



## Smart Government: Making California Work Again ---Executive Summary---

California may be struggling with a budget crisis and a sluggish economy – but we can fix it. Our state can have a prosperous and environmentally sustainable economy, one that provides equal opportunities for all. To get there, governments at the state and local levels must work together to provide cost-effective services and better results. *California Forward* calls this *Smart Government*. It doesn't happen today as much as it should.

California has a nearly \$90 billion budget without a unified vision and strategy for achieving statewide goals. Most of the state's essential public services are delivered locally, but the state government still sets most of the rules around how the money is spent. Until this relationship between the state and local governments is fundamentally reformed, the state's ongoing budget crisis cannot be fully resolved – and the state's government cannot function effectively.

In the *Smart Government Framework*, *California Forward* outlines a restructuring plan that can produce better results than the current system for both taxpayers and those who rely on government services. It introduces five new priorities for the state, along with five comprehensive proposals for reform.

### FIVE 'SMART GOVERNMENT' PROPOSALS

#### 1 – FOCUS ON OUTCOMES

State operations should be aligned with measurable outcomes.

#### 2 – ALIGN AUTHORITY WITH RESPONSIBILITY

Funding and program authority should move to local governments.

#### 3 – ADJUST THE STATE ROLE

The state's role should shift to oversight and technical assistance.

#### 4 – FOSTER REGIONAL COLLABORATION

Local governments should be incentivized to work together.

#### 5 – EVALUATE EFFICIENCY OF OPERATIONS

State and local agencies should have their functions re-examined.

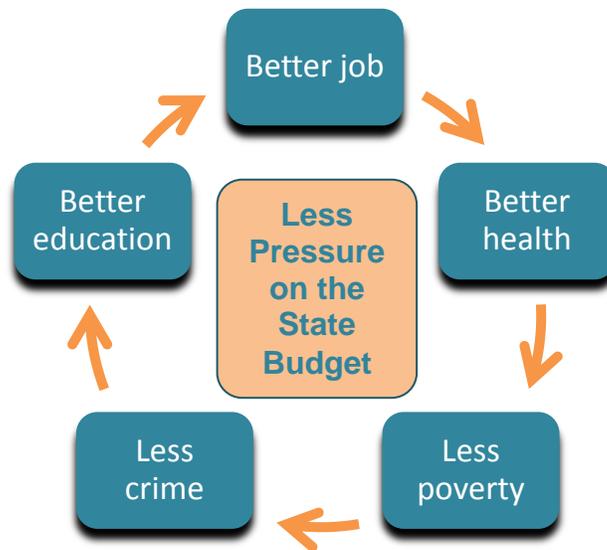
## SMART GOVERNMENT OUR VISION

California Forward’s goal is a state government that works. This goal is shaped by the “Three Es:” At every level, government should be making simultaneous progress toward achieving:

- A Prosperous **E**conomy
- A Quality **E**nvironment
- Community **E**quity

The draft proposals in the *Smart Government* Framework are built around a simple idea: California’s three most significant areas of state general fund spending – education, health and human services, and public safety – are fundamentally interrelated. Better education leads to better jobs, which leads to a healthier population, less poverty, less crime, and, ultimately, less pressure on government budgets.

### THE VIRTUOUS CYCLE



Too often, these relationships are obscured by the current governance system. *Smart Government* offers a straightforward approach – along with a comprehensive vision – aimed at addressing this problem.

The state budget is already implicitly addressing these issues, given that the majority of it is spent on education, health and welfare, and prisons. *Smart Government* would require the state to be explicit about the outcomes it is trying to achieve.

In exchange for more authority and flexibility to improve the results of locally-administered programs, local governments would have to hold themselves accountable to these programs’ results, to collaborate with other local governments, and to be more transparent.

## SMART GOVERNMENT

### THE BIG FIVE OUTCOMES

Californians need to know what they are getting for their tax dollars and what government is achieving. The *Smart Government* Framework introduces five new priorities for the state and five comprehensive proposals for reform. The intention is to focus structural and fiscal governance reforms on the Big Five Outcomes below, not just to balance the budget or close a shortfall – but to realign public programs at all levels to deliver these results.

