organizational structure, implemented in part by the Governor and the Legislature in 1961, together with recommendations for executive and legislative considerations in 1963. In addition, the report presents a brief comment on the role of the commission itself, after its first eight months of operation.

A subsequent report will deal with specific draft proposals presented to the Commission by the Governor leading to the transfer of units of the Department of Finance to a proposed Executive Office of the Governor and a separate Department of General Services. These proposals, currently under study by both the Governor's Office and this Commission, will be the subject of a subsequent report of this Commission to be issued at an early date. It is recognized, however, that the precise character of the organizational structure currently being implemented and discussed here will not be finally established until an executive and legislative decision is made as to the disposition of those functions for which the Department of Finance is now responsible.

The questions which the commission has considered and upon which it has rendered its judgment are:

1. To what extent—after one year of operation—has the administrative reorganization program achieved the objectives anticipated by the Governor and the Legislature?
2. What, if any, changes—should be considered by the Governor and the Legislature in 1963 to strengthen these achievements and facilitate further progress toward the overall objectives?

In brief, the Commission concludes that the grouping of related departments together within an "agency" for the purpose of improving policy and program development, execution, and control has served better to meet the requirements of the Governor, the Legislature and the public. In our opinion, experience to date indicates—not without qualifications, to be sure—that the agency system has:

1. Made the Governor's responsibility as Chief Executive more manageable and more effective.
2. Filled a needed, but previously missing, level of political-administrative leadership created by the size and complexity of California State Government.
3. Provided a potentially greater opportunity for more effective legislative review and improved communication with the executive branch.
4. Produced specific and tangible benefits of program co-ordination among related departments, the elimination of overlapping services, and more effective utilization of manpower, space, and financial resources.

The Commission concludes that the initial action taken by the Governor and the Legislature in revising the organizational structure of the executive branch met a pressing need for reorganization. The Commission recommends that steps be taken by the Governor and the Legislature in 1963 to strengthen and carry forward this reorganization program. In the opinion of the commission, such considerations would include at this time the:

1. Extension of statutory status to the Business and Commerce Agency;
2. Establishment of statutory agency administrators on a full-time basis without concurrent responsibility for serving as departmental directors;
3. Provision of a minimal staff (four-six professional positions) to assist each statutory administrator;
4. Decentralization of such management and staff controls as can be exercised more effectively at the agency and department level;
5. Continuation of studies evaluating the inclusion within the agency concept of all operating functions of state administration responsible to the Governor. As a general rule, all such executive departments should be integrated in some fashion within the agency framework.

It is pointed out that the responsibilities and administrative relationships of the constitutional offices, statutory boards and commissions and other activities affecting the executive branch of the state government were not within the scope of this study. These are subjects of future interest to this commission.

The Commission expresses appreciation to members of the 1959 Governor's Committee on Organization of State Government, to agency administrators and department heads, to the Director of Finance and to numerous other state officers and employees for the courtesy and assistance shown to them and their executive secretary during the course of this study. Success in meeting the commission's objectives as spelled out in the Government Code will be materially enhanced by this spirit of interest and co-operation.

Respectfully,

EUGENE C. LEE, *Chairman*
ASSEMBLYMAN MILTON MARKS, *Vice Chairman*
ASSEMBLYMAN JOHN T. KNOX
STATE SENATOR GEORGE MILLER, JR.
MANNING J. POST
SOL PRICE
RICHARD SHERWOOD
ROY SORENSON
STATE SENATOR V. L. STURGEON
DAIR TANDY
FRANK D. TELLWRIGHT

FINDINGS AND RECOMMENDATIONS CONCERNING REORGANIZATION OF THE EXECUTIVE BRANCH OF STATE GOVERNMENT

INTRODUCTION

In 1961, the Governor and the Legislature concluded that reorganization of the executive branch of California state government was necessary and took steps to initiate the first major change in the structure of state government in the past 30 years. At the same time, a judgment was made that the study of administrative organization, practices and procedures—in which both the executive and legislative branches are continuously engaged—might be facilitated by the establishment of a permanent, independent reviewing agency. In accordance with the terms of Assembly Bill 1510, authored by Assemblyman Milton Marks, approved by a unanimous vote of the Legislature and ratified by the Governor, the Commission on California State Government Organization and Economy was established [1] and held its first meeting on April 24, 1962. This statement constitutes the first report of the commission, and for this reason a brief comment concerning its role is presented.

The commission is composed of 11 members—7 lay citizens (5 appointed by the Governor, 1 by the Speaker of the Assembly and 1 by the Committee on Rules of the Senate), 2 Assemblymen and 2 Senators. No more than 6 of the 11 commissioners may be from the same political party. In establishing the commission, the Legislature gave it the following charge:

> . . . to secure assistance for the Governor and itself in promoting economy, efficiency, and improved service in the transaction of the public business in the various departments, agencies, and instrumentalities of the executive branch of the state government, and in making the operation of all state departments, agencies, and instrumentalities, and all expenditures of public funds, more directly responsive to the wishes of the people as expressed by their elected representatives . . . (Sec. 8521).

While the commission is sometimes referred to as "California's Little Hoover Commission," it should be made clear that this is not a fully descriptive label. The national and state "Hoover" studies have generally been expensive, single-shot, crash attacks on problems of government organization which were approaching the crisis stage. In contrast, the California commission was established with modest resources, without reference to any specific problem, and just after—not before—a major reorganization survey had been conducted and partially implemented. The unique role of this commission, which has no parallel at either the national level or in any other state, is its permanent status, its joint citizen-legislator membership, its independence, and the potential breadth of its area of inquiry. Subject to limitations of time, staff and money, there are no restraints on the commission's legal ability to undertake a review into any aspect of the operation of the executive branch. For example, areas of investigation cited in the enabling legislation include:

1. Improvement of methods and procedures for reducing expenditures consistent with efficient performance of essential services.
2. Elimination of duplication and overlapping of services.
3. Consolidation of similar functions and abolition of unnecessary ones.
4. Reorganization of departments and agencies.
5. Definition or redefinition of duties of state officers.
6. Revision of provision for continuing or permanent appropriation of state funds.

Because of the newness of the commission, the absence of precedent from other states and the broad nature of the legislative charge, the most important task facing the commission has been to determine its specific role. The executive and legislative branches expend considerable time and effort each year in the investigation and analysis of the administrative structure and procedures of state government. Such units as the Department of Finance, the Legislative Analyst, the Auditor General and the numerous legislative interim committees have these problems as their major focus of inquiry. Is there, in addition, a role for a permanent, citizen-legislator commission? Can such a group provide a constructive influence in state government? We believe so. But we are quick to state that an adequate answer to this question, after only eight months of activity, is not yet clear. The commission should itself be independently evaluated, after sufficient time has elapsed for appraisal, to determine whether its contributions are significant and whether its continuance is justified. The members of the commission are dedicated to the challenge and optimistic that an independent reviewing agency will be able to stimulate the development of organizational structures and administrative practices which will better meet the needs of the Legislature, the Governor and the public.

As its first order of business, the commission chose for study and evaluation the organization of the administrative structure of the executive branch, more specifically the "agency" concept, discussed below. This is both an important problem of state government and an appropriate starting point for commission analysis. The subject is one requiring both executive and legislative attention and action in 1963 and one concerning which there is specific public interest. It has also served the valuable purpose of providing the commission with a comprehensive review of state administration, on the basis of which decisions as to future investigations may now be made with some confidence.

In presenting its findings and recommendations with respect to state administrative organization, the commission would add only this one final statement. The state reorganization program commenced in 1961 is in midstream, and an evaluation of progress in such a case is both speculative and subjective. Nevertheless, judgments must be made and decisions reached as to whether to turn back, to modify or to continue as

[1] Chapter 6, Division 1, Title 2 of Government Code—See Appendix A.

originally proposed. The commission does not pretend that it has found *the* answers. It does hope that its considerations and conclusions will be of material assistance to those who must render the final verdict, the Governor and the Legislature and, ultimately, the people of California.

THE STATE REORGANIZATION PROGRAM

In February, 1959, Governor Edmund G. Brown appointed a special Committee on Organization of State Government. The committee was instructed to study the existing structure of the executive branch of the state government and to make recommendations for necessary improvements. That committee identified the major aspects of the overall problem which, in their opinion, necessitated executive reorganization. Their report[2] to the Governor, which concluded their assignment, stated that:

> "Thirty years have elapsed since the last major overhaul of state government in California. Population increase, technological advances, and changing public attitudes concerning state government functions have produced major changes in the organization of the executive branch in that period. Twelve departments have been added and many boards and commissions created. The number of state employees has increased from 17,500 to 112,500 and the annual budget increased from $125,000,000 to $2,200,000,000. State government has become a vast and widespread enterprise. With population expansion and addition of new services, effective management has become increasingly difficult. The present structure of state organization, instead of helping, has tended to make the job of management more complex. The time has come for reappraisal."

That committee stated further that:

"A. The Governorship in California has been weakened by diffusion of authority.

B. Department directors and boards and commissions are unable to communicate with the Governor.

C. Departments, boards, and commissions do not have adequate communication with each other.

D. The Governor lacks an effective means for the formulation and execution of unified, co-ordinated policies.

E. There is not enough high-level attention to program planning and evaluation."

The plan proposed to meet these needs and to provide an effective organizational structure basically involved the grouping of related departments on a functional basis into eight agencies. Each agency would be supervised by an agency administrator who would be responsible to the Governor for the overall policy, program and performance of the several organizational units comprising the agency. The agency administrator would serve as "an extension of the Governor's personality and authority" as both his policy and managerial representative and adviser. In addition, the proposal called for an executive department, under an executive officer, to provide top-level management staff service to the Governor. Collectively the eight agency administrators and the executive officer would represent all state executive activities, with the exception of responsibilities of the constitutional officers, and would serve as the Governor's Cabinet.

[2] 1959 Reorganization of the State Government by

With the adoption of statutes creating the Highway Transportation, Health and Welfare, Youth and Adult Corrections and the Resources Agencies, the 1961 Legislature took the initial steps of the first comprehensive reorganization of the executive branch since Governor Young's administration in 1929. Subsequently, the Governor created four additional agencies on a less formal basis by administrative order: Public Safety, Employment Relations, Business and Commerce, and Revenue and Management. Full-time agency administrators were appointed to the Health and Welfare and Youth and Adult Corrections posts, while the other agencies have been administered to this date by persons also holding departmental directorships.[3]

Expressed in its most simple terms, the objective of the present administrative reorganization measures is to provide the State with an administrative structure which will facilitate the transaction of public business effectively, efficiently and economically and in a manner which is responsive to the wishes of the people as expressed by their elected representatives. The reorganization measures adopted by the Legislature in 1961 as well as the additional steps currently under study have the objective of giving the Governor an improved organizational structure for carrying out his legal and political responsibilities; the measures seek to improve the Governor's span of control by reducing the number of organizational units reporting directly to him; they are designed—hopefully—to encourage improved program planning and execution by grouping related activities together and providing for strong staff and technical services on a decentralized basis functioning in accordance with broad overall policies established by the Governor and his principal officers.

The need for the provision of a responsible and effective executive organization to meet current and foreseeable operational needs has been stated repeatedly by Governors since the turn of the century. The *means* of achieving this objective have varied as the diversity and scope of governmental functions have increased and become more complex. The *purpose* of successive reorganizations, however, has remained consistent. The issue becomes even more important as an eye is cast to the future. With California—already the largest state in the nation—soon to reach a population of 20 million, and 30 million only a decade later, the need for a state administrative organization which is responsive, responsible and efficient becomes not a prayerful hope, but a critical necessity.

The questions which the commission has considered and upon which it here renders its judgment are:

1. To what extent—after one year of operation—has the administrative reorganization program achieved the objectives anticipated by the Governor and the Legislature?

[3] Subsequent to the writing of this report, the Governor has announced the appointment of a full-time administrator of the Resources Agency. This action is in accord with the recommendation given below that statutory agency administrators serve on a full-time basis.

2. What, if any, changes—statutory and administrative—should be considered by the Governor and the Legislature in 1963 to strengthen these achievements and facilitate further progress toward the overall objectives?

This report is addressed solely to the commission's evaluation of reorganization through the grouping of related departments into "agencies" with an "agency administrator" responsible to the Governor for the overall policy, program and performance of the several services comprising the agency. Specific proposals for the division of the Department of Finance into an Executive Office of the Governor and a Department of General Services are currently being analyzed. A subsequent report will present the commission's findings and recommendations concerning these specific phases of state government reorganization.

In the eight months since this commission's organizational meeting, it has met nine times, a total of 16 days. Testimony has been received concerning state government operations from representatives of private industry, state taxpayers' associations and city and county government. The theory and concept of the "agency" form of state government organization has been discussed at length with members of the 1959 Governor's Committee, with career state employees who served on task forces which studied the recommendations of that committee, and with the President pro Tempore of the Senate and a representative of the Speaker of the Assembly. The present status of the first phase of the reorganization program, which went into effect October 1, 1961, has been reviewed intensively with the agency administrators and departmental directors, as well as with other management and staff personnel. More than 40 expert witnesses have appeared before the commission, and the executive secretary has conferred with at least 50 more.

THE COMMISSION'S FINDINGS AND RECOMMENDATIONS

The Organizational Concept

The Commission on California State Government Organization and Economy has concluded that, in basic outline, the agency concept provides an effective organizational pattern for meeting the complex requirements of the state government in 1963 and in the years ahead. It recommends, as indicated below, that steps be taken by the Governor and the Legislature to strengthen and carry forward the reorganization program that has been initiated.

