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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. Mark Baldassare and Mr. Michael Shires, California Public Policy Institute**  
**Topic: Progress Briefing on the Role of Los Angeles County Government in Providing Local Government Services**  
**November 3, 1999**

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Chairman Abel welcomed Messrs. Baldassare and Shires.

Mr Baldassare began by saying that this presentation was a progress report on the role of Los Angeles County in providing government services, as well as an opportunity for the Commission to review some of the report's key results and conclusions prior to publication. He continued pointing out that there are four goals in the study of Los Angeles County service delivery; to describe the system for financing County provided services, using the 1997-98 County budget as the baseline; to describe the broader context for local services provided by non-county governments, special districts and cities, again using the 1997-98 budgets for those local governments; to identify the fiscal and organizational stresses in the provision of local governmental services; and to identify alternative fiscal and organizational arrangements for Los Angeles County. He said that the intent of this report was to offer various goals needing attention, together with options for attaining them.

Mr Baldassare introduced Mr. Shires saying that he would talk about county and local government financial data.

Mr. Shires began by stating that although the data was being revised, and could change over the next few weeks, the numbers were solid. The County was identified as an agent of another level of government, typically the State and Federal Government. The data was derived by looking at each program within departments of the County, to determine how the program fit into one of three roles; how the County managed the implementation of programs from another level of government; the regional government role, in which the County is a regional sub-unit of governance in California; and the third, as a municipal service provider.

Commissioner Crowley asked if the draft were available, saying, that it could be useful to the Commission's task force responsible for issues of service delivery to unincorporated areas. Mr. Shires answered that the report was still being revised, but that a copy would be made available in the near future. Commissioner Crowley said that he would endorse the notion that Commission staff arrange a meeting between Mr. Baldassare and Mr. Shires and the Unincorporated Area Task Force. Chairman Abel said that the Public Policy Institute of California (PPIC) was aware of the Commission's work on service delivery to

unincorporated areas and was confident that such a meeting could be arranged. Mr. Baldassare confirmed that he was agreeable to a meeting with the Task Force.

Mr. Shires continued saying that the County is a significant provider of municipal services. While referring to charts, he presented a highly detailed summary of the data being used. Mr. Shires said that 62% of the County's revenues come from State or Federal Government. In spite of this, the County's program structure does not always match up on a one to one basis with revenues. For example, Mr. Shires commented that the money expended in health services and the money received, from other levels government, leaves the County with a short fall of approximately \$200M. Some social services programs leave a short fall of approximately \$400M. Mr. Shires added that there were areas where the County receives more than it spends. He said that when all the issues were considered, approximately 21% of the budget is available for general government purposes. He suggested that while 21% of the budget is under the control of the Board of Supervisors and is available for County programs, approximately 25% of the County budget is used for general government programs. This creates fiscal stresses on the County

Mr. Shires has found that contract services account for approximately 32% of the County budget. An analysis was completed on contract cities versus full service cities. Referring to a slide, Mr. Shires pointed out that contract cities and full service cities had different revenue strengths. Full service cities tend to have a much larger portion of property taxes and a much smaller portion of sales taxes, with the reverse often being true for contract cities. In this light, it is interesting to note that their expenditures are almost identical.

Mr. Shires proposed that the goal of the PPIC report is to look at some of the pressures that are being created. Part of this effort lies in defining the role of Los Angeles County as the agent of the State of California. Without an adequate definition it is difficult to comply with requirements of other levels of government or to be held accountable for the programmatic outcomes. Another unincorporated area issue has to do with the fact that municipal services to 900,000 people are being determined by a Board of Supervisors elected by 9M people.

Mr. Baldassare said he felt that it was demonstrated in a quantitative analysis that Los Angeles County plays a major role in providing services. This is true not only for those services considered to be typical of county government, but also for those municipal services provided to unincorporated areas that are more closely associated with city government. Mr. Baldassare continued explaining that more than half of the cities in Los Angeles County, in one way or another, are involved in a contract service relationship with Los Angeles County. Interviews were conducted with State, county, and city officials, as well as civic leaders, in order to determine what they viewed as some of the organizational and fiscal stresses facing Los Angeles County. They also considered future stresses facing Los Angeles County as it grows by another 2M people over the next two decades. Mr. Baldassare stated that there were ten themes that had emerged from these interviews. He then continued with a short narration about some of the interviews, as they pertained to these ten themes.

Mr Baldassare commented that the results of the interviews were grouped into four primary goals for Los Angeles County in the Twenty-first Century. The resulting four goals are; more fiscal control; expanded partnerships; greater responsiveness; and an increased regional focus. Mr. Baldassare discussed further these four goals.

Chairman Abel asked if the PPIC had plans to help in implementing any of its recommendations. Mr. Baldassare said that, although his organization hopes to maintain a dialogue with the County, he did not feel that PPIC could, or should, take a leadership role in this matter. Chairman Abel stated that PPIC's encouragement of collaboration within the County provides a solid foundation upon which to base further discussions.

Commissioner Crowley asked if PPIC evaluated opportunities resulting from economies of scale. Such an opportunity would be illustrated by the discussion on consolidating forensic laboratories that has been going on between the cities and the County. Mr. Baldassare answered that this was not within the scope of the study.

Commissioner Sylva remarked to Chairman Abel that although, the argument to encourage many

unincorporated areas to become incorporated is noteworthy, she favored the argument that would encourage incorporated areas to embrace unincorporated areas. Mr. Baldassare interjected that both of these approaches have to take place.

Commissioner Padilla asked if Mr. Baldassare could tell the Commission something about what he expected versus what he found during this study. He was also interested in the comparison of other counties and large scale governments to Los Angeles County. Mr. Baldassare answered that the problems here are indicative of those existing in every county within California.

Chairman Abel asked Commissioner Kennedy for her reaction to this presentation. Commissioner Kennedy replied that she did not have any observations with respect to the former Grand Jury activities, other than it is very interesting and that she would like to see the report. She did say that her observation on the structure of unincorporated areas was that it seemed to be closely associated with the fiscalization of land use. In addition, she felt that if sales tax were distributed on a per capita basis it might be more palatable for cities to want to absorb unincorporated areas.

Chairman Abel asked Mr. Dan Wall, Los Angeles County Legislative Representative, how the efforts of PPIC would affect his work. Mr. Wall replied that this work would be very helpful in his lobbying efforts and that he was eager to read the report. He went on to say that this was a tremendous undertaking and that he was appreciative of the information that will be produced.

Chairman Abel thanked the presenters commenting that he was anxious to read the final report.

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Kenneth Hahn Hall of Administration, Room 163, 500 West Temple St.,  
Los Angeles, CA 90012  
Phone (213) 974-1491 FAX (213) 620-1437 [EMail EEComm@co.la.ca.us](mailto:EEComm@co.la.ca.us)  
WEB [eec.co.la.ca.us](http://eec.co.la.ca.us)