#### BIG FIVE OUTCOMES

- Increased Employment
- Improved Education
- Decreased Poverty
- Decreased Crime
- Improved Health

If Californians can come together to restructure the relationship between the state and local governments, the state will see immediate benefits, from better outcomes to increased civic engagement. Studies show that if local governments could integrate services in programs like CalWORKs, public safety, and mental health – and just bring them to the same levels of effectiveness and efficiency as other states – **California could save billions of dollars each year.**

Restructuring California's government, in other words, can be the beginning of a virtuous cycle – improved education, more workforce participation, better health outcomes, and less crime – that can lead to the best possible outcome: A government that achieves positive social gains in a financially sustainable way.

## SMART GOVERNMENT BACKGROUND

The draft proposals described here are only a summary of *California Forward's* comprehensive [Smart Government Framework](#), which provides more detail on how to overcome the challenges involved in the complex task of restructuring.

These proposals have been collaboratively developed in ongoing conversations with statewide groups of local government practitioners, stakeholders, and experts involved in a Local Government Task Force, a series of Stakeholder Roundtables, and *California Forward's* Speak Up California civic engagement forums.

Preceding each proposal is a principle statement derived from discussions with these experts and stakeholders that have helped define *California Forward's* approach. The *California Forward Action Fund* plans to pursue these proposals through all appropriate avenues – whether through the initiative process, legislation, or executive order.

**Note:** The proposals are intended to facilitate discussions regarding governance in California and to inform future reform proposals. They are not at this point *California Forward* recommendations, nor do they reflect a view about any specific legislative proposal.

Tell us what you think

Read the complete version of the Framework and  
comment online at:

[CAFWD.org/framework](http://CAFWD.org/framework)

## SMART GOVERNMENT

### SUMMARY OF THE PROPOSALS

The *Smart Government* Framework would restructure California's government by aligning it to the goals of improved education, higher employment rates, better health outcomes, less poverty, and less crime. The most effective way to do this is by moving more authority and flexibility to local governments, while changing the role of the state and encouraging more regional collaboration.

#### 1 - FOCUS ON OUTCOMES

- The state budget must be aligned to the Big Five Outcomes.
- The state budget is already implicitly addressing these outcomes, given that the majority of it is spent on education, health and welfare, and prisons.
- The state should be explicit about the outcomes it is trying to achieve: Programs should measure their progress toward these goals and make program corrections where needed.

#### 2 - ALIGN AUTHORITY WITH RESPONSIBILITY FOR RESULTS

- To promote innovation, efficiency, and effectiveness, the state should grant control of programs and revenues for locally delivered services to local governments.
- **Program authority:** In exchange for program authority, cities, counties, schools, and special districts should hold themselves accountable to outcomes, work together to maximize return on taxpayer investments, and be transparent about their progress.
- **Revenue authority:** To align the revenue structure with local government responsibilities and encourage integration with a focus on results, three elements should be considered:
  1. Focusing a portion of state resources on integrated services: A portion of the sales tax could be transferred to a special fund for local integrated services.
  2. Broadening the sales tax base and reducing the state tax rate: A portion of a broader sales tax could be used to provide additional revenue for local services.
  3. Giving local governments the authority to manage local revenue: A constitutional authority could give communities the power to share local resources.

#### 3 - ADJUST THE STATE ROLE

- The state's role should shift to one of leadership, setting a statewide vision, and technical assistance. The state will also continue to oversee many statewide programs, from Medi-Cal and the courts to higher education and state prisons.
- The state's relationship with local governments should focus on: Measuring progress toward the Big Five Outcomes, incentivizing collaboration among local programs, sharing best practices among local governments, and developing fiscal incentives that allow local governments to retain savings.

#### 4 - FOSTER REGIONAL COLLABORATION

- The state constitution should be amended to allow cities, counties, schools, community colleges, and special districts to create regional convening and coordinating bodies devoted to meeting large-scale challenges like developing a robust pipeline between schools and jobs.
- Each region should choose for itself whether to grant this authority to, for example, COGs, state universities, or some other existing regional collaborative body.

#### 5 – EVALUATE EFFICIENCY OF OPERATIONS

- County LAFCoS should expand their analysis of local government functions to reduce complexity, reduce costs, and improve performance.