CITIZENS'
Budget
2003–05

A 10-Point Plan to Balance the California Budget and Protect Quality-of-Life Priorities

Reason

The Performance Institute

Project Director: Carl DeMaio

Part 3

Target Spending Reductions Based on Priorities and Performance-based Budgeting

"Democrats have taken to describing some of the pending cuts in health and social services as tantamount to a death sentence for the people who depend on those programs. Schools across the state are preparing to lay off thousands of teachers. Local governments say they can't afford to keep their police on the streets. Why, then, does the state continue to maintain programs that are not a matter of life and death?"
–Dan Weintraub, Sacramento Bee, April 13, 2003

Summary of Citizens' Budget Recommendations in This Section:

1. Adopt **Performance Budgeting** statute to evaluate the relative priority, performance, and management efficiencies in programs to determine where to make targeted spending reductions without sacrificing vital services.
2. Enact up to $4.4 **billion in Spending Reductions** identified by analysis conducted by research team for Citizens' Budget
3. Create a **California Sunset Commission** which would systematically review the continued relevance and performance achievements of 20 percent of all state programs annually.

California Budget FACTS:



$4.1 billion

Dollar value of cost savings for '03-04 budget recommended by the Legislative Analyst's Office from its review of performance, management and relevance of state programs

$8.9 billion

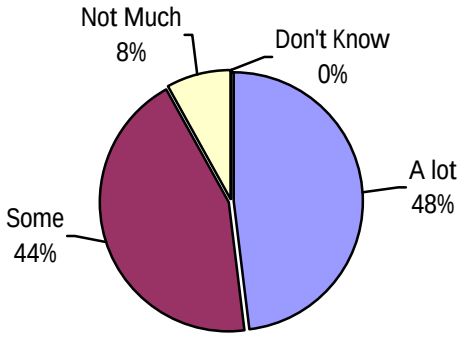
Dollar value of cost savings for '03-04 budget recommended by the Citizens' Budget project from its review of performance, management and relevance of state programs

The first obvious step in balancing the budget is to focus on reducing waste, eliminating pet projects or "pork," and prioritizing programs based on how vital they are. Yet, while it may be "obvious," it is much harder to do in practice than it is in theory. What one person considers waste, another could argue is a key priority. Nevertheless, an approach to evaluating program performance and prioritizing program importance can yield significant savings in targeted ways. In this section, the Citizens' Budget lays out the case for using performance-based criteria for the review of the state's expenditures—resulting in cost savings and protection of key quality-of-life programs.

Defining the Level of Waste, Poor Performance and Improper Priorities in State Government

Governments of all types and at all levels are prone to a certain amount of wasteful spending due to the nature of politics. This waste is only exacerbated in times of abundance. During the "boom years," when the state coffers benefited from the tax revenues of fortunes built upon the dot-com explosion and the soaring economy in general, legislators and the Governor did not feel the need to be so stingy with taxpayer dollars, and many pet projects were funded as a result.

Figure 7: Do you think people in state government waste a lot of the money we pay in taxes, waste some of it, or don't waste much of



Source: PPIC CA Statewide survey, 2001.

Government waste can best be defined in three ways:

- **Relevance**: A program that is not as important a priority as other competing needs, or is duplicative of other government, non-profit or private programs.
- **Performance**: A program that does not have an impact or does not produce an appropriate level of performance results.
- **Management Efficiency:** A program that suffers from poor management (whether or not it is a priority or delivers performance) resulting in internal inefficiencies, fraud, error, poor resource allocation, etc.

A program not meeting the first criteria (Relevance) should be suspended temporarily during tight budget times. It is not that the program is not worthy or beneficial—there are just not enough resources to fund all of the "nice idea" programs and maintain the "vital imperative" programs. A program not meeting the second criteria (Performance) should be terminated and its funding allocated to other programs in its mission area that can produce results. Finally, a program not meeting the third criteria (Efficiency) should be reformed immediately and cost savings from improved management should either be reallocated to that program to expand service levels or allocated to other important programs.