Endorsement of the organizational format represented by the current program does not mean that there is a single one-best form of state government organization, good for all places and times. But witness after witness before the commission has testified that reorganization was necessary and that the administrative structure existing in 1960 was critically deficient. The Governor's committee and task forces in 1959—after thousands of man-hours of investigation—concluded that the agency concept provided the most promise for success. The Governor and the Legislature in 1961 indicated general approval of the approach. Upon the basis of its investigation, this commission also endorses the concept of grouping related departments into an agency. In our opinion, experience to date indicates—not without qualification, to

1. Made the Governor's responsibilities as Chief Executive more manageable and more effective.
2. Filled a needed, but previously missing, level of political-administrative leadership created by the size and complexity of California state government.
3. Provided a potentially greater opportunity for more effective legislative review and improved communication with the executive branch.
4. Produced specific and tangible benefits of program co-ordination among related departments, the elimination of overlapping services and more effective utilization of manpower, space and financial resources.

In sum, the reorganization plan, insofar as it has been implemented, appears to be achieving at least some of the desired results. The accomplishments to date of the four statutory agencies and to a lesser degree of those created by executive order have been significant. There have been consequential but intangible program benefits, some of which are not as yet fully realized, in addition to many measurable accomplishments which have been attained. Letters from the agency administrators setting forth their evaluations, accomplishments, and objectives are appended to this report. Both the record to date and the promise of achievement appear to validate the course of action which has been started and which we propose be continued.

It has been said by some that the creation of agencies and the establishment of new positions of agency administrator would in effect establish "super-departments" directed by "super-reporters" for the Governor, that an additional level of bureaucracy would appear with proportionate increased costs and duplication and that the identity and well-established responsibility and expertise of the established departments would be diluted and rendered ineffective. Although this development is always possible, of course, actual experience of the statutory agencies during the past 15 months does not, in our opinion, bear out such a prediction. Agency administrators in their role as "outposts of the Governor" have facilitated communication to and from the Governor's office and between agencies and have not become immersed in the technical and operational details of the departments and other organizational units comprising these agencies. Rather there has been markedly improved activity in broad-scale planning and in better program development and policy execution. In addition, significant benefits appear to have been realized through better co-ordination of inter- and intra-agency effort and by more effective resolution of interdepartmental differences of opinion in areas of mutual concern. Experience to date indicates that the agencies and the agency administrators are not providing just another level of government but rather a *missing* level. This level stands midway between the specialized and detailed day-to-day administrative responsibilities of the department director and the generalized broad-policy duties of the Governor. It is a level created by the increasing size and complexity of California state government. It is a level the commission concludes must be filled.

The commission cannot and does not say that specific accomplishments and benefits that have been achieved in the state government since the initiation of the agency approach would not or could not be attained in the absence of the agencies. Since the creation of the agencies, however, there are significant instances of such accomplishments that have tended to defy solution in the past.

A valid estimate of the actual total monetary value and effect of these agency accomplishments cannot yet be established, although it is clear that there have been examples of significant savings. It should be noted, too, that agency administrators have been required to meet the costs of their offices—including their own salaries—from budgetary savings. While economies and dollar savings resulting from more effective co-ordination, elimination of duplication, and the integrated management of line operations are of utmost importance, the agency concept of organization is no panacea for government spending, of course. The commission concludes, however, that the prospects of efficiency and economy will be increased because of the existence of the agency administrator. Of equal importance and perhaps a principal benefit of the grouping of departments, boards and other units into agencies is the provision of a more responsive organizational structure for assisting the Governor in the implementation of his policies as well as those of the Legislature.

The Agency Administrator

Successful implementation and effective continued operation of the revised organization are dependent in large part, of course, upon the skill and ability of the agency administrator. He truly must operate as an "extension of the Governor" in the areas of policy, planning and program execution. The requirements of this position will vary between the several agency administrators, as will the problems and opportunities of each agency. It is implicit, however, that if the administrator is to fill a "missing level of government," he must concern himself with overall policy planning, execution and evaluation and not with the minutiae of day-to-day administration. An additional advantage of this arrangement is the creation of a level of policy leadership and control —on behalf of the Governor—a step removed from the professional and clientele ties and pressures which inevitably confront many of the department heads.

It is not contemplated that staff at the agency level will duplicate or replace existing departmental staff services. Indeed, a large staff at the agency level would appear to serve as a deterrent to the successful implementation and operation of the agency concept of organization. In their testimony before this commission, agency administrators were consistent in their belief that staff requirements, although they might well vary from agency to agency in accordance with the stage of agency development and specialized problems, would be minimal—perhaps four to six professional positions—concerned primarily with such matters as budget planning and program evaluation, top-level management analysis and internal as well as external communication and relationships. Such positions are, in the commission's opinion, essential to the successful operation of the agencies and should be provided at this time to each of the statutory administrators. Although the commission has not considered the question of civil service status of such employees at length, these few top-level staff officers should serve in these positions at the pleasure of the agency administrator inasmuch as they will be closely involved with the policy formulation and interpretation responsibility of that officer.

With respect to the authority of the agency administrator, it is clear that statutory status makes a difference—legally, politically and administratively. To the extent that the Governor and the Legislature have confidence in the wisdom of a particular organizational grouping of departments into an agency, that agency and the position of agency administrator should be created by law. While the agency administrators who have been serving on the basis of an executive order of the Governor have provided a constructive communication and liaison service, it is apparent they have not been able—nor have they been expected—to exercise the same positive leadership over the departments as their statutory counterparts.

Finally, if agency administrators are to become fully effective, they must devote full time to their agency assignments. It is no criticism of the incumbents to suggest that it does not appear physically possible for a person to function as an agency administrator, in terms of the concept discussed above, and at the same time serve as a department head with direct responsibility for the day-to-day line operations of one of the departments within the agency. And even assuming this were possible, there is an inherent conflict in roles which should be eliminated. The commission recommends, therefore, that all statutory administrators be made full time.

The Agencies

Agency Affiliation

The commission endorses the continued statutory existence and the strengthening of the four agencies created by the Legislature in 1961. However, the commission has not concluded that the success of the reorganization program is necessarily dependent upon the inclusion at this time of all departments and other organizational units within a specific agency. There are still many questions for the future growing out of the complexities of state government which make a uniformly applied logic both unwise and unrealistic. More experience and study are necessary as related to some departments of state government, and there are unresolved problems affecting logical functional groupings. However, if the agency concept of organization as represented by the statutory agencies is regarded as valid, a position this commission strongly supports, it follows as a general rule that all of the operating functions of the executive branch should be integrated in some fashion within the agency framework. Certainly the burden of proof should rest with those organizational units not so included or those departments presently within agencies but desiring exclusion to demonstrate the overriding benefit of independent departmental status.

The Nonstatutory Agencies

As noted above, it appears clear that full effectiveness of the agency concept is dependent upon the provision of statutory status. The testimony received and the independent investigation of the commission lead to the recommendation that statutory status should be given at this time to the Business and Commerce Agency. On the other hand, legislative formalization for the Public Safety, Employment Relations, and the Revenue and Management Agencies, as presently constituted, would appear to be premature.

Business and Commerce Agency. The grouping of related functions into the Business and Commerce Agency appears most logical and is one which was recommended by all study groups concerned. This commission concurs with these judgments and recommends that the agency be provided with statutory status. The program, as well as the administrative, benefits of having a statutory business and commerce administrator responsible to the Governor for co-ordinating and providing executive liaison and leadership for the varied clientele representation and regulatory functions of the component parts of this agency are significant. The commission has not, however, met with representatives of each of the units and clientele interests included within this agency. It does not, therefore, make specific recommendations concerning the statutory inclusion or exclusion of any unit other than the guiding principle recited above that all units presently included with the agency should continue to be included unless there is a compelling case for independent status.

Because of the many boards and commissions in the various units comprising this agency, it seems particularly important that the authority of the administrator be spelled out clearly by statute so as to preclude, for example, control by the administrator over the decision of specific cases. Continued attention, too, should be drawn to the multiplicity of separate funding devices to support the units within this agency. As a general rule, these special funds should be eliminated whenever possible by having revenues credited to and expenditures budgeted from the general fund.

The Public Safety Agency appears to have achieved substantial co-ordination of the functions of the Military Department with those of the State Disaster Office. Also, the co-ordination of the civil defense program within the state government as a whole has been facilitated by reason of the agency organization and the influence of the agency administrator within the Governor's Cabinet. Beyond this area, however, it is difficult to recognize any particular overall benefit of the agency organization as related to the State Fire Marshal and the Department of Veterans Affairs, the other two departments in the agency.

Changes made subsequent to the Governor's committee and the Public Safety Task Force reports appear to have eliminated any basic functional justification for this organizational unit as it now exists. As originally conceived this agency was to be comprised of the California Highway Patrol, the Department of Motor Vehicles, the Military Department, the California Disaster Office, as well as certain law enforcement functions included in the Department of Justice. However, the first two of these were assigned by statute to the Highway Transportation Agency, and the final draft of the Governor's committee report as well as subsequent staff recommendations left the Department of Justice undisturbed. The Governor's committee proposed that the Fire Marshal be affiliated with the architectural and building standards services, and that the Department of Veterans Affairs be grouped for administrative purposes with related services of the Health and Welfare Agency. Consideration should be given to the realignment of the remaining departments comprising this agency, for there appears little practical likelihood of a logical grouping of these functions into a true Public Safety Agency.

Employment Relations Agency. A detailed study of the departmental and statewide benefits of the grouping of the Department of Employment and the Department of Industrial Relations—the two departments comprising the Employment Relations Agency—should be conducted before the status of the agency is formalized by statute as originally suggested by the Governor's committee. This study should take into account such considerations as the present separate physical location of the two departmental headquarters, the federal financing of and functional control over the Department of Employment, the existing orientation and clientele representation of the Department of Industrial Relations, and whether there is any need for improved co-ordination and more unified liaison with the Governor's overall management program.

The Revenue and Management Agency, created by executive order, consists of the informal grouping of the Department of Finance, State Employees' Retirement System, State Personnel Board, Franchise Tax Board and the State Scholarship Commission. As presently constituted, it is a paper amalgamation of organizationally and, in most respects, functionally independent entities and does not coincide with the concept of a Revenue and General Services Agency as proposed by the Governor's committee and task force study groups. It also varies considerably from the current proposals for the establishment of a separate General Services Department and an Executive Office of the Governor. It should be considered as an interim organizational measure for which legislative formalization need not be sought. A formally established Revenue and General Services Agency, as proposed in the Governor's committee report, would be premature, even on an informal basis, until the many problems related to the unification of revenue collection activities and the integration of the State's housekeeping and general service functions are resolved.

CONCLUDING REMARKS

The precise character of the agency concept of organization will not be finally established until a legislative decision is made as to the disposition of those functions for which the Department of Finance is now responsible. The Director of Finance is now and has been, since the department's creation in its present form in 1927, the Governor's principal management control officer. The manner in which this officer has

exercised his statutory and delegated authority has been the single most-powerful influence within the administration in shaping the organizational and administrative practices of the state government. The effectiveness of the State's organizational structure as well as the management operations within that structure will be affected directly by what provision is made for the performance of the varied fiscal, management, control and service functions which are now assigned by statute and precedent to the separately identified Department of Finance. It was an appreciation of this fact that compelled Mr. Bert Levit, former Director of Finance and Chairman of the Governor's Committee on Organization of State Government to write his dissent to that committee's 1959 recommendation that the Department of Finance be dissolved and responsibility for its management, fiscal and service functions be assigned elsewhere. It was an equal appreciation of this fact that influenced the remainder of the Governor's committee, just as strongly, to urge the assignment of top policy, management and fiscal control functions to an Executive Office of the Governor, housekeeping and general service functions to a new Department of General Services, and the routine budget administration and operating fiscal control functions to the agencies and departments on a decentralized basis. In general accordance with this latter view, the Department of Finance is now in the process of completing staff studies and recommendations for the modification of existing fiscal management and general service responsibilities. As indicated, this commission will report separately on proposals for the organization and operation of a General Services Department directly responsible to the Governor and for the establishment of a separate Executive Office of the Governor as soon as appropriate testimony and analysis are completed.

Regardless of whether the Department of Finance is divided or remains as presently constituted, however, the commission recommends that serious and continued attention be given to the question of decentralization of certain management and fiscal controls to both agency and departmental levels.

The commission has consulted and conferred with each agency administrator, as well as many others, but only with regard to the overall structure of the agencies and their relationship to the whole structure of state government. Time has not permitted a detailed evaluation of the performance of each operating unit within any agency nor has the logic of certain departmental assignments to agencies or the exclusion of other departments from agencies been reviewed in depth. Similarly, the precise role and contribution of the State's many boards and commissions have not been reviewed nor have previous recommendations that revenue collection activities be consolidated. Finally, the question of the continued independent status and specific responsibilities of elected constitutional officers and boards has not been considered in connection with this study. These and other related matters, all of consequence and all relevant to state reorganization, remain for further study. The silence of the report on all of these subjects should not be taken as indicating either disinterest or an opinion one way or another at this time on the many issues related to these vitally important problems.

APPENDIX A

CHAPTER 2

An act to add Chapter 6 (commencing with Section 8501) to Division 1 of Title 2 of the Government Code, relating to the establishment of a Commission on California State Government Organization and Economy, defining its powers, duties, and responsibilities.

