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## **Economy & Efficiency Commission Presentation**

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**PRESENTATION OF  
Mr. Richard Terzian, Chairman and Ms. Jeannine English, Executive Director  
Little Hoover Commission  
April 8, 1998**

### **Status of Little Hoover Commission**

Chairman Abel welcomed and introduced Ms. Jeannine L. English, Executive Director and Mr. Richard R. Terzian, Chairman of the Little Hoover Commission (LHC). Chairman Abel stated that the Economy and Efficiency Commission (EEC) is interested in the work of the LHC and would like to seek out opportunities to collaborate on studies of mutual interest.

Mr. Terzian thanked the EEC for inviting the LHC to their meeting. The LHC was created thirty six years ago with the express mandate of studying state government and making recommendations for reform and organization. The LHC has three statutory goals - to make government programs more effective, efficient and economical. The LHC is modeled after the former Federal Hoover Commission. It is a bi-partisan, diverse group that consists of 13 members: five citizen members appointed by the Governor, four citizen members appointed by the Legislature, two Senators and two Assembly members. The LHC differs from other state agencies that analyze functions, in that they go beyond fiscal performance audits to examine how programs function now and how they could or should function in the future. The LHC has a reputation for credibility and thoughtful analysis. Currently, the LHC is supporting more than 60 bills in various stages of legislation. It anticipates that the majority of their recommendations in these bills will be implemented.

Mr. Terzian introduced Ms. English to give an overview of LHC's recent reports. Ms. English reported that the LHC focuses on economy, efficiency and improved service. The Commission tries to align government with current needs of the citizens. The LHC has saved the state billions of dollars by advocating reforms such as:

- centralizing fleet administration
- buying airline tickets at standardized competitive bid rates
- negotiating rates for MediCal patients by hospitals

Regarding efficiency, the LHC is of the mind that state government can provide better service and can do it at less cost. An example is its report entitled California's Real Property Management: A Cornerstone for Structural Reform (December 1995). There are approximately 3,700 square miles (an area about the size of Los Angeles County) and approximately 19,000 buildings managed by the State of California. More than 70 departments use to separately manage these assets and, as a result, records were disorganized. At the insistence of the LHC, the state now has a centralized inventory system and has taken the necessary steps to have a comprehensive pro-active management of real assets. There is more progress to be made in this

arena, and the LHC continues to revisit this issue.

The LHC also initiated reform in civil service with their report entitled Too Many Agencies, Too Many Rules: Reforming California's Civil Service (April 1995). The LHC has been credited with prompting many internal administrative changes at the state personnel board. After the LHC report, which recommend elimination of the State personnel board, the board began to modify its procedures. This brought about better hiring and disciplinary practices. Also, due to this report, a Leadership Academy was created to enhance training for state managers. The LHC will be conducting a follow up on this report. Ms. English stated that civil service reform would be a good area for collaboration between the EEC and the LHC.

In regards to improved services, the LHC has done ground breaking work in elder care. Under the LHC's leadership in the 80's, laws were set in place to improve protection for residents of skilled nursing facilities and to increase the ability of state oversight. Residents now have recourse if their property is stolen. Ombudsmen are now located in each county to provide an avenue for handling complaints and issuing citations. While the LHC believes that much more needs to be done in elder care, especially in the area of helping consumers identify nursing homes with high standards and quality care, a lot has been accomplished in the last decade.

For the future, the LHC is focused on how government itself can become effective and efficient. The LHC has issued reports in the last year that it hopes can be used to change the face of government. These reports include:

1. Enforcing Child Support: Parental Duty, Public Priority (1997). This report makes specific recommendations to modify the child support system.
2. Dollars and Sense: A Simple Approach to School Finance (1997). The finance system is very complicated, based on old rules and needs, making reform difficult. Senator Alpert is carrying a bill to dramatically reform education finance. Although this bill is not expected to go forward this year, it will generate a useful debate. This issue and report may be of interest to the EEC.
3. Beyond Bars: Correctional Reforms to Lower Prison Costs and Reduce Crime(1998). This report discusses the need to develop an integrated county-state correctional system that focuses on reducing crimes committed by felons after they are released. One of the LHC's recommendations deals with addressing illiteracy and substance abuse/dependency problems of inmates while they are in the system.

Chairman Abel stated that many of these programs had been eliminated over the last decade. Ms. English stated that over the last two decades many programs had been eliminated, but during the past several years there has been progress in drug and alcohol treatment. At the prison facility in San Diego, a small program using a control group was established. It was discovered that individuals who successfully completed the drug treatment program had a recidivism rate of 16%, compared to the general population that had a recidivism rate of 65%. Programs such as these could increase public safety and save money.