How much "waste" exists in the California state government? *The honest answer is: we don't really know!* That's because the state government has not implemented transparent systems for evaluating the performance, cost and management of state programs. There has been no benefit for the bureaucracy to do program reviews on its own, and the legislature long ago abdicated its role in program oversight.

Indeed, the research team working on the Citizens' Budget learned first-hand how difficult it was to do good analysis of state programs when it contacted state agencies with basic questions on how many staff were employed, what performance goals each program had set, what performance results each program could report, etc. Our requests to various departments produced a dearth of information and often we were told that the information we requested was not collected or could not be determined. In one case, we discovered that an e-mail request for information had been deleted without even being opened!

What are abundant are stories of extreme and obscene mismanagement, waste, error, redundancy, and poor performance. The media has been the best source of information on government waste, followed by the average taxpayer or government worker who becomes a "whistleblower." The Citizens' Budget provides only a handful of hundreds of examples uncovered during the course of this project.

Besides the examples we lay out below—as well as an initial list of $8.9 billion in savings the Citizens' Budget compiled based its own analysis of the state government—there are a number of signs that the state indeed has a severe problem with waste:

- **Public Perception:** While the public is naturally suspicious of government and holds government bureaucracy in low regard, California state government has significantly higher negative ratings on its efficiency and management than the federal government and the average for state governments. In a recent poll, 65 percent of Americans complained about the efficiency of the federal government, whereas only 58 percent had negative views on their state government. In stark contrast, over 92 percent of Californians feel our state government wastes some or a lot of the money we pay in taxes.

- **Good Government Groups**: Numerous good-government groups have issued reports critical of California state government. Some groups are agency-specific, pointing out problems in social services, foster care, corrections, education, etc. Others are cross-cutting and examine overall spending and management practices. For example, in June 2001, Governor Davis was given the dubious honor of "Porker of the Month" by the nonprofit organization Citizens Against Government Waste—the nation's largest government watchdog group.[19] In October 2002, the Governor was anointed with the California Golden Fleece Award by the Pacific Research Institute "for his failure to protect the state's fiscal health by cutting waste from the state budget."[20] Finally, the California Taxpayer's Association has documented waste, fraud and poor performance at hundreds of state and local programs…all detailed on its Web site www.caltax.org.

- **Governor's Proposal**: In reviewing the Governor's proposed $10.2 billion in mid-year spending reduction proposals, it is apparent that many of the cuts come from reviews on performance, management or relevance.

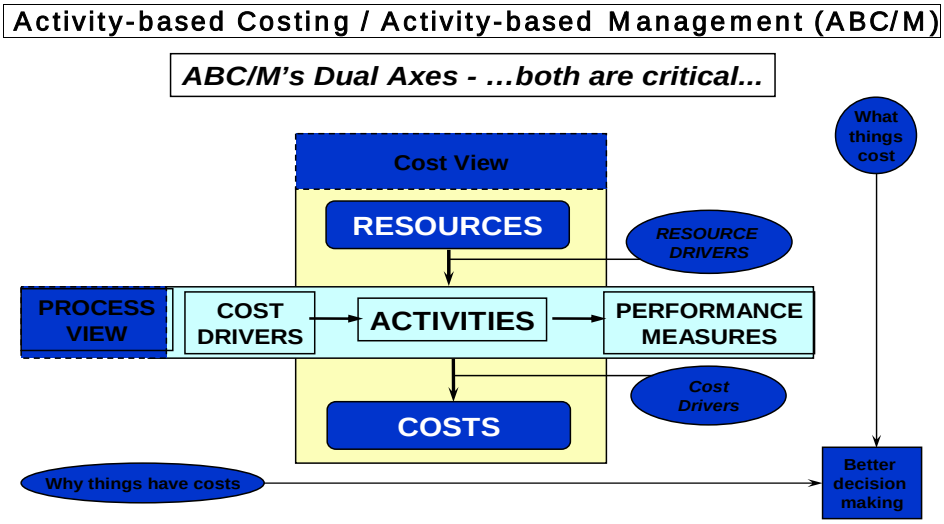
- **LAO Program Reviews**: The non-partisan Legislative Analyst's Office routinely provides recommendations to the legislature on potential cost savings from programs with poor performance, faulty management and/or questionable relevance. A laundry list of programs with problems has been compiled by the LAO—with the LAO recommending reforms or elimination to over $5 billion in program expenditures over the next two budget cycles.