The people of the State of California do enact as follows:

SECTION 1. Chapter 6 (commencing with Section 8501) is added to Division 1 of Title 2 of the Government Code, to read:

CHAPTER 6. THE COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY

Article 1. Creation and Membership

8501. There is in the state government a Commission on California State Government Organization and Economy, hereafter in this chapter referred to as the "commission." The commission shall be comprised of the following members, each of whom shall serve at the pleasure of the appointing authority:

(a) Seven members of whom five shall be appointed by the Governor, one by the Speaker of the Assembly, and one by the Committee on Rules of the Senate. Not more than four of such members shall be registered as members of the same political party, and none shall be officers or employees of the State.

(b) Two members of the Senate of the State of California appointed by the Committee on Rules of the Senate. One of such members shall be registered with the majority political party of the membership of the Senate and one member with the minority political party.

(c) Two members of the Assembly of the State of California appointed by the Speaker of the Assembly. One of such members shall be registered with the majority political party of the membership of the Assembly and one member with the minority political party.

8502. The members of the commission shall serve without compensation, but shall be reimbursed for all necessary expenses actually incurred in the performance of their duties.

8503. For the purposes of this chapter the Members of the Legislature serving as members of the commission shall be considered a joint committee of the two houses of the Legislature constituted and acting as an investigating committee, and as such shall have the powers and duties imposed on such committees by the Joint Rules of the Senate and Assembly.

8504. The Governor shall select from among the members of the commission a chairman and vice chairman, one of whom shall not be registered as a member of the same political party as the Governor.

8505. Six members of the commission shall constitute a quorum.

8506. The Governor shall summon the commission to its first meeting.

8507. All vacancies in the commission membership shall be filled in the same manner in which original appointments were made.

Article 2. Purposes and Duties

8521. It is the purpose of the Legislature in creating the commission, to secure assistance for the Governor and itself in promoting economy, efficiency, and improved service in the transaction of the public business in the various departments, agencies, and instrumentalities of the executive branch of the state government, and in making the operation of all state departments, agencies, and instrumentalities, and all expenditures of public funds, more directly responsive to the wishes of the people as expressed by their elected representatives, by any or all of the following means:

(a) By adopting methods and procedures for reducing expenditures to the lowest amount consistent with the efficient performance of essential services, activities, and functions.

(b) By eliminating duplication and overlapping of services, activities, and functions, and time-consuming or wasteful practices.

(c) By consolidating services, activities, and functions of a similar nature.

(d) By abolishing services, activities, and functions not necessary to the efficient conduct of government.

(e) By the elimination of unnecessary state departments and agencies, the creation of necessary new state departments and agencies, the reorganization of existing state departments and agencies, and the transfer of functions and responsibilities among state departments and agencies.

(f) By defining or redefining the duties and responsibilities of state officers.

(g) By revising present provisions for continuing or permanent appropriations of state funds of whatever kind for whatever purpose, by eliminating any such existing provisions, and by adopting new provisions.

8522. Before the Governor submits any reorganization plan to the Legislature pursuant to Article 7 (commencing at Section 12070) of Chapter 1, Part 2, Division 3, Title 2, of the Government Code, he shall first submit such plan to the commission for its consideration and recommendation. The commission shall submit to the Governor and to the Legislature a report of its recommendations concerning such plan on or before the 10th legislative day of the first succeeding regular session of the Legislature after transmission of the plan to the commission.

8523. The commission, on its own motion, may, for the purpose of making reports and recommendations to assist the Legislature in respect to the matters listed in Section 8521, examine in detail the structure, organization, operation, and functions of every department, agency, and instrumentality in the executive branch of the state government, and all provisions of law and regulations pertaining thereto, and may examine all present provisions of law pertaining to continuing or permanent appropriations of public funds and the methods used in administering such provisions. The commission may make such recommendations to the Governor and to the Legislature at such time, or

8524. The commission may devise a basic test to determine what, if any, governmental activities should be granted continuing or permanent appropriations.

8525. The commission may submit to the Legislature and the Governor, at such time, or times, as the commission deems necessary, interim reports of its activities.

8526. For the purposes of expenditures for the support of the commission, including the expenses of the members of the commission, the commission shall be deemed to be within the Department of Finance, but the commission shall not be subject to the control or direction of the Director of Finance.

8527. All meetings of the commission and all hearings held by the commission shall be open to the public.

Article 3. Powers

8541. In carrying out its duties and responsibilities, the commission shall have all of the following powers:

(a) To meet at such times and places as it may deem proper.

(b) As a body or, on the authorization of the commission, as a subcommittee composed of one or more members, to hold hearings at such times and places is it may deem proper.

(c) To issue subpoenas to compel the attendance of witnesses and the production of books, records, papers, accounts, reports, and documents.

(d) To administer oaths.

(e) To employ, pursuant to laws and regulations governing state civil service, a secretary and such clerical, legal, and technical assistants as may appear necessary.

(f) To contract with such other agencies, public or private, as it deems necessary, for the rendition and affording of such services, facilities, studies and reports to the commission as will best assist it to carry out its duties and responsibilities.

(g) To co-operate with and to secure the co-operation of county, city, city and county, and other local law enforcement agencies in investigating any matter within the scope of its duties and responsibilities, and to direct the sheriff of any county or any marshal to serve subpoenas, orders, and other process.

(h) To certify to the superior court of any county in which proceedings are held, the facts concerning the disobedience or resistance, by any person, of any lawful order, or the refusal of any person to respond to a subpoena, to take the oath or affirmation as a witness, or to be examined, or the misconduct of any person during a hearing; and to receive the assistance of the court in enforcing orders and process, in the manner prescribed by Section 11525 of this code.

(i) To co-operate with every department, agency, or instrumentality in the state government; and to secure directly from every department, agency, or instrumentality full co-operation, access to its records, and access to any information, suggestions, estimates, data, and statistics it may have available.

(j) To authorize its agents and employees to absent themselves from the State where necessary for the performance of their duties.

(k) To do any and all other things necessary or convenient to enable it fully and adequately to perform its duties and to exercise the powers expressly granted it.

APPENDIX B

LETTER ADDRESSED TO EACH ADMINISTRATOR OF AN OPERATING AGENCY BY THE COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY

October 23, 1962

DEAR AGENCY ADMINISTRATOR: Governor Brown, as you know, has requested the Commission on California State Government Organization and Economy to offer its comments and suggestions concerning the implementation of the Agency Plan to date. In addition, the Governor has indicated his intention to submit specific proposals concerning administrative reorganization to the commission for review and comment, prior to formal submission to the Legislature. In his letters to us, the Governor has stressed his belief in the importance of the commission as an independent, bipartisan, legislator-citizen group.

In tackling the problem of the state executive organization, we have met with the authors of the Agency Plan and the Task Force Executive Committee. We are also hoping to meet with every agency administrator, and L. H. Halcomb, Jr., the commission's executive secretary, is carrying on extensive discussions with agency and departmental personnel. We are cognizant that the Agency Plan is not yet fully implemented, and that at present is ony in the first phase of a multiphase operation.With this in mind, any evaluation at this time must be somewhat qualified. Nevertheless, decisions have to be made by the Governor and the Legislature in the next few months, and we wish to provide them with our best judgment, however qualified. I believe the commission is obtaining a clear view of the overall problem of state organization and the goals of the Agency Plan. What we need to further our analysis are some specific examples and illustrations of both the promise and the problems of the plan.

In this regard, it would be extremely helpful to us to obtain brief written statements from each agency administrator concerning important developments and problems with respect to the Agency Plan. The following questions suggest the matters which appear of greatest concern to us in our evaluation:

1. After one year's operation, what do you consider to be the principal specific benefits of the Agency Plan both as related to your agency and to the state government as a whole?
2. What specific accomplishments have been achieved in your agency that would have been unattainable or less likely of achievement if the agency had not been established?
3. Can you establish a dollar value to any of these benefits? If so, what is that value?
4. It has been said that an agency is justified on the basis of such considerations as better program development and improved communication with the Governor, while others hold that primary justification rests on economies resulting from more effective coordination, less duplication, integrated management of related line activities and the like. Please comment.
5. As related to your agency, what do you consider the principal deterrents to full implementation of the agency concept as set forth by the Governor's Committee on State Organization?
6. Are existing fiscal, budgetary and other central management controls a deterrent to fully effective operations at the agency and departmental level? Can you provide any specific examples of unnecessary review—in your opinion—by Finance, Personnel or other centralized management agencies, which has delayed or preempted a decision or action which you feel could be more effectively handled at the agency or departmental level?
7. What accomplishments do you anticipate will be achieved in your agency in the next year that will be expedited because of the Agency Plan?
8. Discuss your participation in the establishment of the work program represented by the 1963-64 budget for the departments and other organizational units comprising your agency. What will be the agency administrator's role in the administration of this budget?

As I have suggested, our most difficult problem now is to obtain specific evidence on the workings of the Agency Plan. Thus, any information you could provide concerning the above would be very helpful. Feel free to use these questions as a guide to your response if you wish, but you need not limit yourself to this framework. We do not expect an exhaustive reply but rather information concerning your impressions together with whatever evidence you feel is relevant.

The commission must come to its own conclusions in the near future, in order to have a report ready by the first of the year. Therefore we would appreciate hearing from you by November 9th. The commission's executive secretary, L. H. Halcomb, Jr., will contact you concerning this request and to discuss any questions you may have.

Thank you again for your assistance, and very best wishes.

Sincerely yours,

EUGENE C. LEE
Chairman

HEALTH AND WELFARE AGENCY
November 8, 1962

MR. EUGENE C. LEE, *Chairman*
Commission on California State
Government Organization and Economy
1209 J Street
Sacramento, California

DEAR MR. LEE: As you have suggested, I am forwarding herewith my views on the specific questions you have raised related to the Agency Plan. My answers in general are related to situations in the Health and Welfare Agency rather than the Agency Plan in the broader sense. I suspect the difference in kinds of programs involved may make considerable difference in the views of various agency administrators with respect to the significance of some of these issues. They may also vary depending on the type of person who is the administrator.

On your specific questions, my comments are in the order they appear in your letter.

1. What are the principal specific benefits in the Agency Plan?

   The most significant benefits appear to be better co-ordination of interagency and intraagency effort, improved opportunity for broad-scale planning, more effective resolutions of interdepartmental differences of opinion in interests of mutual concern, better communications to and from the Governor's Office and improved responsiveness to administrative policy.

2. Specific accomplishments that would have been unattainable or less likely to be achieved without the Agency Plan.

   It is difficult to establish that something achieved by the agency could not have been accomplished in its absence. However, examples of accomplishments that have tended to defy solution in the past are such things as:

   a. Elimination of dual inspection of private institutions licensed by the Departments of Public Health and Mental Hygiene.
   b. Co-ordination of efforts on the part of the Departments of Mental Hygiene and Social Welfare to place individuals formerly served by mental hospitals in private facilities using federal, state and county welfare funds.
   c. Improved state-county relationships, particularly in the fields of mental health and social welfare.
   d. Elimination of duplicate mental health consultation functions in the Department of Public Health.
   e. More effective plans for administering medical aid to the aged, utilizing the combined resources of the Departments of Public Health and Social Welfare.

   f. Identification of staff savings resulting from mechanization in the Department of Mental Hygiene and the elimination of 14 positions saved by this change.

3. Can you establish the dollar value in any of these benefits?

   Generally, specific dollar savings resulting from actions I have taken are hard to establish conclusively. I believe the most significant savings result from more effective control, co-ordination and broad policy direction of our components. The value of this type of activity is difficult to assess, particularly in the short period the agency has been in existence. Specific savings that can positively be identified are approximately $42,500 for 1961-62 and $105,000 for 1962-63. Actually, these relate to relatively minor parts of the agency activity and should not be construed to be indicative of the extent of its effectiveness.

4. Is the Agency Plan justified on the basis of better program development and improved communication with the Governor, or is economy through elimination and duplication in integrated management of related line activities the principal benefit?

   I suspect this differs among agencies because of differences in programs administered. However, in the Health and Welfare Agency I think a more effective link between the Governor for communications, program planning and policy execution is the principal benefit.

   Regarding duplication of effort and consolidation of function among the three departments of this agency, there are a few situations such as the licensing function and mental health consultation that have elements of overlap. I believe some of the service elements such as electronic data processing, duplicating, mail, messenger, and reception might be provided by a single department if we could arrange appropriate housing in our principal locations in the State. However, these do not appear to offer major gains in either efficiency or economy. There are, however, two slightly different situations with elements of unnecessary complexity or duplication that appear to offer considerable potential and I plan to work toward their solution.

   The first of these is the categorical approach to providing for those in need. California has developed separate programs for the aged, blind, disabled and children. For each of these there is a separate chapter of detailed law. This has led to special legal characteristics for each category. The result has been increasing complexity and differences in program and procedure that have little bearing on the individuals they are designed to help. This particular issue is under study by the Welfare Study Commission and I am hopeful that they will recommend a solution. If a reasonable solution is recommended, I will make every effort to implement it. If the issue is still unresolved, I will continue to pursue the matter.

The second area is the need to develop a co-ordinated approach to community services for troubled people. In my opinion there is far too much fragmentation of services for people at the community level. State and local government and private agencies have tended to develop highly specialized services, many of them through small organizational units. There is far too little co-ordination of the efforts of these units. Most of them are inadequately staffed to concern themselves with the total needs of an individual and in some of the larger communities, it is difficult to keep informed of the services available. Programs are often developed around separate professional disciplines and vested interests may tend to favor separation because of the autonomy it offers. Where this happens the people in need of the service suffer and the dollar, whether public tax or private charitable contribution, buys less service.

