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Economy & Efficiency Commission Presentation

Editorial Note: Although every effort has been made to insure the accuracy of the material in this presentation, the scope of the material covered and the discussions undertaken lends itself to the possibility of minor transcription misinterpretations. The Commission apologizes for any inaccuracy.

**PRESENTATION BY
Mr. James Bickhart
the Los Angeles Office of the Speaker of the California State Assembly, Antonio R. Villaraigosa
Topic: The Blue Ribbon Commission on State/Local Government Finance
January 7, 1999**

Chairman Abel introduced Mr. James Bickhart from the Los Angeles Office of the Speaker of the California State Assembly, The Honorable Antonio R. Villaraigosa. Mr. Bickhart began his presentation of the Speaker's Commission on State and Local Government Finance by giving the reason behind the formation of the Commission. The Speaker believes there is a direct relationship between fiscal imbalance and the public's increasing cynicism regarding the public sector. He elaborated that the Speaker wants this new commission to recommend solutions to the State Legislature. The Commission, meeting monthly for up to a year, will likely have twenty-five members from all over the State representing both county and city governments, business, environmental, and community leaders. It should be fully staffed by the end of this month (January, 1999) and the first meeting should be held in Sacramento by the end of the month (January, 1999).

Mr. Bickhart referred to the distributed curriculum, which lists what the Commission believes to be the key issues regarding the problems facing local government. These issues include: the adequacy of local revenues, coping with the business cycle, the fiscalization of land use, home rule issues, the plight of counties, the allocation of property taxes, and local control over tax rates. He also referred to additional issues for consideration by the Commission, including: the importance of regions, redevelopment, control and financing of schools, finance of development infrastructure, and special districts.

Commissioner Buerk asked if the allocation of sales tax revenues is a part of the redevelopment issue. Mr. Bickhart answered that the allocation of sales tax is actually intertwined with several of the key curriculum issues that were previously mentioned.

Chairman Abel commented that while the final responses to the invitations to serve on the Commission are still pending, it is clear that it will be a bipartisan and geographically diverse body of commissioners. This broad spectrum of opinions and insights regarding state and local government finance should be significant. Mr. Bickhart confirmed that political viability is enhanced by such a diverse roster of commissioners.

Commissioner Petak said that he saw no mention in the handout (list of issues) explicitly relating to the use of enterprise funds versus general tax revenue to pay for services. Mr. Bickhart confirmed that enterprise

funds have not been talked about up to this point, but issues such as that will be open for discussion at future Commission meetings. Commissioner Petak explained that the formation of special districts has largely focused on the issue of being able to charge for services. Thus, when looking at the special district issue, consideration has to be given to the feasibility of enterprise funds paying for services as opposed to general tax revenue. Mr. Bickhart said he expects the Commission to have an open agenda to address such topics.

Commissioner Padilla asked how the new Commission anticipates countering the pressure of interest groups that wish to kill a recommendation. Mr. Bickhart responded that he has identified several potential roadblocks to future recommendations. One is a small group of municipal governments which have been very successful at attracting sales tax revenues. They have recently demonstrated their influence in the State Legislature when they opposed a bill that was going to ban tax breaks to attract certain types of retail development. In this instance the opposition effort came from the League of California Cities. The other groups are the developers and/or owners of retail corporations that want communities to bid for their business. Another potential obstacle lies in the possibility of this discussion tinkering with Proposition 13 (tax rates).

Vice Chairman Fuhrman clarified that there seem to be two levels of issues; the technical issues, i.e. the distribution of sales tax revenues among cities, the more fundamental issue the fiscal stability of cities and counties and restoring to them what they had previously. The latter will require a significant statewide budgetary increase. The building of a consensus on such an increase will be difficult.

Chairman Abel stated that the issue is not about how much money is spent for local government, it is about whether local government has the authority and accountability over those funds. Could another method be found for returning home rule and authority and accountability back to the local level? For many who will serve on the Commission, home rule is a higher priority than the absolute amount of money which may be allocated.

Commissioner Crowley asked about the relationship of the Commission's agenda to the product of the State Constitutional Revision effort. Mr. Bickhart responded that the former chairman to the Constitutional Revision Commission has been asked and agreed to serve on the Commission. Commissioner Crowley responded that he thinks that many of the features of the constitutional revision analysis should be addressed. Mr. Bickhart agreed, confirming that the agenda for the first Commission meeting is being put together with input from the former Constitutional Revision Commission, the California Governor's Consensus Project, the Metropolitan Forum Project, etc. Chairman Abel mentioned that he has agreed to serve on the Speaker's Commission. Mr. Bickhart assured that he will keep the EEC apprised of the Commission's activities and that all EEC commissioners are welcome to participate at the meetings.

Commissioner Farrar asked about the staffing and funding procedure for this new Commission. Mr. Bickhart explained that since the new Commission was not formed as a result of legislation, it does not have the benefit of full staffing via State appointments. Thus, he is functioning as the Commission's staff on behalf of Speaker Villaraigosa. Some of the Commission's funding will come from normal office budgeting. The Metropolitan Forum Project and the Irvine Foundation have also offered to help with funding for purposes of paying for travel expenses, room, food, and other related costs. Commissioner Farrar asked about the results the new Commission is expected to deliver. Mr. Bickhart responded that he expects to have recommendations presented to the State legislature by January, 2000. The current proposal is to form a joint select committee to receive the recommendations of the new Commission. He stated that he expects that both legislation and a proposed constitutional amendment for the November, 2000 ballot will be used to implement the Commission's recommendations. Vice Chairman Fuhrman asked if State constitution revision requires a two-thirds or simple majority vote for passage. Mr. Bickhart answered that any piece of legislation that raises revenues requires a two-thirds vote, a ballot initiative requires a simple majority.

Chairman Abel thanked Mr. Bickhart for his presentation. He commented on the positive contributions that The Blue Ribbon Commission on State/Local Government Finance can make toward the improvement of the structure and operations of local government.

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