Implementing Performance Budgeting in California

California currently uses an incremental budgeting system in which budget requests are made as adjustments to the previous year's level of spending. Oftentimes, little justification is provided for budget increases. As can be seen by a perusal of LAO Budget Analysis documents, information provided to the legislature and even to the Governor is often incomplete and sometimes inconsistent.

The Citizens' Budget strongly recommends the full implementation of performance budgeting in California. Performance Budgeting changes the state budgeting process to focus less on the *intentions* of programs and more on the *results* of programs. Instead of automatically granting programs "adjustments to the base budget," performance budgeting would examine a program using the three criteria articulated above: relevance, performance and management.

Figure 8: How Activity-based Costing and Performance Budgeting Can Help Make Spending Reductions



Source: The CAM-I Glossary of Activity-based Management, 1990

Performance budgeting is a budgeting method that "costs out" various activities of a program and correlates those costs to services provided (outputs) and results achieved (outcomes). By implementing performance budgeting, the true costs of government can be known—and with the transparency of true costs, comparisons can be made to other programs and cost-benefit analyses conducted.

The use of performance budgeting would not only lead to quantitative savings by placing an increased emphasis on efficiency, it would also lead to *qualitative* enhancements by promoting ever-improving outcomes. Thus, a new focus on performance and results would not only reinvent the budgeting process, it would reinvent government itself. Through performance budgeting, legislators will reveal worthy priorities as well as government waste, and both legislators and taxpayers will be better able to see just what their tax dollars are buying.

It should be noted that several years ago California attempted a few performance budgeting pilot projects. The pilots were discontinued—killed by the bureaucracy and the legislature's cultural resistance to performance and accountability—as well as by poor implementation. The pilot projects did not implement performance budgeting correctly. The performance measures selected to track performance were not results-oriented, and instead measured meaningless process, activity and effort levels. Even worse, the pilots failed to link their resources to performance goals through activity-based costing. Instead, pilots lumped their entire program budget into a single justification—providing very little useful information to allocate resources on activities that had a greater impact on performance.

This time around, California has to have an ironclad commitment to performance budget—exhibited by the Governor, legislature and agency managers. Specifically, the legislature should adopt a formal performance budgeting statute based on the landmark "Government Performance and Results Act"—already law at the federal level. More importantly, it has to be implemented correctly using results-oriented performance measures and backed up by cost information on an activity level.

Using Program Assessments to Select Targets for Spending Reductions

For the immediate challenge, the Governor and legislature should require each agency to submit a performance budget by June 15th based on a series of questions relating to the relevance, performance and management of each of its programs. Regardless of the assessment approach the state takes, a program-by-program approach to spending reductions has to be conducted—with performance at the heart of each assessment. A program that cannot provide an answer to the questions—backed up by clear and convincing evidence—should NOT be given the presumption of relevance, performance or good management. Instead, its funds should be suspended wholly or in part until a solid justification can be made.

The **Citizens' Budget** uses three categories in assessing each program.



***Relevance*: Key Oversight and Budget Review Questions to Ask**

1. *Purpose*: Does the program address a specific interest, problem or need that is clearly identified and immediately pressing?
2. *Appropriateness*: Does the program represent a critical, essential role for state government to play?
3. *Impact*: If the program were eliminated would no other parties wholly or in part mitigate the loss of the program?
4. *Uniqueness*: Is the program designed to make a unique contribution that is not duplicative of other federal, state, local government programs or private and non-profit programs?
5. *Growth*: Has the program's budget grown over the past 10 years in a manner consistent with the growth in the need it is designed to address?

Evaluating Program Relevance

The first element of an assessment should consider whether the state should be spending money on a given program or activity in the first place. Moreover, a number of factors should be weighed.