A community co-ordinating effort appears needed to assure that an effective complement of services is developed. Multidisciplinary services need to be considered and a community plan needs to be developed that will identify all problems and provide early followthrough to see that all needed services are given. The individual in need should be encouraged to avail himself of these services. There is no easy single solution but I am convinced there is great potential for more effective service at substantial savings and I plan to devote time and effort to this end.

5. What are the principal deterrents to full implementation of the agency concept?

I believe in this agency we are making reasonable progress on implementing the Agency Plan. We could have moved faster if we had had more staff, particularly during the last six months. However, I believe there are some advantages in observing department operation from the agency level firsthand and encouraging department heads to operate with minimum interference. I believe we can move forward more rapidly now that we have had an opportunity to appraise the situation.

Among the things that can increase the effectiveness of this agency are:

a. More direct involvement in the budget process, including budgetary control.
b. Sufficient staff to provide the capacity to function more actively in the fields of planning, evaluation, and community relationships.
c. Clarification of the respective responsibilities of the Governor's secretarial staff, the Department of Finance and the Agency Administrator's office in relation to departments. This is not intended as a criticism but rather a suggestion that a review of respective responsibilities might provide some clarification. It appears that the agency structure has been added with little change in the function of the Governor's staff and the Department of Finance.

6. Are existing fiscal budgets and other central management controls a deterrent to full effective operation at the agency and department level? Cite specific examples of unnecessary review.

I don't think existing central controls are demonstrated deterrents, but I believe the level at which controls are exercised needs periodic examination and as I stated previously, a new structure has been added. Conceivably some of the controls exercised by the Department of Finance, State Personnel Board and the Governors' office might be more appropriately centered in the agency.

Regarding specific examples of unnecessary review or situations where the agency could expedite or handle decisions more effectively, I am not aware of any significant ones. However, if the agency could make them as effectively, consideration should be given to delegation. This would free control agencies for broader policy considerations.

7. What accomplishments are planned for this agency in the next year?

In general, we will plan to move more positively into some of the areas in which we have been working this year. For example, we will probably become more actively involved in the budget process either through an operating agreement with the Department of Finance or by delegation of authority from them. We will become more actively involved in state-county relationships with the idea of becoming more effective in improving local health and welfare capability and co-ordinating state efforts in the fields of consultation, planning and fiscal support. We expect to propose legislation in the areas of licensing of private boarding homes and institutions and in the general area of rehabilitative services.

I believe we are faced with an increasingly grave and costly problem of providing for the mentally retarded. All aspects of this need thorough study. I plan to recommend establishment of a study commission similar to the Welfare Study Commission to review this entire problem. In addition, some structural changes in the agency composition are under consideration.

8. Agency participation in the 1963-64 Budget.

To date my involvement in the budget process has been conditioned by the time in which I appeared on the scene, the existence of an established, effectively operated process and the availability of staff. Considering the relative newness of the Agency Plan, I think major involvement in the details of the budget process at this early date would have created problems that would have tended to submerge the administrator in this single element of management. I believe the gradual transition that seems to be taking place is a logical development. For example, the 1962-63 Budget was in the final stages of development when I was appointed. I received a very thorough briefing on the general plan and key issues by the Department of Finance budget staff. My active participation in budget decisions was limited to a relatively

few major issues. For the 1963-64 Budget, approval of the agency administrator is required prior to action by the Department of Finance. We have concentrated our efforts largely on proposals designed to modify or strengthen existing programs or added new programs. Such proposals were reviewed by this office on a preliminary basis early in the budget process. As departmental budgets moved closer to completion, this office has worked closely with the Budget Division in review and evaluation of the specific proposals. The ongoing budget operation has been carried on by the Budget Division in the same manner that appears to have existed in prior years. However, I have considered their staff as advisers to me on policy matters and critical issues. In general, I have tried to keep informed with a minimum of personal involvement.

As the Agency Plan matures, I believe the agency administrator's office could assume more responsibility relative to preparation and administration of the budget. I have previously suggested that this is a logical next step. I am sure the Director of Finance, your commission and others concerned are giving this serious thought and I see no reason to suggest we should not move in this direction.

Sincerely yours,

SAMUEL LEASK, JR.
Administrator

THE RESOURCES AGENCY OF CALIFORNIA
November 27, 1962

MR. EUGENE C. LEE, *Chairman*
Commission on California State Government
Organization and Economy
1209 J Street
Sacramento, California

DEAR MR. LEE: In response to your letter of October 23, 1962, I am most pleased to be able to provide you with information regarding the Resources Agency and the Agency Plan in general. Most of this information has been touched on in my previous discussions with you. I sincerely hope that presenting it in this written form will be of some additional assistance to you.

I found your questions generally quite pertinent in suggesting the information that you would find most helpful. However, some minor modifications were adopted in order to present the information most effectively. If separate replies to questions 2 and 7 were both to be complete, considerable duplication of information would be required. Therefore, the information requested in these two questions has been combined. In the reply, attempt has been made to distinguish between actual accomplishments to date and those that are yet to be achieved. In addition, it seems to me that there are some very important benefits of the Agency Plan as a whole which have not yet been fully realized. The precise wording of your questions did not provide an obvious location for such information, so it has been added to our listing of principal benefits of the Agency Plan in response to question 1.

Because of the length, information in reply to questions 1, 2 and 7; 5. 6, and 8 has been prepared in the form of attachments (I, II, III, IV, and V, respectively) to this letter. The remaining questions I will try to comment on in the text of this letter.

In your questions 3 and 4, you ask if a dollar value can be established for the benefits and accomplishments listed and for our comment upon economies as to primary justification for the Agency Plan. We have not tried to establish dollar values with respect to the benefits of the Agency Plan and the accomplishments of the Resources Agency. In my opinion, to try to do so at this time would result in artificial estimates which of necessity would be quite speculative in nature. The result of making such estimates might well be to direct attention toward the validity of the estimate rather than to the rather significant accomplishments it represents. In addition, those accomplishments most susceptible to estimates of savings are not, in the most part, the more important accomplishments and benefits. For example, it is almost impossible to arrive at a dollar value of the benefit of co-ordinated policy

statements such as the one developed on the Wilderness Bill. However, over a period of time, it is just such efforts as these that will add materially to the overall effectiveness of California state government in the vital field of resources and recreation.

The wide diversity of programs being conducted by the parts of the Resources Agency presents a particularly fertile opportunity for co-ordination of efforts. The agency structure has proven to be effective in achieving more efficient programing and in resolving conflicting interests before major problems develop. The effect of such co-ordination cannot be reflected in dollar values assigned to specific budgetary items. However, to the extent that such co-ordination improves the overall effectiveness of the program or prevents unnecessary conflicts, the relative return proportionate to the cost of the program is enhanced.

However, the agency does provide the mechanics by which duplicating functions can be eliminated, similar equipment and specialized staff can be more effectively utilized, and unnecessary conflict avoided. I am convinced that economies will result whether or not they can be precisely identified and evaluated.

Certainly it is appropriate to consider both improved co-ordination and resultant economies as important bases upon which the agency plan may be justified. However, I prefer to recognize the resulting economies as side benefits which accrue as a result of our success in achieving the more important objective of improved program co-ordination. It is in this area where the real success of the Agency Plan is to be found.

In your question 6, you ask about the effect of existing fiscal, budgetary and other central management controls on effective operations at the agency level. I believe such controls, in the degree of detail with which they are now administered, are definitely a deterrent to fully effective operations both at agency and departmental levels. Specific illustrations, as you requested, are listed on Attachment IV.

On the other hand, I recognize that there is a need for overall central controls to assure some degree of consistency and to evaluate competing needs for scarce resources. There is also a need to co-ordinate between agencies and to provide necessary reviews and staff assistance to organizations within state government which are either not part of the Agency Plan or are too small to provide necessary management controls and staff assistance within their own structure. I feel, however, that especially where there are agency and departmental management levels available, the central agency role should be the development of standards and policies. The execution thereof should be left to the agency or department.

I am firmly convinced that if the Agency Plan is to function effectively the present degree of detailed controls must be modified. This is particularly true of fiscal controls and to a lesser extent of personn and organizational controls. The necessary modification of these controls will require further intensive study to determine optimum location and operation. I believe this kind of planning must accompany and action must immediately follow the establishment of the General Services Department and the Executive Office. Otherwise, the agency and departmental organizations will have two large control organizations to deal with instead of one. I would urge the commission's attention to this problem.

My role with regard to the 1963-64 budget request, in response to your question 8, is discussed in Attachment V. The role in the administration of this budget has not been determined. In my opinion, the actual control of the budget will be left in the hands of the departmental directors with the agency role being review of proposed changes in program and possible postreview for compliance with established agency and administration policies.

I would emphasize, however, that the practices followed in preparation and review of the 1963-64 budget request should not in any way represent a model for future operations. All of the limitations on the effectiveness of the Agency Plan to date, which have been discussed previously, affected materially the role of the administrator in the preparation of the budget request and may affect the administration of this budget. Therefore, I would urge the commission not to consider that experience to date represents a desirable model. Rather it represents at best a compromise with existing circumstances which must not continue to prevail if the Agency Plan is to be effective.

Thank you for the opportunity of again expressing my views on this matter. If I can provide you with any further information or assistance do not hesitate to let me know.

Sincerely yours,

WILLIAM E. WARNE
Administrator

ATTACHMENT I

PRINCIPAL BENEFITS OF THE AGENCY PLAN AS RELATED TO THE RESOURCES AGENCY [1]

1. The development of a formal and routine communications system between the various functional units of the agency; this system is evidenced by weekly staff meeting of the directors and executive officers together with the personnel acting in a staff capacity to the administrator; and by the establishment of special committees for study of specific problems and standing committees in areas of continuing nature.
2. The identification and coalescing of interest areas held in common by the various units of the agency.
3. The ability to get quick and final decisions in areas where the separate units of the agency have diverse and sometimes opposing interests.
4. Specialized personnel can be assigned to study areas of conflict and of mutual program interest; the Agency Plan facilitates organization of workable-sized groups to work on problems of common interest to most state government organizations.
5. The emerging of a strong spokesman in administration circles on behalf of the various units of the agency.
6. The Governor's span of control has been reduced and better executive direction of state government is facilitated.
7. Line channels of state government are strengthened.
8. The structure recommended in the Agency Plan provides a means for planning California government growth so as to provide the necessary services in the most effective and economic way.

In addition there are potential accomplishments that have not been fully realized. These are:

1. Co-ordination between competing needs for state funds.
2. Development of a "management" point of view for presentation before legislative and executive branches.
3. Orderly development of policy decisions affecting the state government generally.

In order to realize these potential benefits it will be necessary to more fully implement the Agency Plan. The other agencies should be established statutorily, especially the General Services and Executive Departments along with some decentralization of detailed controls; the agencies should be staffed; full-time administrators should be appointed; and the cabinet should become more effective through regular and frequent meetings.

[1] See question No. 1, letter of October 23, 1962.
"1. After one year's operation, what do you consider to be the principal specific benefits of the Agency Plan both as related to your agency and to the state government as a whole?"

ATTACHMENT II

ACCOMPLISHMENTS OF THE RESOURCES AGENCY DURING THE FIRST YEAR AND ANTICIPATED FOR THE COMING YEAR [1]

Several co-operative projects have been consummated or set up with guidance at the agency staff level which would either not have occurred or have had much less chance of success in the absence of agency direction and guidance. These efforts fall into several fields—co-ordination of program, unification of policy, and administrative co-ordination. The more important of these efforts are listed below. In the discussion of the specific item, we have tried to indicate to what extent this represents accomplishments to date and which represent primarily anticipated accomplishments.

1. Co-ordination of Program

   a. *The West Side Freeway and Aqueduct Recreation Development Study*—Senate Resolution 53 of the 1962 session directed that the Administrator of the Resources Agency chair a committee composed of the Departments of Water Resources, Public Works, Fish and Game, Parks and Recreation, and the Office of Planning in the Department of Finance, to develop a co-ordinated plan for acquisition and development of land for freeway, aqueduct and recreation uses on the west side of the San Joaquin Valley. An agency staff member served as executive officer of this committee and guided its progress. The study has been completed and a report to the Legislature is being printed. Without the impetus generated through the administrator's office, the depth and scope of the planning accomplished would have probably been much less extensive and effective.

   b. *The Delta Recreation Study*—A committee was established by the agency composed of representatives of the Departments of Water Resources, Fish and Game, Parks and Recreation, and Conservation, the Reclamation Board and the Office of Planning in the Department of Finance. The purpose is to develop a co-ordinated recreation plan for the vast Delta area, involving all levels of government. Progress to date has been very satisfactory, and again it is felt that agency identification is a material asset in achieving the most effective co-operation. This effort will extend over a period of several years and the benefits of this study have not yet been fully realized.

