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## **Economy & Efficiency Commission Presentation**

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*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.*

**PRESENTATION BY  
Mr. Dan Wall  
Topic: Recent Actions of the California Legislature and Future Directions  
November 3, 1999**

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Chairman Abel introduced Mr. Wall's presentation by suggesting that he share the recent pertinent actions of the California Legislature with the Commission.

Mr. Wall opened his presentation by thanking Chairman Abel and the Commission for the opportunity to appear before them again. This session of the Legislature has been the most unusual in his 20 years of Legislative experience. The unusual nature of this session was attributable to a clear Democratic majority in both houses, to the presence of new legislators and to a newly elected Democratic Governor.

Mr. Wall explained that one of the issues that garnered a lot of attention during this session was child support enforcement. The development of this issue is of great concern to Los Angeles County now that it is no longer the responsibility of the District Attorney. He observed that one of the Legislature's primary reasons for divesting child support from the DA's was the allegation that Federal child support funds were underwriting non-child support activities. This is notwithstanding the fact that Los Angeles County has historically committed County general fund money to child support enforcement over and above the level of funding received from the Federal Government.

Mr. Wall felt that from the perspective of the Legislature and Governor, education, HMO reform, gun control, and bonds were the macro issues addressed in 1999. Los Angeles County's legislative program dealt with issues of a more local nature. The most significant issue in the County program was the return of the property tax (ERAF) and the structural and fiscal reform of the State/local relationship.

In the final analysis, the Legislature and Governor addressed these issues by enacting AB 1661(Torlakson). This legislation "caps" the growth in the property taxes taken by the State. This means that beginning in 2001, counties, cities and special districts would begin receiving the growth on the property taxes that they lost. In addition, the bill also provides that the State would pick up its share of the cost of property tax administration. Both of these benefits, or incentives, would not become available to counties unless a constitutional amendment which addresses the "fiscalization" of land use (i.e. the aggressive pursuit of sales local jurisdictions chasing sales tax) is enacted by the voters before the end of 2000.

Mr. Wall observed that although the property tax was initially a local tax, it is no longer local, but rather a State tax. That is the case because the State is taking \$3.7 billion annually from counties, cities and special

districts.

However, the reality of AB 1661 is somewhat cloudy given the fact that the Governor signed it with a message that communicated his less than full support. Nevertheless, Los Angeles County is actively participating with the California State Association of Counties (CSAC) to develop a proposal for a Constitutional Amendment that would meet the test of AB 1661.

Commissioner Stoke asked Mr. Wall if he thought that AB 1661 would cloud whatever efforts are made by any Commission relating to the required Constitutional Amendment.

Mr. Wall answered negatively, since AB 1661 only provides a general framework for a constitutional amendment with the incentive that if it is passed, then the monetary inducements will be received. Chairman Abel interjected that AB 1661 does not define the proposition that will go on the ballot. Mr. Wall further clarified the point by stating that all it does is create an inducement for the affected parties to put something together.

Mr. Wall continued by stating that from the prospective of Los Angeles County this legislation is basically positive, but that it falls short of taking definitive action despite the fact that the State has had a \$4 billion surplus in each of the last two fiscal years. It can be legitimately argued that that surplus exists because the State took the monies from local government. Although the State of California went through a difficult fiscal period in the early and middle 90's, since then there has been recovery and replenishment at the State level. A similar recovery and replenishment has not percolated down to local government. The Los Angeles County budget is currently in reasonably good shape, but it has been cut back in the past six to seven years.

Commissioner Padilla asked, whether it was not presumptuous to think that the State Legislature will take steps to return control to the counties. Mr. Wall replied that politically county government is a "free good" for the Legislature and the Governor. That is to say, whenever the State has a fiscal problem, it can resolve a substantial portion of that problem by passing it along to the counties. This happens with no apparent adverse political consequences.

Chairman Abel interjected that it has not been the position of the Economy & Efficiency Commission, nor the Speaker's Commission, to advocate more money for local government, but rather to propose the return of the responsibility and authority to make revenue decisions. Chairman Abel stated that he felt that there was strong sentiment to structurally change this situation, not just "return revenues taken from local government".

Chairman Abel also noted that a larger local government caucus currently exists within the Legislature. As a result of this, and due to term limits in the Legislature, individuals were more likely to become involved in issues concerning local government structure. This creates a greater appreciation for the entire process. Mr. Wall said that he agreed with Chairman Abel, adding that he felt that there was more activity, interest and public awareness on these issues. Because of this there is a greater need for the County to be more politically effective and active. Institutionally, a long term approach is difficult at any level of government since the usual focus is on issues that are most troublesome and have an impact in the short-term. It has always been difficult for the California Legislature to deal with systemic, long-term issues.

Chairman Abel commented to Mr. Wall that there has been both discussion and proposals in Sacramento to reconsider the whole notion of counties. Mr. Wall replied that after having giving some thought to the implications of this action that neither the State nor cities would be willing to take on the responsibilities currently exercised by the counties. Nevertheless, Mr. Wall agreed that there is a need to restructure and improve county government. This action is necessary to address the problems involving the current structure of county government obligations relative to the current revenue structure.

In terms of the future, Mr. Wall commented that there are a number of issues that will affect the County in 2000. First, fifty-six counties, including Los Angeles County, have sued the State of California over the property tax transfer. The suit was not over the legality or constitutionality of taking property taxes, but rather, to claim a State-mandated local cost pursuant to Article XIII B, Section 6 of the California

Constitution. This provides that the State of California cannot impose a new program or increase level of services on local governments without providing adequate funding. Since the purpose of the ERAF shift was to fund part of the State's financial obligation to K-14 schools, the lawsuit asks for this funding. To date, the Superior Court has issued a tightly written decision in favor of the counties that will probably be appealed to the California Supreme Court.

Mr. Wall continued by saying that last week the California Teachers Association filed a constitutional initiative for title and summary, which also has significant implications for the County. This ballot measure imposes a constitutional mandate on the Legislature to bring Proposition 98 funding up to the United State's average of dollars per average daily attendance (ADA). This is estimated to require approximately \$6 billion over five years, plus a cost of living allowance (COLA). The Legislature is obligated, under the terms of this Constitutional Amendment, to raise new revenues. These revenues would not be included in the Proposition 98 base, but would rather be an addition to the base. Although the Amendment mandates the raising of this revenue, it does not specify how to raise the revenue. Most significantly, it permits those taxes to be enacted on an urgency basis, on a majority vote. Commissioner Padilla remarked that he felt that this bypassed the budget process.

Finally, the California Medical Association and the Emergency Room Doctors are about to jointly file an initiative that will restrict the County's use of tobacco settlement funds to health care and human services. Mr. Wall feels that each of these issues have significant future ramifications for the County, and that they are occurring in an environment of an increased awareness of the issues being faced by local government.

Commissioner Padilla asked Mr. Wall if he would explain how his position as a lobbyist changed since the imposition of term limits in Sacramento. Mr. Wall answered that he felt that there was a shift in the balance of power from inside the Legislature to outside the Legislature. Lobbyists now have increased influence. Mr. Wall said that the current environment is a new world that requires individuals to work with the media and grass roots more aggressively to be effective.

Chairman Abel thanked Mr. Wall for sharing his insight and encouraged him to keep the Commission informed of any pertinent future legislative activity

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