First, the program should have to justify that there is a critical and compelling need addressing a major problem that requires state intervention. For example, during tight budget times, non-essential programs such as exhibitions, fairs, demonstration projects, etc. should be postponed or scaled back.

In many, many cases, reviews of programs should go beyond an overall program review to include the activities and spending practices. Some expenditures at an activity level came to our attention that clearly did not meet the relevancy criteria:

- The 2001 budget contained funding for the Department of Conservation that included appropriations for nine staff positions to investigate an estimated five complaints per month of predatory pricing by recyclers, and for the creation of computer-generated maps using Global Positioning Services in order to identify the locations of neighborhood recycling centers. Judging by the "need" of this program (a mere 5 complaints per month) it probably does not warrant nine full-time positions.[21]
- In 2001, the Resources Agency spent $12,000 on a series of poetry readings. According to Resources Secretary Mary Nichols, "Poets give us the inspiration that we need to do our work."[22]

In other cases, we found that the program duplicated other federal, state, local, non-profit or private efforts. A few examples we found included:

- The Employee Development Department's Workforce Investment Act Program ($537,166,000) and the Office of Statewide Health Planning and Development's Healthcare Workforce program ($10,593,000) are duplicative of other job-training and student-aid programs. These services also happen to be readily available in the private sector.



***Performance*: Key Oversight and Budget Review Questions to Ask**

1. *Outcomes*: Does the program have specific, Long-term performance measures focusing on outcomes?
2. *Progress Toward Outcomes*: Does the program have a limited number of annual performance measures demonstrating progress toward Long-term goals?
3. *Achievements*: Does the program actually meet the goals established above?
4. *Comparative Performance*: Does the program deliver quality performance in comparison to similar program activities in other governments, the private sector and non-profits?
5. *Quality Information*: Does program collect timely and credible performance information that can be verified and validated?

Another way to tell a program has low relevance is if it delivers benefits to a targeted industry or group without broad-based benefits. In many cases, our project uncovered examples of "corporate welfare" programs that benefit certain industries by subsidizing activities that should be funded by the industry itself. Good examples of these kinds of programs include:

- The Office of Statewide Health Planning and Development's Cal-Mortgage Loan Insurance program ($4,241,000) is an insurance program for health facility construction, improvement, and expansion loans. These clearly can be obtained in the private sector and it is unclear why the health care industry was singled out to receive such subsidies.
- The Governor's Budget proposes spending $80,767,000 on the Department of Agriculture's Marketing, Commodities, and Agricultural Services program. Other private industries must rely upon their own marketing budgets for building their reputations and selling their products. There is no reason certain elements of the agricultural industry should receive government subsidies for their marketing, as this type of corporate welfare only disadvantages unprivileged competitors, drives up prices, takes money out of the pockets of consumers/taxpayers, and encourages further special interest lobbying of the sort that obviously got the program enacted in the first place.

Finally, another tell-tale sign that a program has a budget larger than its need can justify is when spending on the program has skyrocketed without an increase in problems it is addressing. Two good examples of this:

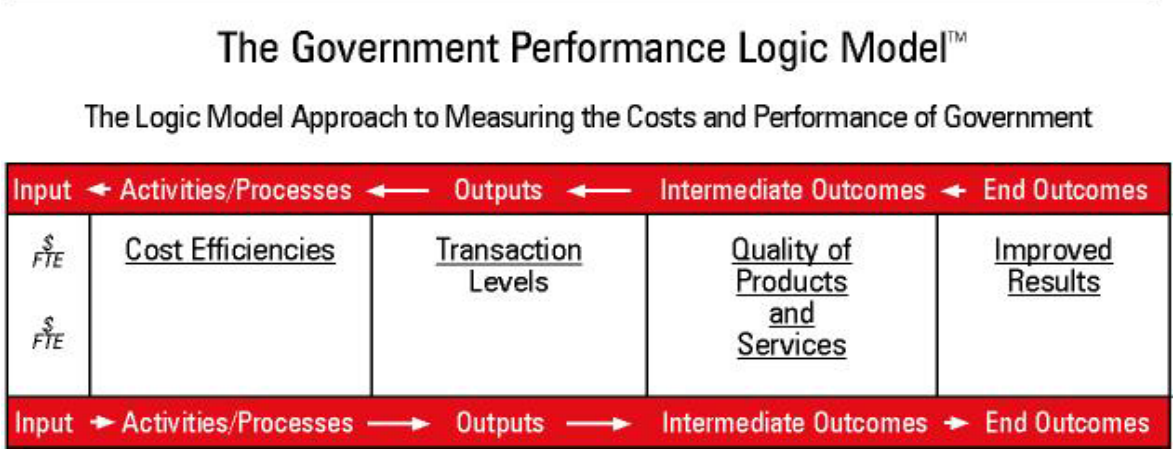
- The 2003-04 Governor's budget contains an 84 percent one-year increase in funding for the Committee on Health and Safety and Workers' Compensation of the Department of Industrial Relations, although there is no evidence to suggest that such an increase is necessary or warranted. Reducing the proposed budget by $850,000, from $2,661,000 to $1,811,00 would still yield a one-year budget increase of over 25 percent.
- Funding for the Office of the Secretary of Resources increased a staggering 2476 percent in one year from $17,098,000 in 2001-02 to $440,519,000 in 2002-03. Even the planned sizeable reduction to $54,285,000 in fiscal year 2003-04 yields a budget increase of 217.5 percent over two years. Implementing our suggested additional $25,000,000 budget reduction would still fund the office at a level that would represent an average growth rate of nearly 20 percent over the past two years.

Evaluating Program Performance

The second element of a program assessment should consider whether the program is producing solid results and is achieving its goals. In this element, the state should examine performance goals and performance measures for each program.

First, the program should identify what its outcomes are. Outcomes are the tangible results or benefits to be gained for the taxpayer as a result of a program performing a certain mission. While outcomes are difficult to measure and can take several years to achieve, nonetheless *all* programs can and should measure outcomes. If a program cannot measure its outcomes, there is serious question whether the program can be managed to achieve results.

Second, the program should identify tangible goals and measures on an annual basis (outputs and intermediate outcomes) that lead to the program's outcomes. These measures provide the means for policymakers to assess program progress on an annual basis instead of waiting several years for outcomes to be measured. Most importantly, these measures provide programs with key "milestones" that must be achieved to ensure the program produces intended results. (Programs might want to present performance information using a logic model as represented in the graphic below.)



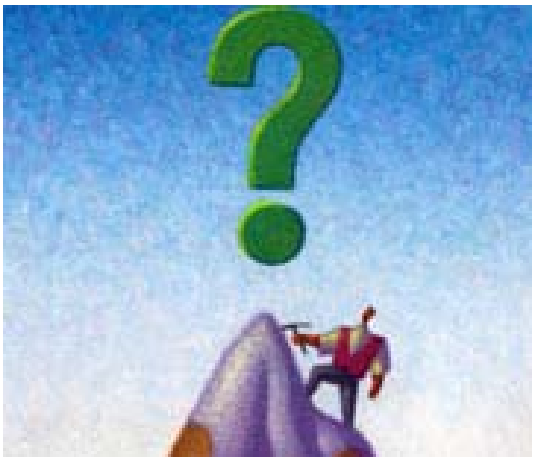
Source: The Performance Institute

Finally, when evaluating performance goals and measures for each program, the state should examine whether the goals of the program have been met. If a program does not meet its goals, were there external factors that caused the failure? How did the program compare with similar activities in the private sector, non-profit organizations, or other government agencies? Most importantly, the state should review all performance information provided in this assessment to ensure reliability and accuracy of the information.

The research team contacted each state agency to request goals and measures for each program. No state agency provided this project with goals and measures despite repeated requests. Indeed, several agencies noted that the practice of setting goals and measuring performance had been discouraged by management and certainly would not be part of the budget presentation to the legislature. As a result, the research team found it hard to systematically evaluate the performance of state programs. Nevertheless, the sheer fact that programs do not set goals and do not have evidence of their achievements should call into question the need for funding.