[1] See questions 2 and 7, letter of October 23, 1962.
"2. What specific accomplishments have been achieved in your agency that would have been unattainable or less likely of achievement if the agency had not been established?"
"7. What accomplishments do you anticipate will be achieved in your agency in the next year that will be expedited because of the Agency Plan?"

c. *Implementation of the Davis-Dolwig Act*—The administrator has created a task force to develop an order for his signature which will guide the Departments of Water Resources, Parks and Recreation, and Fish and Game in carrying out the development of recreation facilities at facilities of the State Water Plan, as required by the Davis-Dolwig Act. Resolution of some difficult operational problems is being greatly enhanced by the existence of the agency, and by guidance at the agency level. An order has already been issued covering the joint efforts of the several departments in regard to Frenchman Dam.

d. *Public Use of Fire Control Roads*—The administrator created this committee, under the chairmanship of an agency staff assistant, to include members of the Departments of Conservation, Parks and Recreation, and Fish and Game, to develop and improve a co-operative and co-ordinated approach toward public use of certain state fire control roads. The work of this committee has just begun, but it already appears that satisfactory ways will be found to alleviate this difficult question. Again, the existence of the agency is providing the main stimulus to solve this problem.

e. *Parks and Recreation*—The administrator recently formed the Resources Agency Interdepartmental Committee on Parks and Recreation to implement the new Governor's Recreation Policy and to co-ordinate recreation planning objectives and services by state agencies. This is to be a permanent committee. It will also serve as staff for the administrator for contact with the new Federal Bureau of Outdoor Recreation. An agency staff assistant has been assigned as executive officer to the committee to provide continuity and guidance from the administrator's office. This group will meet a major public need. Included at present are the Departments of Parks and Recreation, Water Resources, Fish and Game, and Conservation, and the Office of Planning in the Department of Finance. Other state agencies will be invited to participate, such as the Departments of Public Works and Education. Co-ordination will be achieved with the numerous federal agencies concerned, and with other levels of government.

2. *Unification of Policy*

a. *Wilderness Bill*—A unified policy for the administrator was developed with regard to the very important federal legislation on wilderness areas. This permitted the state government to speak on this vital matter with one voice—rather than several conflicting points of view. Such a unified policy presentation is far more effective in presenting California's interests. This effort is expected to be renewed when the bill comes before Congress in its next session.

b. *Colorado River*—Inclusion of the Colorado River Board of California in the Resources Agency by executive assignment has resulted in development of a much higher level of co-ordination between the board, its staff, and the Department of Water Resources than previously prevailed. A single state position and co-ordinated action by state government has been achieved with respect to bills before Congress requesting authorization of new projects in the Colorado River Basin and with respect to the international problem concerning the quality of Colorado River waters released to Mexico under the terms of the Mexican Water Treaty of 1944.

c. *State Land Management Policy*—The administrator created a committee composed of representatives of the Departments of Conservation, Parks and Recreation, Fish and Game, and Water Resources, under the chairmanship of an agency staff assistant, to develop a co-ordinated policy statement, which was ultimately issued by the administrator, to assist the State Lands Commission and the Senate Committee on Natural Resources in their deliberations on the subject. Very effective co-operation in pursuit of a common agency goal was achieved.

d. *Legislative Program*—Presentations to several interim committees of the Legislature have been reviewed and co-ordinated at agency level to avoid conflicting information and proposals. The agency is expected to be active in developing a unified position on proposed legislation during the coming session of the Legislature. The legislative programs of the several departments have already been reviewed at staff meeting to assure that related matters are co-ordinated and that conflicting proposals are not put forward.

In addition, a joint orientation program is being prepared for new Legislators so that they will be familiar with the programs of the various parts of our agency and where they can go to get further information. Since there will be a large number of such new legislative members, a joint orientation program will provide them with more information with less total effort than if this were left to the individual departments. By co-ordinating this effort at the agency level, it facilitates further co-ordination with the Governor's legislative program.

3. *Administrative and Informational*

a. *Space Co-ordination*—Perhaps the most impressive accomplishment in the administrative field of the agency to date has been the co-ordination of plans for the occupancy of the new Retirement Building. Most of the Sacramento office staffs of the component parts of the agency will be the permanent occupants of this building. In addition to the Resources Agency, offices of the two retirement systems are to occupy the building. As a result of the work of the space committee, and a number of related committees working under the leadership of the space committee, a close, co-ordinated working relationship has been achieved by representatives of all the occupying organizations, the Department of Finance staff, and the Division of Architecture. Plans which involve maximum co-ordination and co-operation have been made for several floors which will contain specialized or common facilities such as communications equipment (16th floor); duplicating and electronic data processing equipment (seventh floor);

library, auditorium, reception, and conference facilities (first floor). These various facilities involve special equipment and access to the roof, 24-hour air conditioning, elevator access, floor reinforcement, special venting, etc. Advance planning on a co-ordinated basis for these special requirements will result in greatly improved facilities at considerably less cost than if they would have had to be provided separately after the building was completed.

This co-ordination would not have occurred if the Resources Agency had not acted when it did. It is difficult to arrive at an estimated savings here, however, if it could be developed it would be a most impressive figure.

b. *Information*—The Resources Agency has produced and made available to all radio stations of the State a series of short radio presentations in which executives and employees of constituent units tell of the work of their department. The production and distribution of these taped shows has been established as a continuing program. Initial experience with the agency tapes shows they have better acceptance from radio stations than do similar presentations of a single state department.

ATTACHMENT III

PRINCIPAL DETERRENTS TO FULL IMPLEMENTATION OF THE AGENCY CONCEPT [1]

The principal deterrents encountered to date by the Resources Agency in fully realizing the agency concept arise largely from the incomplete effectuation of the agency plan as originally envisaged. These are:

1. Only four agencies were established initially by statute. Although four other agencies have been established by executive action, certain essential elements of the agency plan depend upon statutory action—*i.e.*, the establishment of a General Services Department and an Executive Office.
2. A policy decision was made not to staff the offices of the administrators. This has limited materially effort which can be devoted at the agency level.
3. With only two exceptions, the administrators have been required to serve also as directors of departments and, therefore, have not been able to act as full-time administrators.
4. Decentralization of central control procedures has not occurred.
5. The existing degree of detailed central control is incompatible with an effective agency plan.
6. Boards and commissions were not restructured as originally anticipated. The difficulties in co-ordinating and integrating activities of such boards into the structure, especially when they have administrative and executive authority, have not been significantly reduced.
7. There has not generally developed in the state government a sense of agency identification; employees and the public retain, almost exclusively, departmental images and loyalties.

[1] See Question 5, letter of October 23, 1962.
"5. As related to your agency, what do you consider the principal deterrents to full implementation of the agency concept as set forth by the Governor's Committee on State Organization?"

ATTACHMENT IV

EXAMPLES OF UNNECESSARY CENTRAL REVIEW [1]

There are many instances that can be cited of unnecessary review, some of them appearing rather petty and others which require the expenditure of much administrative effort to bring about the desired effects. The more important areas are:

1. The need for Department of Finance approval on all contracts over $1,000;
2. The strict control of out-of-state travel is a real hindrance to development of some of our most important programs; California is in many respects a leader in government but other jurisdictions are accomplishing very desirable objectives and it behooves us to learn their methods and procedures;
3. There is a centralized land acquisition unit in the Department of Finance which approves all acquisitions and sets policy. Some of these policies have been costly; also the review process requires some duplication. Both the policy and the review process should be reconsidered;
4. Procedures developed for obtaining a specialized training program are so involved that the man-hours spent on developing the program and obtaining its approval are almost as costly as the entire amount spent for the program itself;
5. The need to obtain Finance approval for even the most minor organizational change, and some cases that we do not consider organizational changes, hampers departmental operation.

[1] See Question 6, letter of October 23, 1962.
"6. Are existing fiscal, budgetary and other central management controls a deterrent to fully effective operations at the agency and departmental level? Can you provide any specific examples of unnecessary review—in your opinion—by finance, personnel or other centralized management agencies, which has delayed or pre-empted a decision or action which you feel could be more effectively handled at the agency or departmental level?"

ATTACHMENT V

RESOURCES AGENCY PARTICIPATION IN 1963-64 BUDGET [1]

The development of the budget for the 1963-64 fiscal year was started quite early. The various units of the agency were requested to submit to the administrator a program budget for discussion in March. Most of the units of the agency were not prepared to present an accurate program budget because the accepted accounting system does not provide the data. In those cases, the departments were directed to estimate program costs involved. Similarly, new programs or additions to existing programs were costed out.

When finally the Department of Finance budget instructions were issued, various units prepared their customary budgets (Water Resources operates on a program budget basis while the other units are on organization basis). New projects, however, were costed out on a program basis. The agency fiscal officer participated in the budget hearings of the agency with the Department of Finance. At these hearings agreement was reached on items to be definitely included in the budget and on items which required further discussion or development of further facts.

A discussion has been held with the heads of the various units of the agency and agencywide priorities have been established on items not definitely included in the budget at this time.

[1] See Question 8, letter of October 23, 1962.
"8. Discuss your participation in the establishment of the work program represented by the 1963-64 budget for the departments and other organizational units comprising your agency. What will be the agency administrator's role in the administration of this budget?"

HIGHWAY TRANSPORTATION AGENCY
November 16, 1962

DR. EUGENE C. LEE, *Chairman*
Commission on California State Government
Organization and Economy
1209 J Street
Sacramento, California

DEAR MR. LEE: Here is the information you requested about how the Agency Plan is working and what we are doing in the Highway Transportation Agency, plus some answers to your questions.

As I see it, my job as administrator is to be an outpost for the Governor in the broad area of highways and transportation. I should do three basic things: (1) help the Governor; (2) be a leader in major program and policy development; (3) strengthen the operations and management of the departments. A good start has been made in all three.

The attached progress report spells out what I mean by a good start.

So far, I have available only the people and resources we already had in the departments. I have myself continued, as you know, during the transition period to handle a full-time director job. With this in mind, I think the scope and impact of agency activities is encouraging. It confirms the usefulness of the Highway Transportation grouping.

What more is needed for full effectiveness of the agency? Right now more than anything else we need more time and experience in agency operation, plus a few carefully chosen aides who can help me move the agency into its second phase.

Second, we do have some complication in that only a segment of a broad plan has as yet been enacted. As more of the Agency Plan is put into law, particularly the portion dealing with central staff controls and services, the relationship of the administrators to the total executive organization will be clarified. This will be helpful to all of us.

So far as central fiscal controls are concerned, I think most of our fiscal specialists agree that as the state government grows it needs constant effort to keep unnecessary details and procedures from cluttering and impeding the system. If we get a better organization structure and top management system, this effort should become more productive.

You asked for an example of an unnecessary fiscal review procedure. I suggest you look at the process of line-item budgeting for the operating costs of the Division of Architecture, as imposed by the Legislature a few years ago. It unnecessarily duplicates fiscal controls exercised over the same dollars as part of the capital outlay budget process.

I also believe that line-item fiscal veto of building designs has been excessive in some cases, although this situation is improving.

On the other hand, I think the control of our vast highway program demonstrates that effective fiscal and policy determination by the Governor and the Legislature and effective departmental management of operations need not involve central staff scrutiny of line-item details.

In general, however, you will find that the fiscal processes of various departments are so varied and complex that no simple generalizations are valid, either as to what is done or what ought to be done. Part of the task of agency management is certainly to provide leadership and support for a case-by-case continuing effort to simplify and improve fiscal processes.

Looking ahead, 1963 will see the Highway Transportation Agency continuing along the lines already laid down. I expect we will begin to implement the results of major studies now under way, extend the scope and depth of agency activities, and move into a full-fledged continuing operation.

The basic topics will remain much the same: (1) program analysis; (2) transportation planning; (3) highway safety research; (4) action program for highway safety; (5) organization and management improvement; (6) legislation.

It occurs to me, by the way, that in order to respond to your questions I may seem to be pointing with pride to my own personal efforts. While I cannot deny that I am proud of what this administration is accomplishing, I am sure you understand that what I report to you results from the co-operation of many people. In a large organization no one accomplishes very much alone.

To give you a general conclusion (and confirm some things I told your commission earlier): I don't say this is the only way to organize; I don't say it solves everything; I do say this agency organization makes sense, it is an improvement, and it works.

Sincerely,

ROBERT B. BRADFORD
Administrator of
Highway Transportation

PROGRESS REPORT

HIGHWAY TRANSPORTATION AGENCY

1. *Program Analysis*

In a pioneering study of national interest, the agency has launched (with legislative support) a long-range program analysis and planning project in the field of highway and motor vehicle operations. Headed by Mr. Louis R. Morony and John Magill of the Automotive Safety Foundation, and financed by a $70,000 allotment of federal aid highway planning and research funds, the study brings together outside experts, citizen and interest groups, and experienced state officials in a joint effort to plan ahead and evaluate requirements and capabilities. The result will make available a basis for administrative planning of highway and motor vehicle operations in all three departments comparable to the master planning already so successfully applied to the location and construction of the highway system.

The survey scope, organization, and general procedures are established. The project is due to be completed by late 1963. The initial work is under way and the study is on schedule.

Outside technical consultants have been chosen for all functions under study and they have begun their work. Following are the names of the consultants and the functional areas they are evaluating:

Financial Responsibility: Milo W. Chalfant, Instructor, School of Police Administration and Public Safety, Michigan State University.

Driver Licensing: John C. Kerrick, Director, Driver License Program, American Association of Motor Vehicle Administrators; Glenn V. Carmichael, Co-ordinator of Programs and Activities for the Traffic Institute, Northwestern University.

Registration and Title: Louis R. Morony, Director, Laws Division, Automotive Safety Foundation; also Study Director.

Supervision and Services of Highway Patrol: Robert E. Raleigh, Citizens Traffic Safety Board, Chicago.

