OFFICE OF THE GOVERNOR

March 30, 2012

Daniel W. Hancock, Chairman
Little Hoover Commission
925 L Street
Sacramento, CA 95814

Dear Chairman Hancock:

I am sending you this plan under Government Code section 8523 to reorganize state government. This plan is another step in my continuing efforts to streamline government, make it more efficient, and reduce unnecessary spending. Upon implementation, this plan will improve the management and coordination of government activities, which will facilitate further consolidations and cost savings.

Sincerely,

Edmund G. Brown Jr.

Government Reorganization Plan
Governor Edmund G. Brown Jr.
2012

The State's current organizational structure lacks cohesion and logical organization. For example, some agencies contain departments with unrelated missions, and some departments have programs that are similar to programs in other departments scattered throughout state government. This haphazard structure inhibits coordination and efficiency, and makes it difficult to identify programs with duplicative functions. Why, for example, should Caltrans, the Department of Managed Health Care, and the Department of Financial Institutions be part of the same agency? And why should the Department of Real Estate Appraisers be in a different agency than almost all other professional licensing entities? Confusing associations like these make little sense and both produce and obscure inefficiencies.

This government reorganization plan (GRP) goes a long way toward improving organizational relationships. It makes government more sensible and accessible, easier to manage, and more coordinated and efficient. In doing so, it will help government provide better and more cost-effective service.

Changes to Agencies

At the agency level, this GRP reduces the number of agencies from twelve to ten. This is accomplished by replacing five agencies with three.

- The responsibilities of the Business, Transportation, and Housing Agency will generally be shifted into two new agencies.
    - The business and housing portions will merge into the new Business and Consumer Services Agency.
    - The transportation portions will merge into the new Transportation Agency.
- The responsibilities of the State and Consumer Services Agency will generally be shifted into two new agencies.
    - The state service programs will merge into the new Government Operations Agency.

- The consumer services portion will merge into the new Business and Consumer Services Agency.

- The Technology Agency will become a department under the new Government Operations Agency, although its head will remain the state-wide Chief Information Officer.

- The Emergency Management Agency will become an office directly reporting to the Governor.

- The Volunteer Program will become a unit within the Governor's Office of Planning and Research, with which it already shares an existing budgetary relationship.

The New Government Operations Agency

Major components of administering state operations, such as procurement, information technology, and human resources, are currently dispersed throughout government. Combining these and other operational programs into one agency will improve management and accountability, increase efficiency, and promote better and more coordinated operational decisions. It will also foster state-wide perspectives, improve communication and information sharing, and change cultures that prioritize control over service.

The new Government Operations Agency will include the following departments:

- General Services
- Human Resources (CalHR)
  - Because CalHR has a unique role in negotiating contracts with employee bargaining units and handling labor relations, this GRP ensures that the Director will report directly to the Governor on these issues.
- Technology
  - The new Department of Technology retains state-wide authority to centralize and unify the State's information-technology projects. And its alignment with other administrative service programs will enhance its ability to develop, launch, manage, and monitor large informational-technology projects. By being in the same organizational structure as

CalHR, the department will be better able to address one of its greatest challenges: recruiting and retaining qualified information-technology professionals. This GRP also ensures that the department will direct and set state-wide information-technology policy by making its director the State's Chief Information Officer. The appointment of the director will be confirmed by the Senate.

- Office of Administrative Law
- Public Employees' Retirement System
- State Teachers' Retirement System
- State Personnel Board
- Government Claims Board

The Business and Consumer Services Agency

Entities that regulate or license industries, business activities, or professionals are currently spread throughout state government. Some entities regulating businesses are part of the current Business, Transportation and Housing Agency; some entities that license professionals are part of the State and Consumer Services Agency; and others overseeing other businesses and professionals are scattered throughout government, many with little shared structural relationship. Consolidating these entities into a new Business and Consumer Services Agency will improve service, consistency, and efficiency by facilitating shared administrative functions and expertise in areas such as automated systems, investigative practices, and licensing and legal processes. It will also help the public more easily know where to get information about entities regulating the businesses and professionals that they have direct contact with. The Business and Consumer Services Agency will include the following departments:

- Consumer Affairs
    - Professional licensing functions will be further consolidated within the Department of Consumer Affairs (DCA), which provides administrative and executive services for boards and commissions regulating licensed professionals. The Department of Real Estate, the Office of Real Estate Appraisers, the Structural Pest Control Board, and the Board of Chiropractic Examiners will join the other licensing bureaus under the DCA to promote greater administrative efficiency, coordination, and uniformity.