In other cases (such as with education scores, foster care, substance abuse, etc.) state programs have poor performance achievements well-documented by the media and interest groups.

- Internal audits of the State Disability Insurance program, which provides aid to pregnant women and those unable to work due to injuries received outside of their jobs (and thus ineligible for workers' compensation benefits), revealed that state employees made errors on nearly 40 percent of the claims processed and approved benefits payments to people ineligible for the program.[23]
- According to the LAO's 1999-00 Budget Analysis, the California State University had no idea how many additional full-time students enrolled in teaching preparation programs as a result of the $13.8 million appropriated during the previous two years to increase program enrollment.[24]
- The Department of Consumer Affairs spent $62 million on the Low-Income Repair Assistance Program, established to provide state assistance to eligible low-income participants for smog check automotive repairs, in 1998-99 and was allotted an additional $62 million in the Governor's 1999-00 budget, despite the fact that only 3 people had participated in the program.[25]
- The Early and Periodic Screening, Diagnosis and Treatment, or EPSDT Program, which provides mental healthe services for children, has grown from zero to $770 million in eight years, with half that cost paid by the state and half by the federal government. Even as the rest of state government is cutting back, this program is expected to grow dramatically in the coming year, by another $150 million. Known only to insiders, the program is hardly a household word, like welfare or Medi-Cal. But it has caught the attention of the number crunchers at the Department of Finance, who call its growth "alarming." The state's director of mental health is also concerned, because, he concedes, he cannot say with confidence that the money is being well-spent.[26] Additionally the state has not studied whether or not the treatment is working, and whether or not the children are receiving help. To date the program has been focused on performing the court-mandated services without regard to whether or not those services are working.
- A December 2001 Bureau of State Audits report on the Technology, Trade and Commerce Agency concluded that "without adequate strategic planning, the agency lacks an effective way to demonstrate that it is wisely using the more than $200 million spent on its programs each year."[27]
- Another perfect example is provided by the state's foster care system, where an estimated 25 percent of the children in foster care have not received timely medical care and 50 percent have not received appropriate mental health services.[28]



***Management*: Key Oversight and Budget Review Questions to Ask**

1. *Resource Allocation:* Does the program provide a compelling cost-per-unit of service? Are there examples of egregious spending?
2. Personnel Management: Are employees held accountable for performance standards and trained/managed to produce optimal results?
3. Process Re-engineering: Have IT and other processes been leveraged to improve performance and cost efficiencies of the program?
4. Competitive Sourcing: Does the program use partnerships, grants and contracts to improve efficiency of operations and service delivery?
5. Financial Integrity: Does the program have strong internal controls and has it reduced waste, fraud and errors in its payment and financial management systems?

Evaluating Program Management

The third element of a program assessment should consider whether the program is being managed properly and efficiently. Programs can be designed and managed to produce results in a variety of different ways. Just because a program is relevant and producing results does not mean it is optimally designed using the latest best management practices.

Just as with performance goals and measures, state programs were reluctant to share any management information requested. Indeed, virtually no program in the state could provide a reliable "cost-per-unit-output" figure to the research team. In most cases, the research team again had to rely on media reports, whistleblower complaints and examples provided by watchdog groups.

Examining spending practices is the first key step in evaluating a program's management. Certainly analysis of cost-per-unit activity or output of a program can reveal serious mismanagement of resources. For example,

- In January 2002, the state paid $913,000 to the Stanford Medical Center for a heart transplant for a two-time felon.[29] The average cost of a heart transplant in the nation is just over $200,000. The action caused many critics to claim that prisoners receive better medical care than average Californians.
- In FY 1999-00, the Department of the Youth Authority proposed spending $2,900 per window to modify 36-inch-square windows in ward rooms.[30]

In addition to looking at "cost-per-unit-output" the state should examine any inappropriate spending practices or allocation of resources. Examples of egregious spending included:

- Chief Deputy Director Elwood "Woody" Allshouse of the California Department of Forestry and Fire Protection acquired on behalf of the state a "very expensive, very fast, executive-style aircraft that he often flies personally and—according to those familiar with it—is unsuited to any serious firefighting role."[31] The plane will cost the state over $7 million in lease payments over the twelve-year term of the lease, plus maintenance and operational expenses.
- A December 2002 Bureau of State Audits report concluded that in fiscal year 2001-02, the Department of Health Services paid an average of $3,121 for wheelchairs with unlisted Medi-Cal codes, more than five times the $622 cost of wheelchairs with listed codes.[32]

- According to a March 30, 2002 article in the *Contra Costa Times*, "California National Guard troops assigned to protect four major bridges are housed at hotels—including the four-star Marriott in downtown San Francisco—rather than in military barracks, at a cost to taxpayers of more than $750,000, government records show. The total tab for the guard's anti-terrorism efforts on four state suspension spans already exceeds $2.5 million, according to the Department of Finance."[33]

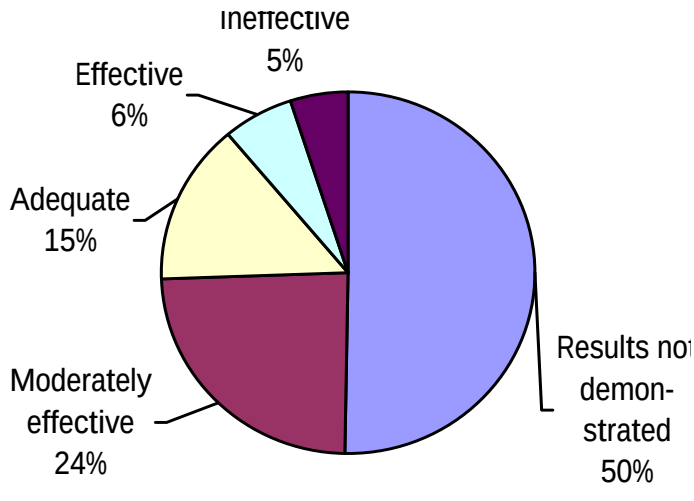
Programs manage processes. Just like a factory has an assembly line, government programs have various processes and procedures for how they serve the taxpayer. As with any operation, they can be efficient or absurdly inefficient. The state should examine the processes of each program to evaluate whether the program has effectively used information technology to streamline operations and whether unnecessary layers of bureaucracy have been eliminated. Of all of the areas where cost savings can be found, redesigning state programs offer perhaps one of the best opportunities. Among the numerous examples of inefficient and bureaucratic processes, we found that: According to the LAO's fifth annual Budget Analysis Quiz, the Department of General Services charged other state departments $6,200 to check a forest fire station, which does not have a school, for school seismic requirements and $2,000 for environmental documents to replace lighting fixtures at a prison.[34]

Three other management issues should be evaluated: personnel management, competitive sourcing, and reducing payment errors/fraud. Given the significant cost savings associated with these three management issues, this report has two chapters (Parts 5 & 6) dealing with these challenges in greater detail, complete with egregious examples uncovered by our research.

Scoring Programs Using Performance Criteria

Based on the questions posed above, it might be useful to "score" programs based on responses to the questions and provide a complete assessment of each program's performance in categories such as in Figure 9. A number of scoring approaches can be taken.

Figure 9: Results of the "Program Assessment Rating Tool"in the '04 Federal Budget: How Accountable are Federal Programs (In Percentage of Programs)



Source: President's FY04 Budget

For example, at the federal level, the Office of Management and Budget used the Program Assessment Rating Tool (PART) to score 20 percent of all federal programs. The PART assessment reflects most of the issues raised by the Citizens' Budget for the state of California to use in its assessment of state programs. When OMB "scored" federal programs using the PART criteria, more than half of the programs failed! Based on the scoring, targeted spending changes were made, with "effective" programs receiving an average budget increase of 6

Figure 10: Targeting Spending Reductions



Source: Carl DeMaio, The Performance Institute

percent while "ineffective" programs were held to a paltry 1 percent increase. Most programs with performance problems were reformed—with conditions put on their funding levels.

California might also want to use a scoring approach. One way to rank programs is to use the four-quadrant model in Figure 10.

