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Economy & Efficiency Commission Presentation

PRESENTATION BY
Mr. Mark Baldassare, Senior Fellow, and Mr. Michael Shires, Research Fellow
Public Policy Institute of California
Topic: The Los Angeles County Project: The Role of County Government in Providing Local Services
October 1, 1998

Chairman Abel introduced Mr. Mark Baldassare, Senior Fellow, and Mr. Michael Shires, Research Fellow, of the Public Policy Institute of California. Mr. Baldassare thanked the Commission and began by discussing the project that the Public Policy Institute will be undertaking with the Chief Administrative Office. He handed out a memorandum of understanding with the County covering the role of county government in providing local services.

The Public Policy Institute of California is a nonprofit, independent and nonpartisan organization begun four years ago with an endowment from William Hewlett. All of the research funds come out of the endowment. Since the Institute feels that Los Angeles County is important to the State, they have decided to invest substantially in a study of the County over the next year.

Governance is a key issue for the Institute. For that reason, the question of state-local finance is very important. By using Los Angeles County as a study site everyone involved can learn a great deal. Over the upcoming year the Institute plans to come up with a comprehensive view of public finance of local services in Los Angeles County. The way the study is to be conducted is:

1. Describe and summarize the system for financing county-provided services. The purpose of this phase is to look at all of the programs and services provided by the County, with FY 1998 as the base year. The study will collect all of the information possible about where the County derives its revenue and what programs and services are provided. This will include services deemed to be necessary by the federal and state government and services provided on a contract basis.
2. Describe the broader context of service provision and revenue collections by other jurisdictions in the county, including cities, special districts, and regional agencies. This stage of the effort will also focus on identifying the source of revenues and what services are provided.
3. Identify the fiscal and organizational stresses in the provision of services within and between jurisdictions. Given the way that California revenues are collected, what are the problems of the people doing the work?
4. On the basis of both quantitative and qualitative analysis, identify alternative fiscal and organizational arrangements, if appropriate, for the provision of countywide and local government services. This data

will be analyzed to identify some examples of alternative fiscal and organizational arrangements for the provision of countywide and local government services.

Mr. Baldassare stated that the first six months will be committed to collecting the basic information from the budgets. In February and March of 1999 the Institute will be involved in interviewing department heads inside and outside county government. At that point the Institute will begin analyzing the data and putting together its report. This report is currently planned to be submitted in draft form by the summer of 1999. Los Angeles County is the first client for a study that the Institute has conducted.

Commissioner Petak asked the study would be getting into infrastructure and public/private delivery of services, e.g., deregulation of utilities, etc., or will be the study focus on social services provided by government. Mr. Shires responded that the study will be looking at those issues, but not from a regulation standpoint. The goal is to identify the tensions between revenues and expenditures and the reason the County spends money in these areas. Mr. Baldassare suggested that they will start out by trying to get a good picture of what the County does. They will also try to learn what other agencies in the county do in providing services.

Commissioner Jimenez commented that many governments are facing issues of storm water runoff. One solution offered was to raise the height of the river walls to hold the runoff. Is this an example of what the study will consider? Mr. Shires responded that their task was to look not only to the County, but also to issues within cities and identify where services are provided with different models, e.g., full contract city vs. full service city. The study does not intend to come up with a legislative agenda. It should provide the information necessary to discuss the issues meaningfully.

Commissioner Crowley asked about the directions of the Institute. Mr. Baldassare responded that the Institute grew out of discussions of Roger Heintz, Chair of the Hewlett Foundation, and Bill Hewlett in 1994. Bill Hewlett felt that the best way to address issues of local government was to establish an institute that would collect the facts of what was going on in the economy, population and government. The initial endowment was for \$90 million with an additional \$50 million provided two years later. The purpose was to establish a non advocate, nonpartisan information source to state and local leaders. Commissioner Crowley asked if the Institute had a Southern California Office. Mr. Baldassare responded that they didn't, but that two research assistant would be assigned to this project and that the research team would be spending a significant portion of their time in Southern California over the next year.

Commissioner Padilla asked whether the "realities" of policy development could overwhelm the identified tensions and how we could effectively bring such solutions to the attention of Board members. Mr. Baldassare replied that the Institute has a communications group to assist in the release of information generated by the Institute to try to position the release of the information. Additionally, the Irvine Foundation is enthusiastic about this project and they have offered to provide resources to develop a communications plan. Chairman Abel commented that he recognized that the Institute is not an advocate, but an organization to provide the baseline information to help decision-makers.

Commissioner Petak suspected that one thing that the Institute would be trying to do would be to conduct a systems analysis of the flow of revenue and tax dollars to see what percentage goes to superior governments and what percentage comes back. Chairman Abel thought the study should consider the issues of accountability and responsibility on the expenditure decisions vs. where the funds come from. Commissioner Crowley commented that the financial data were not the only sources of policy decisions. There is an element of policy that may transcend some data being analyzed. Decisions may have to reflect the desires and needs of the local community. Mr. Baldassare agreed and commented that one of the goals of the study is to talk to department heads and people within and outside government. This will identify services and the forms of government to provide those services.

Chairman Abel questioned the accountability and responsibility for funding issues of the county hospital relative to state and local government finance, where the decisions should be made, and the consequences of these decisions. Commissioner Padilla wanted to know how gains or losses between departments would be mitigated. Mr. Baldassare did not think that the study would get to that level of specificity.

Commissioner Petak asked about the estimated cost of \$450,000, since this is not much money for what the Institute is attempting. Commissioner Farrar agreed that amount and the time allotted does not seem sufficient, but that there exists a large amount of reference material that is available to the Institute that would be of significant value to this study. Chairman Abel commented that he would appreciate the Institute coming back to the Commission to give an update on what is happening.

Commissioner Jimenez asked if Mr. Baldassare's book on the Orange County Bankruptcy was available and if the Commission could receive a copy. Commissioner Padilla thought that there was a wealth of information available to help in this project.

At this point Chairman Abel asked Mr. Janssen if he had any comments. Mr. Janssen commented that many things have been pondered in California, but the basic information upon which to make good decisions has not been available. Information does not necessarily drive the decision, but it does provide a better possibility of arriving at a good decision. Chairman Abel thanked Mr. Baldassare and Mr. Shires for their presentation.

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