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## **Economy & Efficiency Commission Presentation**

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**PRESENTATION OF  
David Janssen, CAO,  
Los Angeles County  
April 2, 1997**

**Topic: State of the County**

Mr. Janssen began his presentation by stating that he has spent half of his career working in local government and half in state, which gives him a unique perspective. When he made a presentation to the League of Women Voters, he was asked his view of the long term outcome for counties. He told them that counties will fail, because they do not have the ability to raise revenue or control expenditures. California counties have been failing for several years. Budget reductions and cutbacks have caused departments and services in Los Angeles County to deteriorate. The negative view of the County is tied to reductions in service levels and from the belief by elected officials and the public that the County could continue to provide as it did previously, if only the County was more efficient and productive.

Mr. Janssen stated that he had great hope that the work of the California Constitution Revision Commission would positively effect the structural problem that has existed in California since Proposition 13, and was intensified by the recession and the State Property Tax transfers of 92, 93, and 94. The CCRC produced good work, but their report arrived in Sacramento as the economy was turning around, and government does not normally make decisions when things are going well.

Los Angeles County government has been severely affected by the structural gap and has been widely criticized for financial strategies that have kept the County going. The structural problem that exists in Los Angeles County was created by the State of California when it shifted \$500 million of the General Fund to the State and replaced it with nothing. This happened three years ago and the County has been expected to magically fix the situation.

Mark Finucane, of the Department of Health Services, is in a similar predicament. The DHS structural problem was caused by the Board of Supervisors transferring \$100 million of property tax out of the Health Department. This was done as a result of the State's transfer, to balance the budget, the OBRA 93 cap in Washington that was caused by other states abusing the expenditures, and a \$300 million loss of revenue.

Proposition 13 prohibited local government from raising revenues and people still demand the services. The only way the Board can provide these services is by fees and assessments. The public backlash for continually rising fees and assessments is Proposition 218. The question is what will happen in June if there is not a 2/3 vote for the fire assessment? The Board can't use general funds and most likely will desperately find a way to provide fire services. When they do, the public will see that as a sign that the assessment was not needed in the first place. It is a vicious cycle.

Commissioner Buerk asked why the Board of Supervisors governs the Fire District when it does not service

the entire County. The Fire District could have its own Board that would not be burdened with other political decisions. The provision of fire services would then be an issue and could be publically discussed.

Chairperson Abel asked what has been the change in General Fund discretionary dollar amounts over the last 10-15 years. Mr. Janssen replied that of \$12.1 billion dollar budget, 83% goes to State and Federal programs. Local taxes generate \$2.1 billion and most of that amount is controlled by match requirements and maintenance of effort requirements. Out of the \$12 billion dollar budget, there is only \$404 million that the Board can use to solve the General Fund structural problem. \$227 million of that amount is spent on law enforcement, probation, corner, and District Attorney. That leaves a couple of hundred million to handle everything else.

The biggest, recent change to the budget have been maintenance of effort (MOE) requirements. As a result of the tax shift of 93-94 and the counties' outcry that followed, the legislature constructed Proposition 172. This Proposition stated that this money had to be used in law enforcement, and in any County where the Board would not put it on the ballot and it passed, the County would not receive the money. This forced the Boards of Supervisors in California to request a tax to bail themselves out of a situation that was created by the State. Prop. 172 passed and most counties gave that money to law enforcement and redistributed the normal law enforcement funds. The following year the State required counties to spend the same amount of money on those Departments as was spent in 94-95, in order to receive the money from Prop. 172. The Sheriff's budget of a billion dollars for 1997-98 cannot be cut by the Board of Supervisors due to MOE.

Commissioner Philibosian asked if the Sheriff or District Attorney could make voluntary cuts to their budget. Mr. Janssen replied no.

Vice-Chair Farrar stated that there is a disassociation of accountability between local government and our representatives in Sacramento. Mr. Janssen stated that there are seven former Supervisors now in session which have reestablished the local caucus and will hopefully help change the dysfunctional relationship that exists.

Chairperson Abel asked Mr. Janssen to comment on what is happening in San Diego. Mr. Janssen stated that a ballot initiative was placed on the ballot in San Diego that generally addressed support of government consolidation and it received 63% of the vote. This lead to a regional panel that made recommendations for this consolidation. The recommendations were met with controversy and the Board did nothing with the report. He believes that the elected city officials, who normally serve as a block, should be involved from the beginning to insure that their concerns are heard.

Commissioner Buerk asked how counties can adapt so they do not fail. Mr. Janssen stated that government's role will need to be redefined. He also supports integrated community based services by government, private sector, and non-profit agencies.

Vice-Chair Farrar stated that he was pleased that the CAO's office had acted on the Commission's recommendation and issued an RFP for real asset management. Mr. Janssen stated that honest communication of agreement and non-agreement on recommendations made by the EEC to the Board is an imperative. A disagreement about recommendations should result in an open dialogue between both parties so that a solution can be found.

Commissioner Crowley inquired about the status of the Unincorporated Areas report. The Board referred the report to the CAO's office for comment. Mr. Janssen stated that he thought it would be to costly and time consuming to setup an unincorporated areas budget, but there are other things that can be done to address the needs of the unincorporated areas residents. Commissioner Crowley suggested an informal roundtable to discuss these and future issues. Mr. Janssen agreed that this was a good idea.

Commissioner Buerk asked how would they control the service expenditures for the unincorporated areas without a budget. Chairperson Abel suggested that this was a good topic for a roundtable. Mr. Janssen agreed.

Chairperson Abel thanked Mr. Janssen for his time and presentation.

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