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To: News Media
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Subject: State Government Reorganization

As recently reported in the media, the Schwarzenegger Administration is preparing a sweeping reorganization of state government. The strategy is intended to produce significant efficiencies – and cost savings. The following statement from Cal-Tax President Larry McCarthy urges immediate and serious consideration of the governor's reorganization plan.



Cal-Tax Urges Immediate Consideration of Schwarzenegger Administration's Reorganization of State Government. Reorganization is Critical in Responding to Out-of-Control State Spending

Larry McCarthy, president of the California Taxpayers' Association, issued the following statement based on a background briefing by the Schwarzenegger Administration on its plan for a more effective and efficient state government:

Among the serious problems the Schwarzenegger Administration inherited last October is a completely broken system of budgeting, accountability and financial management. The great news for taxpayers is that the governor's state government reorganization strategy is the best opportunity in decades to see real reform in Sacramento.

Out-of-control spending is no secret to anyone watching the Sacramento budget deficits in recent years. We have cataloged press reports in recent years identifying billions of dollars wasted through fraud and mismanagement in state programs, much of it going unchecked as a result of weak legislative oversight. In fact, as taxpayers we continue to fund the waste, fraud and inefficiencies as if they were priority spending. The current

state budget process makes little distinction. Another measure of the failure in state financial management is the state's inability to meet priority needs of California even though taxpayers pay more than \$100 billion in state-level taxes each year.

The Reorganization Plan will be the foundation on which the Schwarzenegger Administration will build financial accountability, cost effectiveness and performance measures to focus resources on California public priorities. The sweeping changes in this plan will strongly encourage departments and bureaucrats to be accountable for fraud and waste and will promote more efficient use of taxpayer dollars. The state's spending of our hard-earned tax dollars can then be focused on the priority needs of the public.

In addition to the consolidation of tax agencies, the reorganization plan will enhance the long-overdue financial management of runaway labor contracts and will seek to eliminate fraud and overlaps in health care administration. It will promote the development of adequate infrastructure funding and numerous other logical changes that are foundational to bringing stability and accountability to California's finances. Under the reorganization, state government's procurement of goods will also become more strategic and cost effective.

Public attitude surveys have shown for some time that voters have low levels of confidence in Sacramento's ability to manage tax dollars to achieve quality public schools, public safety, health care programs for the poor, and the construction of public facilities. Unfortunately, obstacles at every turn prevent Sacramento politicians from allocating resources to these critical programs. One of the most serious and fundamental obstacles is the confused and unaccountable organization of state agencies. The overlap and duplication of functions and programs are pervasive and have prevented managerial control that must change for us to get our fiscal house in order.

The Governor's Reorganization Plan will deserve immediate and serious consideration by policymakers, taxpayers, businesses and all who care about stabilizing California's finances. Mismanagement and out-of-control spending in Sacramento have gone on long enough.