- Housing and Community Development
    - This department will incorporate the functions of the Department of Housing and Community Development and the California Housing Finance Agency, which both assist in developing and financing affordable housing and administering general obligation bond programs. By merging these functions, the Department of Housing and Community Development will be better able to efficiently coordinate and address the State's housing needs.
- Fair Employment and Housing
- Alcoholic Beverage Control
- California Horse Racing Board
- Seismic Safety Commission
- Department of Business Oversight.
    - This new department will consolidate the State's oversight of financial businesses by merging the Department of Corporations (which has regulated a variety of financial entities such as securities brokers and dealers, financial planners, and mortgage lenders unaffiliated with banks) with the Department of Financial Institutions (which has regulated state-chartered banks, credit unions, and money transmitters).

The Transportation Agency

The State's transportation entities will be consolidated into one agency that will focus solely on California's transportation needs. Aligning these entities will facilitate more effective coordination in addressing the critical transportation issues the State will face in coming years. The new Transportation Agency will include the following departments:

- Transportation (Caltrans)
- Motor Vehicles
- High-Speed Rail Authority
- Highway Patrol
- California Transportation Commission
- Board of Pilot Commissioners.

Other Reorganizations

In addition to creating three new agencies, the GRP restructures other parts of the State's organization. These changes include consolidating and strengthening entities that promote economic growth, and better organizing other parts of the government.

- Last year, the Legislature created the Governor's Office of Business and Economic Development (GO Biz) to coordinate and promote business development and to encourage private-sector investment and job growth. Before Go Biz was created, programs to bring jobs to the State, enhance exports, and market California goods were dispersed in various areas of the government such as the Office of Economic Development, the Commission on Economic Development, the former Trade and Commerce Agency, and other entities.

  This GRP strengthens and expands Go Biz by incorporating into it other growth-promoting programs. These include the Infrastructure Bank, the Film Commission, the Tourism Commission, the Small Business Centers, and the Small Business Guarantee Loan Program. Consolidating these programs will strengthen GO Biz and give the state a stronger and more unified ability to promote and improve the State's economy.

- The Office of Traffic Safety distributes federal grants to the state and local entities. It will no longer be a stand-alone entity, but will instead be an office within and reporting to the Transportation Agency so that is aligned with transportation entities.

- The Public Employees Retirement Board will no longer be a stand-alone entity, but will instead be aligned with the Labor and Workforce Development Agency.

- The current system of gambling regulation duplicates administrative, investigative, and enforcement activities between the Gambling Commission and the Bureau of Gambling Control in the Division of Law Enforcement of the Department of Justice. While consolidating these functions in the Bureau of Gambling Control, this GRP ensures that the Gambling Commission retains its policy authority. This GRP also maintains the current arrangement of shared oversight over gambling activities between the Commission and the Attorney General.

- The Department of Resources, Recycling and Recovery (CalRecycle) will be transferred from the Natural Resources Agency to the California Environmental Protection Agency (EPA). Hazardous waste, electronic waste, used oil, used tires, and landfill permits are typically not considered "natural resources" but wastes. This program is better associated with the EPA, which regulates pollutants, than with the Natural Resources Agency, which does not.

- The functions of the Department of Boating and Waterways will transfer into a division in the Department of Parks and Recreation, similar to the Off-Highway Vehicle Recreation Division. Boating and Waterways already funds operations at all of the Department of Parks and Recreation's reservoirs, and they partner in constructing boating facilities. Because Boating and Waterways is being transferred to the Department of Parks and Recreation, the California Boating and Waterways Commission will be eliminated, and its duties will be absorbed by the Department of Parks and Recreation. This GRP maintains the current requirements that boating fees are reserved for boating activities.

- The Delta Stewardship Council will transfer to the Natural Resources Agency. This will help improve communication and coordination regarding the State's water policies, and it will consolidate administrative functions.

- The Office of Exposition Park, which will include the California Science Center and the African American Museum, will also transfer to the Natural Resources Agency. Its current agency, the State and Consumer Services Agency, will no longer exist, and the mission and functions of Exposition Park are similar to those of state parks, which are already located within the Natural Resources Agency.

This GRP affects administrative and operational coordination and alignment, but it does not change the degree of policy independence held by remaining independent or quasi-independent boards, commissions, and similar entities.