Highway Traffic Operations: David W. Schoppert, Traffic Engineering Division, Automotive Safety Foundation.

A copy of the basic study plan materials is being sent to you.

2. *Transportation Planning*

At the request of the Legislature, the agency worked with a cross section of local groups to prepare a complete prospectus for a comprehensive transportation planning study of the San Francisco Bay area. It is increasingly clear that such planning, which embraces all forms of transport and traffic, is the key to solving our urban problems of congestion and growth.

On October 30, the agency submitted the prospectus to the Legislature. The proposed study will take four years and will cost about $4 million. A copy of the prospectus is being sent to you.

Incidentally, cordial and helpful liaison has been established between the agency and the Los Angeles and San Francisco transit organizations.

3. *Highway Safety Research*

A $100,000 program authorized by the Legislature is being operated through the agency, with the assistance of the University of California, Institute of Transportation and Traffic Engineering. Six major areas of critical importance to improving highway safety have been marked out for research studies. The results will be used both in public education and in more effective operation of the highway system.

The agency has established a Highway and Transportation Research Council to help identify research needs, stimulate and co-ordinate research efforts, and evaluate research results. It provides a means which did not exist before for bringing together those who have a common concern in productive research of this type.

A recent report of the current status of each highway safety research project is being sent to you. A 1963-64 program to initiate further highway safety research subjects is now being developed for review by the council and the agency.

4. *Governor's Action Program for Highway Safety*

Based on the 1962 Governor's Traffic Safety Conference, the work of the three departments, and recognized safety groups and authorities, the agency has developed and published a specific action program for the Governor as a blueprint for all those interested in this vital subject. A copy of the action program items is being sent to you.

5. *Field Service Planning and Co-ordination*

After an extensive survey of existing field relationships of the agency components and possibilities for improvement, these new things have been done:

(1) Joint Highways-CHP field locations have been selected for the entire West Side Freeway from Grapevine to Tracy.

(2) This type of joint field location planning is being applied as a statewide policy to all future field station location decisions. Many such joint Highway-CHP locations may be expected, with the Department of Motor Vehicles also joining these service location complexes whenever appropriate. The result will be improved service to the public, economy in operation, and improved communications.

(3) The three departments are joining under agency auspices to establish official field committees for direct co-ordination and co-operation at appropriate field levels throughout the State with regard to the many matters of mutual interest.

6. *Fiscal Planning*

In co-operation with the Budget Division, the administrator has established procedures for agency policy co-ordination and decision-making in the budget process and for leadership in effective budget management. Having no direct staff, the agency is utilizing the Budget Division as a source of staff analysis and recommendations with regard to the Highway Patrol and Motor Vehicles budgets. The administrator will participate in key policy decisions on these budgets, in their presentation to the Legislature, and in budget execution. While the normal processes of routine budgetary decision are proceeding pretty much undisturbed, the relationship is effective in bringing matters to the attention of the administrator for which agency activity is appropriate.

So far as Public Works is concerned, the administrator, as Director and as Chairman of the Highway Commission, has full budgetary responsibility. The highway safety research appropriation is being administered as an agencywide fund.

Because all highway transportation activities are financed from a common pool of highway user revenues, which are not available for general government purposes, the Highway Transportation Administrator is in a particularly good position to make fiscal judgments regarding priorities among competing uses for operating funds in his agency.

7. *Co-ordination of Public Information Programs*

Agency exhibits, which for the first time present a comprehensive highway transportation message by the three departments, were at the 1962 State Fair, Los Angeles County Fair, and Fresno Fair. A joint publication on the Vehicle Code requirements and other information for motorists has replaced separate departmental issues. The public information officers are co-ordinating their activities for further agency teamwork of this type.

8. *Office Space Planning*

In co-operation with the Department of Finance, the agency developed long-range plans for office space and building needs in Sacramento of all departments in the agency. It also helped the Department of Finance revise and improve the overall master plan and schedule involving other agencies. The result was a solution to immediate space planning problems of Motor Vehicles and Highway Patrol, plus approval of a basic long-range plan for development during the next 8 to 10 years.

9. *Fees and Permits*

An agencywide inventory and review of fees and permits and charges to the public for special services has revealed a number of areas where revisions may be advisable. Preliminary indications are that some increases in revenue might be justified and, if so, they will be recommended to the Legislature.

10. *Organization and Management Improvement*

An interdepartmental committee of administrative officials is looking for further improvements in agency organization and operation affecting more than one department. Other interdepartmental staff committees concerned with data processing, communications, and automotive equipment have been established.

In addition, staff meetings and interdepartmental briefings and other joint activities have brought key people of the departments into a closer working relationship than ever before, and have facilitated day-to-day co-operation.

11. *Legislation*

Organization and procedures have been established to insure agencywide policy co-ordination in the development of legislative proposals and in other legislative matters.

YOUTH AND ADULT CORRECTIONS AGENCY
November 13, 1962

MR. EUGENE C. LEE, *Chairman*
Commission on California State
Government Organization and Economy
1209 Eighth Street
Sacramento 14, California

DEAR MR. LEE: This is in reply to your letter of October 23 outlining the genesis and objectives of the commission. It was a distinct pleasure to meet with your group in San Francisco on October 26. The exchange of ideas and comments was stimulating and indicated depth of interest and perception of the major problems and goals in the state reorganizational plan.

My comments at the above meeting covered many of the eight points enumerated in your letter of October 23 so the following answers will inevitably be to some extent repetitious. Here are replies numbered to correspond to your questions.

1. Principal benefits of the Agency Plan as related to our own agency arise out of the consolidation of nine organizational entities under one leadership. These are:

   Department of Corrections
   Department of Youth Authority
   The Adult Authority
   The Youth Authority Board
   The Board of Trustees, California Institution for Women
   All special crime study commissions
   The Delinquency Prevention Commission
   The Correctional Industries Commission
   The Board of Corrections

   Previous to the Agency Plan the major entities listed above were to a considerable extent organizationally autonomous in that each reported to the Governor. While it was true that the Board of Corrections filled a co-ordinating role there was no real power in any one person to insure that the activities of the components were interrelated for maximum efficiency, economy and program benefit.

   I believe in our own agency the plan has been particularly helpful in that it has released the time of the agency administrator from routine administration for the review and evaluation of existing structure and operating policies of the components. Answers to subsequent questions will detail accomplishments.

   As regards state government as a whole, I believe the Agency Plan has strengthened the Governor's role as a policymaker through grouping departments, boards and commissions into a workable number of units. It is my understanding from meeting with the Governor's Cabinet that other agencies, in addition to our own, have achieved increased efficiency and economy. Again calling on my experience in attending the cabinet meetings, it has been apparent that these bring about a pooling of experience and judgment of the cabinet members on broad issues that cross departmental and agency lines.

   Since this is the first major reorganization of state government for many years it will no doubt take another year or two before the Agency Plan comes of age, but when this occurs I anticipate that there will be many additional benefits to state government over and above those which we now see and can readily predict.

2. In our own agency a number of task forces have been appointed and studies are underway in the broad policy areas dealt with by the components of the agency.

   One such group is studying parole policies and procedures. Their study covers Adult Authority; the Youth Authority Board; and the Board of Trustees, California Institution for Women.

   Another task force is making a study in depth aimed at assisting the Adult Authority and the board of trustees in developing proposed policy guidelines on sentencing and paroling practices. This is in the same general area as the overall board study group but its work is much more specifically pinpointed toward the development of guidelines.

   Special attention is being given through the appointment of a task force to develop an expanded and improved work program for inmates of the Department of Corrections. It is hoped that employment can be developed for an additional 2,000 inmates with corresponding economic benefit to the State. Of even more long-range importance are potential benefits in terms of a sound work program being good treatment, particularly for young inmates who have no established work habits and for inmates who can achieve a work skill useful for self-support after their release.

   The committee for the study of the youthful offender is examining the many facets of the problem of social maladjustment and crime and delinquency in the 16- to 25-year-old age group with particular emphasis upon future programs of institutions, treatment services and prevention. The task force will include in its scope evaluation of long-term plans aimed at greater utilization of community resources to minimize institutionalization of these young offenders.

   Another study is in the field of probation which offers tremendous potential for both money saving and providing equality of criminal justice.

   In addition to the various task forces a number of administrative actions have been taken. One important decision has been the firming up of policy as to division of responsibility for institutional care of youthful criminal court cases. For many years the Department of Corrections has cared for about two-thirds of these cases leaving one-third for the Youth Authority. It is believed that Youth Authority facilities and program as currently developing

can satisfactorily care for two-thirds of these criminal court youthful offenders, leaving only one-third requiring custody and treatment of the Department of Corrections.

3. The potential economic benefit which we believe will accrue from the several studies in the fields of probation and parole policies cannot be estimated at this time. Much depends on the specific manner in which recommendations can be implemented. In the case of probation additional legislation may well be required. That the potential value of these studies is great can be seen from the fact that it costs approximately $2,000 a year to keep an adult prisoner and approximately $3,800 a year for a Youth Authority ward. Each time a new facility is built the cost per bed is approximately $10,000. From these figures it can be seen that even a relatively small reduction in average daily population has a substantial financial effect.

   Here are a few specific items used by the Department of Finance in developing a statement relative to savings attributable to the office of the agency administrator:

a. Deletion of projects based on research findings —1962-63	$80,000
b. Abolishment of miscellaneous positions due to tightened operations	27,000
c. Miscellaneous improvements in reassignment of personnel and improved procedures	5,800
(Finance official)	$112,800

   In addition the office of the agency administrator has been instrumental in making real and potential savings in a number of areas. Not all of them have been documented but they include potential elimination of a million-dollar land acquisition expenditure for the proposed Southern Youth Training Center through utilization of land available at the California Institution for Men; development of a plan for acquiring a firm block of Central Valley power, saving $50,000 per year for nine years at the Conservation Center in Lassen County and development of a plan to utilize power on a temporary basis, eliminating the need for a mobile generator at a one-time saving of $40,000.

4. Based on experience to date and contemplation of the future, it seems to me that both kinds of benefits enumerated in your question 4 are currently accruing and will continue to be felt in even greater measure as the Agency Plan continues in operation. With regard to economies, I believe at least in our own agency that large and enduring economies will result from more effective coordination particularly on the policy level in accordance with our present plans and developments. We will also continue to explore possibilities for integration of activities. However, simply because like activities exist in more than one agency component it would be unwise to jump to the conclusion that duplication of effort exists. Too often reorganizations start out to eliminate duplication and end up creating an additional hierarchy of middle management at greater expense and without increase in efficiency. On the other hand, wherever central mechanical and related services can perform more effectively and with equal or better economy, consolidation will occur.

5. Principal deterrents to full realization of the agency concept in this particular agency are related to the fact that this is the initial year of experiment and adjustment within and without the agency. Old habits of communication between control agencies and the departments are not easily broken even with the best intentions. The fact that there has been no staff except a secretary specifically budgeted to the agency compounds the problem. In my own case I have utilized the services of the Executive Officer, Board of Corrections, since that individual reports to me as chairman of the board. In addition it has been necessary to borrow staff members from the components and this is not organizationally satisfactory and is crippling to the components. The lack of uniformity in statewide implementation of the plan also creates problems in that the future of the Agency Plan is uncertain at least as to further development. All of this creates an atmosphere of uncertainty which is not conducive of optimum results. Finally, in our own agency the terminology may be confusing to the public. We are currently considering possibilities for simplification and clarification.

   Although perhaps not an actual deterrent, at least in this agency, there is question as to whether the present legislation establishing the Agency Plan is sufficiently clear and inclusive. This is not intended as a criticism of the laws as originally drafted. It is recognized that with experience the need for specific powers and responsibilities being spelled out can become apparent. Under Section 12850 of the Government Code thought might be given to spelling out the fact that the agency administrator may perform any duty or exercise any power given elsewhere in law to a department, office, unit or other component, or the head thereof, within the agency.

   Thought might also be given to establishing the appointing power of the agency head and providing that the Governor shall receive and consider his recommendations when making appointments within the agency.

   Lastly, under Section 12852 the power of the administrator to exercise control over the organization of the agency and recommend necessary changes in its legal structure to the Governor might be spelled out more clearly.

6. The present fiscal budgetary and central management controls were designed at a time when the State was much smaller and it was more practical for the regulative agencies to be deeply involved in the decision-making process even in relatively minor matters. In recent years the regulative agencies, particularly the Department of Finance and the State Personnel Board, have

tended to recognize this and there is a greater degree of decentralization now than previously. However, I think this has not gone far enough. Creation of the agency level should make it possible to reconsider existing controls and determine which can be delegated. Specifically it is suggested that the fiscal laws and rules covering such items as requirements for budget revisions and transfer of budget allotments be examined.

Care must be taken to avoid jumping to conclusions in evaluating the necessity for fiscal and other requirements. It is easy to fix the blame on the Department of Finance without considering the important control activity of the Legislature and the office of the Legislative Analyst. This comes back to an evaluation of the extent to which the Legislature wishes to exercise item-by-item control of budget administration during the year.

In considering this problem of central management controls it is important to differentiate between budget analysis during the formulative period and budget control after the budget has been passed by the Legislature. It is in the latter area where I believe that further evaluation of existing laws and rules can result in better flexibility without loss of responsibility. For example, at present Department of Finance approval is required for transfer of dollars within the salaries and wages category. Transfer between operating expense and equipment require not only Finance approval but a report of such transfers must be submitted on a quarterly basis to the Joint Legislative Budget Committee. Transfers between institutions within the salaries and wages category for example require Board of Control approval. In such cases the Department of Finance performs the necessary staff work and recommends to the board. Budget revisions calling for transfer between categories require Finance approval and report to the Joint Legislative Budget Committee.