Programs would be given a score on a scale of 1 (low) to 4 (high). Then, the program's ranking would be "plotted" on the graphic, along with all others in that agency. Based on which box the activity falls into, an agency can determine what opportunities for change may exist.

A. **Attention Needed**—Activities plotted here are highly relevant to the agency's overall mission, but are not performing or being managed very well. These activities are prime candidates for reform (and even spending increases) designed to improve activity performance and management.

B. **Proven Success**—Activities plotted here are relevant to the agency's overall performance and are performing very well. Building on success might be warranted here.

C. **Exit Opportunity**—Activities plotted here are not relevant to the agency's overall mission and are not performing or being managed very well. The agency may choose to shift resources to more important areas after ceasing these activities.

D. **Resources Available**—Activities plotted here are not relevant to the agency's overall mission but are performing and being managed very well. The agency may have resources and staff here that can deliver similar high performance in more important activities or may choose to shift resources to more important areas after ceasing these activities.

Spending Reductions Identified by Citizens' Budget Analysis

In applying elements of the performance-based methodology outlined above to the state's budget, the Citizens' Budget proposes a list of spending reductions totaling over $5 billion. In addition, the LAO's spending reductions package, using a similar approach to the Citizens' Budget, contains an *additional* list to save $4.1 billion in 2003-04 and $3.3 billion in 2004-05. It is important to note that the Citizens' Budget reductions are in addition to the LAO cuts. Appendix B contains the specific reductions on a line-by-line basis in the budget. Moreover, next to each reduction, a justification is provided.

In many cases we categorized programs as low priority because they were duplicative of other state programs, they were duplicative of services that are adequately provided in the private sector, they had experienced explosive and unjustified budget growth, they were better suited to more local levels of government, or we simply felt they did not perform a core government role. Even without an abundance of performance information, we also made recommendations based on poor results and poor management of programs.

Clearly, should state policymakers apply the methodology outlined above and firmly demand detailed information from each state program, additional opportunities for reductions can be found. At the very least, the state should carefully consider both the LAO and Citizens' Budget reduction packages.

Creating a California Sunset Commission

Often times, the Governor and the legislature are too close to political pressures to adequately and appropriately review the performance of each state program. That's why, long term, we recommend the creation of a "California Sunset Commission" to conduct a thorough audit of state finances and expenditures and to recommend ways the government can cut costs, reduce waste, and improve efficiency and service levels. Specifically, the Commission should:

- Review 20 percent of state programs each year (like the PART process used at the federal level by the Office of Management and Budget)
- Assess the importance of agency functions and eliminate or consolidate programs that are deemed outdated or unnecessary
- Provide suggested performance goals and measures for programs that have shown an inability to focus on meaningful results
- Be appointed by the Governor and legislature
- Present an annual package of program reforms that would be voted on en masse with a single up-down vote

The success of such commissions in other states, such as Texas, Illinois and Virginia, suggest that this would represent a significant first step in helping legislators to identify ways to improve state budgeting and services. The Texas model describes how the California Sunset Commission might work. About 150 state agencies are subject to the Texas Sunset Act. The legislature groups and schedules agencies for review by function to allow the examination of all major state policies related to a particular function at once, such as health and human services, natural resources, and financial regulation. About 20 to 30 agencies go through

the Sunset process each legislative session. Since the first reviews, 44 agencies have been abolished and another 11 agencies have been consolidated. In addition, the legislature has adopted a large majority of the recommendations of the Sunset Commission.[35]

Targeting Reductions the Right Way

In time of abundance, budgeting decisions are fairly simple. They often come down not to *whether* programs should be funded, but *how much*. Those days are gone, however, and now the Governor and the legislature must craft a budget that is more in line with the economic reality that hit the California consumer two years ago. In their mission to balance the budget, Governor Davis and members of the state legislature must separate low-priority programs and functions from those that are central to the operation of state government.

As this section details, there is an incredible amount of waste occurring in California state government. The good news, however, is that it is never too late to commit to cutting government waste. With some vigilance and common sense, waste can be minimized, thereby freeing up resources for higher-priority programs and services.