Chairman Abel stated that the Commission is interested in a number of the issues that Ms. English mentioned. He asked about the LHC's process for selecting areas of study. Mr. Terzian replied that each May the LHC discusses topics for possible study. These suggestions may come from commissioners, members of the legislature not serving on the commission, occasionally the executive branch, interest groups, and members of the public. The LHC decides on areas of study by consensus of the commission, and selects 4 or 5 subjects to study per year. An advisory committee of 20-30 individuals is formed for each subject. These individuals are obtained from interest groups involved in the area of study. This committee meets several times to offer its input. A subcommittee of the commission, typically 3 commissioners, will guide the study. Eventually a public hearing is held. At the hearing selected witness can present written material and/or testimony. After the hearing, the staff drafts a report based upon the information received. The entire commission views the draft report, makes changes, and then the report is finalized. Usually reports are approved with consensus of the entire commission, although each commissioner has the right to dissent.

Commissioner Breslauer asked the size of the staff, the amount of the LHC budget, and the amount spent on outside consultants. Mr. Terzian replied that LHC has a staff of 7 and a budget of approximately \$700,000. Ms. English stated that outside consultants became difficult to use because the LHC makes long-term recommendations that can take years to get through the legislative process. The expertise and knowledge needed to shepherd the issues through this process must be maintained in house.

Vice-Chair Fuhrman asked if the budget was set by the legislature. Mr. Terzian replied that it was. Vice-Chair Fuhrman asked if the LHC had problems with draft recommendations being available to the public before being finalized. Mr. Terzian replied that recommendations are not made available until finalized. Ms. English added that the LHC is covered by the Bagley Keene Act, rather than the Brown Act who's provisions dictate the actions of the EEC.

Chairman Abel stated that Commissioner Farrar had made a report earlier in the commission meeting regarding the EEC's involvement in real asset management. This issue and the issue of civil service reform are areas of overlap between the EEC and LHC. He restated that the EEC is interested in coordinating with the LHC on these and any other areas of overlap.

Commissioner Farrar asked about the LHC's use of advisory committees and how they are used as a resource. Mr. Terzian stated that many individuals in the academic and private sector are willing to give of their time and expertise for a public project. The advisory committees function as an important resource since the LHC does not use paid consultants. Ms. English added that since the LHC has a high success rate in the legislative arena, individuals view working on the committee as an opportunity to voice their concerns. They can then see their concerns addressed in the legislature in a relatively short period of time. The committee is used as a focus group to identify key problems, which may ultimately become part of the findings of the report.

Chairman Abel asked Mr. Terzian and Ms. English to expand on the value of public hearings. Ms. English stated that prior to the hearing, key issues are identified. The hearing is structured to discuss each of these issues in an open forum so the commissioners have the benefit of testimony from experts in specific fields. The hearing also helps provide information to the commission's legislative members. She stressed the importance of the advisory committee meetings and the discussion of the issues among the key players. Mr. Terzian feels that the public hearings are important, because they are accessible to anyone who wishes to attend. Members of the public are permitted to speak at the hearings after the scheduled speakers. The hearings take place before a draft report is written.

Commissioner Sylva asked if the LHC has subpoena power. Mr. Terzian replied that it did, but that it has rarely been needed.

Commissioner Crowley asked how the LHC managed the advisory groups. Ms. English replied that the initial meeting on a topic is attended by all interested parties with no limit on attendees. Members of advisory groups are told that their input is crucial to the LHC report process, but they do not have a vote regarding the report and are not allowed to view draft reports. The views of the advisory report will be reflected in the final report, but it is important that they are aware it is LHC's report. Commissioner Crowley asked who drafts the report. Mr. Terzian stated that staff writes the initial draft, copies are sent to commissioners for comment, and those comments are incorporated into the report. Ms. English added that commissioners attend advisory committee meetings and are involved in the gathering of information. Also, a list of potential findings and recommendations is distributed prior to the draft report. Commissioner Crowley stated that step is something the EEC should consider incorporating into its report process.

Chairman Abel asked what areas of study the LHC will be examining in May. Ms. English stated that LHC will be looking at the issue of redevelopment. The LHC is also beginning its review of civil service and she invited the EEC to attend the first advisory meeting on April 22nd. In addition, the LHC will consider looking at state-local roles, infrastructure, and state regulation of water.

Chairman Abel thanked Mr. Terzian and Ms. English for their time and presentation.

[Return to Top of Presentation](#)

[Return to Agenda](#)



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