I believe it is time for a further review of the various fiscal, general services, and personnel approval requirements and that the results of such review might well be a further decentralization of authority with consequent improvements in management flexibility and without loss of fiscal responsibility.

7. The coming year will see the implementation of recommendations of task forces with continuations of studies in important major areas as appropriate. We will also continue examination of possibilities of joint use of facilities and services which will not interfere with the separation of youth and adult programs wherein a variation of policy and underlying philosophy are to be maintained. We will continue to seek management improvements through sharing of skills, experience and program expertus.

8. I reviewed the 1963-64 budget requests for the components of this agency while they were in draft form and approved same with certain modifications for submission. Subsequently I participated in the presentation to the Department of Finance and intend to make such further contacts with the Governor as are appropriate. During the legislative session I will make the opening remarks on the budgets of the various components to the legislative budget committees and will be available during the hearing of policy items for further comment and support.

   Subsequently controls which have already been established in my office governing organizational, personnel and policy changes will result in my being informed and participating as appropriate in administration of the budget during the year.

If there are additional specific points upon which your commission or staff would like additional information please do not hesitate to let me know. Meanwhile, Mr. R. J. Smith of my office will be available to Mr. Halcomb in relation to the specific points upon which you requested further information at the time of our meeting of October 26 in San Francisco.

Sincerely yours,

RICHARD A. MCGEE
Administrator
Youth and Adult Corrections Agency

DIVISION OF SAVINGS AND LOAN
LOS ANGELES, November 20, 1962

MR. EUGENE C. LEE, *Chairman*
Commission on California State
Government Organization and Economy
1209 Eighth Street
Sacramento, California

DEAR DR. LEE: I am pleased to have the opportunity to assist you and the other members of the Commission on California State Government Organization and Economy in your important task. Your letter indicates that it would be most helpful to you to have specific illustrations of benefits produced and difficulties encountered by the Agency Plan to date, and it is toward this objective that I shall direct my answers to your inquiries.

At the outset I should make it clear that the past year has probably served as less of a trial run for the Business and Commerce Agency than for any of the others. Established on an interim basis by executive order, the Business and Commerce Agency was promptly challenged as to its very legality by the head of one of its constituent departments, the Insurance Commissioner. Even after a legal opinion on the points in issue was sought and obtained from the Attorney General, upholding the action of the Governor, the Insurance Commissioner maintained his position of determined opposition and refused to participate in any way in the activities of the agency.

Needless to say, this controversy about the very foundation of the agency has prevented us from implementing it as fully as we had hoped. At the same time, we have been able at least to explore some areas of common interest and possibilities for closer co-ordination or integration.

The result, to answer your first four questions as a group, has been to identify probable benefits from agency reorganization rather than to achieve them at this point. Both of the kinds of benefit mentioned in your fourth question appear obtainable, in differing degree; it depends on the characteristics of the departments being grouped.

Let me expand that last answer substantially. One year's experience with the Business and Commerce Agency, even on such a restricted basis, has clarified for me the logical composition of the agency. It divides readily into two broad groups—a standards and licensing group, composed of such departments as Professional and Vocational Standards, Alcoholic Beverage Control and the Board of Osteopathic Examiners, and an investment group, composed of such departments as Banks, Insurance, Corporations, etc.

Among the members of the standards and licensing group, it appears that there is the opportunity to effect substantial operating economies by combining and centralizing certain functions. As an example, both Professional and Vocational Standards and Alcoholic Beverage Control deal with a large number of licensees and annual renewals, mailings and records. A central electronic data processing installation, serving the other agencies, could be developed from the nucleus already in existence at Professional and Vocational Standards.

Among the constituent agencies of the investment group, on the other hand, it appears likely that the major benefit of the Agency Plan would come from closer co-ordination of program and better protection for the public. The dangers of the limited jurisdiction of each individual department and the value of some broader agency were both made evident in the recent depredations of the so-called 10 percenters. A previously dormant organ, the Board of Investment, was pressed into service in coping with 10-percenter operations; its report to the Governor, a copy of which I am enclosing, shows clearly how a supra-departmental approach was necessary to meet the problem.

There is nothing mutually exclusive about the two categories of benefits mentioned above; they should both be realizable, but in different degree in different situations. Likewise, both groups would benefit from the fact that they would receive closer attention and supervision from the administrator than they can now receive from an overextended Governor. The latter point, of course, is one of the fundamentals of the whole Agency Plan.

Your fifth question has already been answered in part. The absence of statutory status and consequent attack on the agency's very existence occupied a good deal of our attention and prevented us from getting on with the purposes for which the agency was created. That aside, there is no question in my mind that the agency would be more effective if the administrator were vested with some authority over budget and personnel. As matters now stand, the administrator can recommend, but not assure, changes in or integration of organization.

I think the reply to your sixth question is a qualified affirmative. Departmental budgets should be justified in detail and undergo centralized review and approval, as at present. But many situations arising in the "execution" of the budget call for considerably greater decentralization of authority than now exists. For an example, from my own Division of Savings and Loan, it required submission of an application to the Department of Finance and receipt of their approval before we could use funds listed in our budget for purchase of an ordinary table to buy instead a drafting table. Certainly the head of a department, or perhaps in a few major cases the agency head, ought to have authority to approve this sort of transfer between categories. Budgets are now prepared in too much specificity too far in advance to make sensible such a centralized control over details of expenditure.

Roughly the same type of objection to excessive requirements of prior approval of every detail of staffing can be entered in regard to the Personnel Board. The department head should have greater freedom to determine, within the limits of his budget, the precise structure and composition of staff he needs to get the job done. The Personnel Board should establish standards for given job and salary levels, as it does now, but should then be given the function of auditing the determinations of the agency head rather than the function of prior approval of his every move.

Questions number 7 and 8 do not apply at this stage to the Business and Commerce Agency; for the reasons discussed, we simply did not attain overall agency planning in our first year of paper existence. I find this regrettable, for I am convinced there are significant potentialities in this particular agency grouping.

I hope that the foregoing discussion will be of some help to you in your deliberations. Please accept my apologies for the delay in replying, and please be assured of my desire to furnish any other information which may be of assistance.

Sincerely yours,

PRESTON N. SILBAUGH
Business and Commerce Administrator

DEPARTMENT OF EMPLOYMENT
November 19, 1962

MR. EUGENE C. LEE, *Chairman*
Commission on California State
Government Organization and Economy
1209 J Street, Sacramento, California

DEAR MR. LEE: This will acknowledge your letter of October 29, 1962, in which you ask for a brief written statement from me concerning developments and problems with respect to the Agency Plan. I am very happy to do this.

I must begin by stating that I believe that the Agency Plan, overall, is most desirable. I would be less than frank, however, if I were to state that with respect to the Employment Relations Agency, of which I am the administrator, the present Agency Plan will be fully applicable and effective without a good deal of effort, time and thought.

There are several reasons for this point of view.

Let me illustrate. As you know, the Employment Relations Agency consists of two departments—the Department of Employment and the Department of Industrial Relations. The Department of Industrial Relations truly is labor's own department, for it administers various laws which safeguard the rights of the working people of this State. Under such circumstances it is normal to expect and it is proper to have a labor bias in the administration of that department. On the other hand, the Department of Employment is a department which finds itself in the middle as between management and labor, the grower and the farmworker, and the insurance company, the employer and the employee. The Department of Employment is enjoined by law to be neutral and of necessity it must be. The best illustration that I can give as to the position the Department of Employment finds itself in is by recalling to mind the difficulties encountered in attempting to codify the Unemployment Insurance Act. Management wanted the act to be placed in the Insurance Code. Labor wanted the act to be placed in the Labor Code. Because of these irreconcilable positions, the Unemployment Insurance Act was codified in a separate code, the Unemployment Insurance Code.

Thus one obstacle, although not insurmountable, to the implementation of the Agency Plan insofar as these two departments are concerned is the philosophy inherent behind the programs and the administration of each department.

There is perhaps a more important problem. I believe that among the basic justifications of the Agency Plan are the efficient operations and savings which could result. It is to be remembered, however, that the headquarters of the Department of Industrial Relations is in San Francisco while the headquarters of the Department of Employment is in Sacramento. Politically, I doubt that labor would ever permit the headquarters of the Department of Industrial Relations to be removed to Sacramento, but until it is it would be most difficult to consolidate

staff functions such as research, personnel, accounting, legal, medical and data processing. But it would seem that unless such consolidations can be effected there will be no significant savings or other benefits arising from the Agency Plan in this particular instance.

Let me now try to answer the questions that you have asked. With respect to your first question as to what I consider to be the principal specific benefits of the Agency Plan, I believe that with respect to state government as a whole it will provide for savings and co-ordination, and ultimately this may be true as to my own agency. With respect to my particular agency, it will require co-operation between departments, which heretofore has been very good, but on a completely voluntary basis.

Your second question is, what specific accomplishments have been achieved in your agency that would have been unattainable or less likely of achievement if the agency had not been established? I am compelled to say that there are none, because the Department of Employment and the Department of Industrial Relations have been outstanding in co-operative efforts over the past several years even without the Agency Plan.

By virtue of my answer to your second question, the third question is inapplicable.

Your fourth question relates justifications for the Agency Plan. It is my view that the Agency Plan's justifications must rest primarily on economics. I am of the view that the Governor, even with the Agency Plan, could not possibly hope to have a complete span of control or knowledge of all the programs and matters that are going on in the State of California. Rather, I believe that it is the responsibility of the Governor's appointees to maintain these programs and to take care of problems as they arise. It is also their responsibility to call the Governor's attention to matters of the greatest importance or urgency. There would seem not to be so many of these that they would be beyond the Governor's span of control. For example, in my own department there are everyday problems which arise with respect to the functioning of the unemployment insurance and the disability insurance programs. I see no need to bother the Governor with these matters as long as the programs are running properly. But the department also administers a farm labor program and there may be a rash of farm labor disputes which involve emotions on both sides and which may have serious political repercussions insofar as both farmers and labor are concerned. I believe that I would be derelict in my duty if I did not invite the Governor's attention to this problem for whatever advice and direction he might want to offer. Summarizing, I do not believe that span of control is the most important consideration for the Agency Plan (although it does have significance) but rather it is economy, and on this basis I think the plan entirely justified.

With respect to your fifth question as to what the principal deterrent is to full implementation of the agency concept, in the instance of my agency it is the lack of statutory status. Without such status even limited achievements become most difficult. Again let me illustrate. The Department of Industrial Relations' budget is derived from state financing, while the bulk of the Department of Employment's budget is

derived from federal financing. Employment's budget must be approved by the Bureau of Employment Security of the U.S. Department of Labor and the Congress as well as the state legislature. Such federal moneys cannot be utilized for purposes not related to the employment security program. Thus Employment, under the law, cannot even contribute a portion of the administrator's office expenses.

My answer to your sixth question is in the negative and I must answer your seventh question also in the negative. There is no question but that the outstanding co-operation between the two departments in this agency will continue but this will not be because of the Agency Plan as such.

Inasmuch as I have just assumed the position of agency administrator I do not feel qualified to discuss your eighth question. I must state that in any event it would seem to me that the agency administrator's role in the administration of a budget would be most difficult. This is particularly true in the case of the Department of Industrial Relations, which in reality is a gathering together of a number of autonomous units all of which are headed by Governor's appointees.

I have tried to present my views on this matter as completely and as honestly as I can. I want to reiterate that I believe that over all the Agency Plan is desirable. There are many instances where there will be great co-ordination and enormous savings resulting from the implementation of the Agency Plan. As I have indicated, however, real effort will be required insofar as the Employment Relations Agency is concerned.

Please do not hesitate to call on me if there is anything further desired.

Sincerely,

IRVING H. PERLUSS, Administrator
Employment Relations Agency

PUBLIC SAFETY AGENCY
STATE CAPITOL, SACRAMENTO
November 13, 1962

MR. EUGENE C. LEE, *Chairman*
Commission on California State Government
Organization and Economy
1209 J Street
Sacramento 14, California

DEAR MR. LEE: In accordance with your request of October 23d, I am pleased to submit to you my personal observations and opinions on the accomplishments of the Public Safety Agency and some of the problem areas which we have encountered.

Functioning on an experimental and nonstatutory basis during the past year, the Public Safety Agency appears to have made substantial progress toward achieving the objectives of the Agency Plan. As you know, these objectives have been described by Governor Brown as:

1. More effective lines of communication and authority.
2. Improved program planning and evaluation.
3. Improved co-ordination of program execution.
4. Decentralization of management control.

In view of our experience to date, statutory status for the agency appears to be justified and is considered absolutely necessary if the administrator is to be provided with the degree of authority which he will need to play a more decisive role in the areas of program planning and program execution. Inadequate housing for two key departments in this agency and outmoded budgetary organization and procedures are other major deterrents to the effective implementation of the Agency Plan in the Public Safety Agency. I shall cover these problem areas more fully in other sections of this letter.

The Military Department is organized for the performance of certain emergency actions which must be co-ordinated with the operations of the California Disaster Office prior to and in the event of a natural or war-caused disaster. Thus far, the agency structure has proved very valuable as a means of co-ordinating allied activities and programs in the Military Department and the California Disaster Office.

It is my belief that disaster planning and operations should take into account the material resources and technical skills of all agencies of state government, particularly the resources of the Military Department. The California National Guard, with approximately 25,000 assigned personnel, is organized, trained, equipped and, most important, dispersed in about 200 communities throughout the length and breadth of our State. It is a disciplined, self-sufficient body capable of responsive action to recognized authority. It has trained technicians on hand to provide emergency transportation, operate field hospitals, emergency kitchens and water purification units, build bridges, establish emergency communications systems, control traffic, assist with rescue and debris clearance work, and airlift significant tonnages of high priority supplies such as foods, drugs as well as medical personnel. Members of the National Guard are only part-time soldiers at present. However, their full-time civilian occupations span a broad spectrum of professions and trades which would be vital to our postattack recovery effort.

Traditionally, the National Guard has been called upon to assist in local emergencies by supporting the civil authorities. The possibility that such assistance in large scale will be required in a postattack emergency period is gaining increasing recognition in military and civil defense planning at the federal level. I believe that this contingency should warrant our close attention in disaster planning at the state level. In this regard, the strong co-ordinating medium provided by the agency structure has begun to yield a substantial benefit in the form of more realistically conceived and better integrated long-range emergency plans. Moreover, in view of the large-scale role which the National Guard may assume under a war-caused emergency, placement of this organization under the Public Safety Administrator may help to allay the ever-present fear of military control and should make the civil defense program more acceptable to local governments.

Establishment of the Public Safety Agency on a statutory basis should, of course, facilitate the joint use of land, physical plant, equipment, and personnel between the Military Department and the California Disaster Office, with resultant monetary savings. Such internal organizational changes as may be required to realize these savings should be effected through administrative action after statutory status has been conferred, and the two departments have been relocated in a joint facility.

At present the two departments are located in separate buildings approximately 12 miles apart. These structures are totally unprotected from the effects of a nuclear attack and it is highly improbable that they would remain operational in case of a nuclear attack in the Sacramento area. Prior to the establishment of the Public Safety Agency, the California Disaster Office and the Military Department were planning to construct protected facilities; however, no provision had been made for joint occupancy by the two departments.

Our current plan for the construction of a joint-use facility was developed by an agency task force appointed shortly after the agency was organized to study the long-range housing needs of the agency. The study resulted in a proposal for the construction of a protected facility which would house the staffs of the Military Department and the California Disaster Office on a day-to-day basis. The building would also serve as an alternate seat of government for the State during an extreme emergency.

A proposed location and estimates of space requirements and cost have been developed by the task force. The proposal has been submitted to and has been approved in principle by the Governor and the Director of Finance. On November 16th I plan to meet with the Director of Finance to obtain his specific approval of our application to the federal government for financial assistance in the conduct of the preliminary feasibility studies. Prompt action by the Department of Finance may enable us to submit a program package to the 1963

session of the Legislature. In the meantime, major administrative actions to consolidate staff and facilitating services between the Military Department and the Disaster Office will have to be postponed until the eventual physical locations of the departments have been determined.

Approximately one year ago, President Kennedy transferred major civil defense responsibilities from the Executive Office of the President to the Department of Defense. Apparently, this was in recognition that civil defense is an essential component of the national defense. Experience to date has proven that this reorganization at the federal level was indeed in the best interest of the nation. Through the medium of the Public Safety Agency, we in California have been able to adopt a similar organizational concept. With our state military and civil defense programs closely allied under the agency structure, I believe that we are now capable of more effective response to directives which may be forthcoming from the U.S. Department of Defense in the military-civil defense area.

Accordingly, I established another agency task force to develop ways and means of capitalizing on this close interrelationship which now exists in the military-civil defense programs at both state and federal levels. The task force has prepared a staff study which outlines a proposal for achieving further improvement in the conduct of emergency preparedness planning and postattack operations. Briefly, the staff study advocates combining the construction of certain National Guard armories with the construction of protected emergency operating centers for state and local civil defense agencies. Under present policy these two construction programs are funded and administered independently of each other by two separate organizations within the Department of Defense at federal level and by the Military Department and the Disaster Office at state level.

If feasible, joint construction and occupancy of these facilities should result in (1) more effective day-to-day co-ordination between the military reserve and civil defense programs at the federal, state, and local levels, (2) an improved operational readiness posture for the military-civilian team in the event joint emergency operations are necessitated by nuclear attack, and (3) savings in construction costs to the federal government, and the state and local governments concerned.

The final version of the staff study should be available next week. I plan to recommend that the results of the study be submitted by the Governor to President Kennedy for further consideration by the Department of Defense.

The agency structure has proved very valuable in the development of a revitalized program of emergency preparedness for state agencies. Several months ago, at the request of the Governor, certain state agencies submitted reports to me indicating the current status of their emergency preparedness planning. An analysis of these reports revealed a number of deficiencies in their emergency planning activities. It was apparent that not all of the essential elements of such a program had been considered. It was also evident that there was room for improvement in the administration of the program, particularly in regard to delineating responsibility for program execution.

Consequently, a member of my staff and a representative of the California Disaster Office developed a program paper which outlines a comprehensive emergency preparedness program to ensure the continuity of California state government in a war emergency. The program is designed to give the State an effective emergency capability and to take advantage of the operating efficiencies inherent in the Agency Plan. Implementation of this program has been considerably accelerated as a result of the Cuban situation. I should like to add that I found the cabinet structure especially valuable as a medium for co-ordinating many of the program actions at the height of the Cuban crisis. A copy of the program paper is attached as Exhibit A.

In summary, I believe that state government now has a more effective organization with which to support and co-ordinate state and local disaster planning and postattack recovery efforts. I also feel that state government now has a more effective organization with which to carry out those disaster functions which it must conduct itself. It is the responsibility of the Public Safety Agency to ensure that all of the resources of state government are utilized in the interest of the public safety under conditions of extreme emergency.

I should like to comment briefly now on several matters pertaining to agency organizational structure. If we accept the need for a closer working relationship between the Military Department and the Disaster Office, then the question might be raised, "Why not simply combine these two activities into a new department and place them under the supervision of a department director?" I believe that a number of difficulties might result from such an approach.

Let us assume that these two departments were to be downgraded to division status within a newly formed department. The Adjutant General—the head of the Military Department—has certain direct and personal responsibilities to the Department of Defense and to the Governor which by present federal and state law can only be executed by the Adjutant General. To interpose another individual—the department director—in the chain of command would create serious complications, in my opinion. Under the Agency Plan, this difficulty is avoided inasmuch as department heads are still charged with strong and independent responsibility for the day-to-day operation of their departments.

If, on the other hand, we attempted to avoid this problem by establishing the Adjutant General as head of the newly formed department, we would be faced with still another problem. In this capacity, he would have operational control of the State's civil defense program. My experience in dealing with officials of local governments, both as a law enforcement officer and as Public Safety Administrator, leads me to believe that local governments would not favor a civil defense program which they felt was administered under direct military control. It was this consideration which led the present Administration in Washington to place the civil defense function directly under the Secretary of Defense rather than within the Department of the Army as had been originally contemplated. As I have stated earlier, the Sec-

retary of Defense has the same organizational and functional relationship to the Office of Civil Defense and the Department of the Army as the Public Safety Administrator has to the California Disaster Office and the Military Department.

I should like to comment briefly on the Department of Veterans Affairs. As you know, the Governor's Committee on Organization of State Government in its 1959 report to Governor Brown stated that while the Department of Veterans Affairs administers a program which is not a welfare program in the usual sense, it is nevertheless, basically a type of public assistance program. Accordingly, the committee concluded that the department would fall most logically within the general scope of the Health and Welfare Agency. In the final analysis, however, it was decided to eliminate the department, with the Governor's approval, from the legislative package which eventually became the statutory basis for the Health and Welfare Agency.

I am, of course, aware of the political considerations involved in this situation. I am also of the opinion that we should not jeopardize the many benefits which should accrue from a broad implementation of the Agency Plan by insistence on homogeneous grouping of functions under all circumstances. I would therefore recommend the statutory assignment of the Department of Veterans Affairs to the Public Safety Agency. I strongly believe that under an effective system of program planning and evaluation, a department does not necessarily have to have a related function in order to share with the other constituent departments the many advantages which are inherent in the Agency Plan. I shall elaborate on this aspect of the Agency Plan shortly.

The Office of the State Fire Marshal has, of course, a working relationship with the Disaster Office. This is not, however, of an overriding nature. It appears to me that its functions are more closely related to those of the Division of Architecture and to those other activities which might be grouped under a Department of General Services. Accordingly, if such a department were to be established, I would recommend the assignment of the office of Fire Marshal to that department.

Let me turn now to some of the other questions which you asked. Your letter raises the point that an agency may be justified on the basis of such a consideration as better program development; on the other hand, you state, others hold that primary justification rests on economies resulting from more effective co-ordination, less duplication, and integrated management of related auxiliary staff and line activities. Personally, I feel that both of these considerations justify the concept of the Agency Plan and should be vigorously pursued as objectives under this concept. Thus, as stated earlier, we are striving to obtain common housing of the departments in this agency in an effort to achieve savings through better co-ordination, less duplication, and integrated management of auxiliary staff services and line activities.

I am firmly convinced, however, that the major justification for the Agency Plan, and the prime source of really significant savings, is the medium provided by the agency structure for the installation of a comprehensive system of program planning and evaluation. I should like

to emphasize at this point that successful application of such a system does not necessarily require a grouping of related functions in an agency, although, admittedly, this would help. It appears to me that, with a few exceptions, the present state budget configuration is one which encourages the executive and legislative branches to overemphasize the review of individual items at the expense of basic policy and program evaluation. In reviewing the State's budget document, the main point about the budget does not stand out very readily—that the big money is *program* money.

Nevertheless, as you know, programs provide the political and policy issues which the executive and legislative branches must face if they are to be effective in carrying out their responsibilities to the public. The key to the problem appears to lie in being able to review the proposed budget in terms of competing proposals, in terms of priorities among major functional programs, in terms of tax and other fiscal considerations—with all of these considerations superimposed upon the broad framework of the State's social and economic objectives.

What top management and the Legislature really need, in my opinion, is a budget which clearly analyzes departmental work programs in terms of functions, activities, and projects. The budget, and its supporting documents, should provide built-in criteria against which to measure departmental requests in terms of the general character and relative importance of the work to be done rather than on the things to be acquired.

Before agency administrators, the Department of Finance, and the Legislature can increase or curtail current programs, recommend new programs, or even make valid estimates of the cost of new programs—before anyone can have a clear idea of the current social and economic objectives of state government—I believe we need the proper budgetary and other management tools, especially tailored for the Agency Plan, which will allow proper analysis and effective implementation in the areas of executive fiscal planning and program management. It is my opinion that the present departmental budgetary and related procedures are not designed to provide the broad view of financial programming which is essential if the program planning objectives of the Agency Plan are to be attained. While it is possible to determine the amounts requested to support various functions and programs, it is not currently possible to determine readily, through the budget document and supporting data, the reasons for changes in existing and previous spending levels. Furthermore, it is extremely difficult to select from alternatives within and among programs.

This inadequacy of present budgetary organization and tools, aggravated by the lack of statutory authority, has been a serious deterrent toward my playing a really decisive role in the development of the agency's 1963-64 budget. In an effort to come up with a partial solution to this problem, I have requested the development of a system of program planning and evaluation for use within the agency. Our proposed system will call for (1) clearly defined agency objectives, (2) a complete inventory of agency programs, (3) establishment of measurable workload units, (4) development of a performance or program budget which will emphasize agency programs rather than individual

items of expense, and (5) a continuing review of departmental accomplishments and productivity. In my opinion, a system along these lines should produce substantial savings and improvements in operating effectiveness even in those departments which may not share related functions with others in the agency.

Such a system will be designed to facilitate executive and legislative review and public understanding of what the departments in this agency are doing and plan to do in the future. We hope that it will make possible more intelligent adjustments in spending programs in light of available revenues. A program management system along these lines is, in my opinion, an absolute necessity if we are fully to achieve the objectives of the Agency Plan. If at all possible, I should like to phase in this system concurrently with the preparation of the 1964-65 budget. During this transition period, the present as well as the proposed budget formats would be used.

Obviously, maximum benefits can accrue from a program management system of the type discussed here only if it has the full support of the Legislature and is implemented throughout state government. Accordingly, I have noted with interest the recommendations of the management consultant firm, Griffenhagen-Kroeger Incorporated, which was engaged by the Assembly Interim Committee on Ways and Means to develop a concept for a program of long-range planning in state government. The report, which is currently in draft form, stresses the need for a program budget and systematic long-range planning in state government. It is my understanding that the final version of their report will be available for legislative consideration early in 1963. Within the executive branch, the Department of Finance is presently engaged in an exploratory study along these same lines. Thus it appears that we may have the opportunity to install a program management system in this agency within the broader framework of a comparable statewide system.

In summary, what is needed is not only greater decentralization of the fiscal controls presently exercised in the Department of Finance but a completely new approach to financial programing, especially adapted to the requirements of the Agency Plan. This approach should clearly recognize the new and important roles of the central fiscal agency, the agency administrators, and the operating departments in the areas of financial planning and program management under the Agency Plan.

I shall be glad to furnish any other information that you may desire.

Sincerely yours,

BRADFORD M. CRITTENDEN
Administrator

o

87543 5-63 600 *printed in* CALIFORNIA STATE PRINTING OFFICE