

Review of the Relationship between Los Angeles County and State Government

February 1997

Prepared for
Los Angeles County Board of Supervisors

by
The Los Angeles County Citizens' Economy and Efficiency
Commission

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Executive Summary

“Although the ultimate outcome of these reform efforts - both local and state sponsored - is hard to predict, what is not difficult to determine is that the pressures on county government will not lessen, but rather, will intensify in the coming months and years. Counties, once called ‘the forgotten governments,’ now stand at the threshold of a highly visible and vibrant role in governance.”

**National Association of Counties
*Redesigning County Government for the
Year 2000 & Beyond***

Overview

General agreement exists throughout the State of California that government has become increasingly dysfunctional. Government, particularly local government, finds itself in the difficult position of responding to burgeoning service demands, while revenues continue to shrink. Public confusion over government’s financial management and service delivery responsibilities further exacerbates the dysfunctionality of this situation.

Taxpayers have been able to ascertain the consequences of this confused and ineffective structure. They have observed the continuing inability or inaction of government in resolving this difficulty. In an attempt to remove these structural obstacles, taxpayers have, in some cases, taken actions, most dramatically through the initiative process, to influence this structure “positively.” If government fails to take actions to resolve these unquestionable and conspicuous problems it can reasonably expect a continuation and acceleration of this activity, from an inevitably broadening taxpayer base.

Although the problems are indisputable, the task of reforming government to be more responsive and relevant to the needs of the 21st Century will not be easy. It is a challenge that demands serious thought, study, and considered action. Perhaps what is more important, and undeniably more difficult, will be generating the political resolve and leadership to assume the responsibility for accomplishing this undertaking.

The recommendations within this document propose a strategy to begin the long journey of reform. They have been formulated to provide a foundation for a position that reflects the concerns, refinements and suggestions of all stakeholders.

This study undertakes a review of the existing state-local government relationship within California. It capitalizes on the governmental relations efforts of the California Constitution Revision Commission (CCRC). Although the recommendations made by the CCRC did not find support within the California Legislature, the work of this Commission represents meaningful research from which further endeavors can profit.

The recommendations presented in this study initiate a strategy to formulate a coordinated position on intergovernmental relationships. In addition, the Economy and Efficiency Commission has designed the recommendations to establish an internal County position on the revision of existing intergovernmental relationships. This approach has the advantage of enabling the County to enter into stakeholder discussions with the full awareness of the problems that these negotiations will entail.

The creation of an internal working group has the advantage of providing a focus in the conduct of restructuring discussions. This group can also help other stakeholders in creating a state-local government relationship restructuring position. By implementing the proposed methodology, this study begins the process of logically transforming the existing governmental relationship structure. Such a transformation will significantly contribute to making local government more effective in serving the residents of Los Angeles County.

“The debate this year is the latest chapter in the long-running struggle to sort out the proper roles of the state and local governments, especially counties, in the delivery of services.”

Jake Henshaw
San Bernardino County Sun
January 28, 1997

Summary of Recommendations

Recommendations are presented within this study to adopt supplemental policies (identified by small letters) that expand upon and support those previously adopted by the Board of Supervisors. Additional recommendations present an accompanying set of action items (identified by numbers) which have been formulated to carry out the ideas set forth in the recommended policies.

As in the body of the study, this summary divides the policies and action items into major sections that correspond to recommendations made in the CCRC report. Each major section represents one of the four state-local governmental relationship recommendations identified by the CCRC. The recommended board policies are further divided into minor sections that were

identified by the Los Angeles County Chief Administrative Office and adopted by the Board of Supervisors (See Attachment I).

Restructuring the State/County Relationship

RECOMMENDED BOARD POLICIES

Restructuring the State/County Relationship

- a. Actively Restructure the State/County Relationship.
- b. Maximize the Separation of State and Local Duties and Responsibilities.

RECOMMENDED ACTION ITEMS

1. Direct that a specialized intra county Governmental Structure Task Force (GSTF) be created using the model introduced by the Health Crisis Task Force. The purpose of this Task Force is to formulate a County position on the design and implementation of a State-Local Realignment Plan.
2. Direct the Governmental Structure Task Force to submit to the Board a project work plan.
3. Direct the Governmental Structure Task Force to review relevant regulations to identify those that overlap, are unnecessary, result in duplication, or are hindrances.

Local Governance Structure

RECOMMENDED BOARD POLICIES

Evaluation of Local Governance Structure

- c. Periodically Evaluate Local Government Agencies.
- d. Foster Collaboration Among Local Governments.

- e. Create Incentives to Encourage Local Governments to Effect Local Government Reforms.
- f. Create Incentives for Regional Cooperation.
- g. Consolidate, Merge, and Realign Local Governments, including Special Districts.

RECOMMENDED ACTION ITEMS

- 4.** Direct the Governmental Structure Task Force to prepare an internal review of county structure, operations, and responsibilities.
- 5.** Direct the Governmental Structure Task Force to investigate the possibility and impacts of taking action on those elements of their internal review that will help in positioning the County, or other jurisdictions, to respond to any state-local restructuring proposal.
- 6.** Direct the Governmental Structure Task Force to prepare a draft Local Government Services Plan, review its impacts, and revise as appropriate.
- 7.** Direct the Governmental Structure Task Force to participate, on behalf of the County, with other jurisdictions in a cooperative process to formulate a coordinated Local Government Services Plan.
- 8.** Direct the Governmental Structure Task Force to study and propose an approach to developing a realistic incentive program(s).
- 9.** Direct the Economy and Efficiency Commission to study and make recommendations to the Board on the composition, role, function, authority and responsibilities of a Metropolitan Community Charter Commission (MCCC).
- 10.** Upon the creation of a Metropolitan Community Charter Commission (MCCC), suggest that it undertake the role of neutral party in coordinating a State-Local Realignment process.
- 11.** Upon the creation of the Metropolitan Community Charter Commission (MCCC), suggest that it actively solicit, encourage, and stress the importance of assuming an active role of all participants in the restructuring process.

12. Upon its creation, suggest that the Metropolitan Community Charter Advisory Commission (MCCC) conduct meetings to gather information and recommendations and to seek the cooperation of jurisdictions within the County and statewide.

13. Direct the Governmental Structure Task Force (GSTF) to help the MCCC in the pursuit of support from organizations, such as the California State Association of Counties (CSAC), etc., for the position that any state restructuring process addressing state-local relationships must include counties and other local governments.

Local Taxes and Bonds

RECOMMENDED BOARD POLICIES

Protection/Restoration of the Revenue Base

- h. Protect Local Taxes.
- i. Shift Control of Property Tax Allocations to Local Government, Prohibiting the State from “Raiding Local Revenue Sources.”
- j. Insure That Tax Structure Reforms are Accompanied by Governance Reforms to Maximize Efficiency and Accountability in Government.
- k. County Government Should Have Sufficient Resources Under Their Control to Address Their Responsibilities Adequately, with the Authority to Adjust Resource Levels According to the Priorities of Voters as Expressed Through Elected Representatives.
- l. The Fiscal Relationship Between State and Local Government Should Be Established with the Objective of Assuring Effectiveness and Efficiency in Promoting Public Policies.

Mandate and Maintenance of Effort

- m. Counties Should not be Made to Use County Revenues or Taxing Powers When Carrying out State Mandates or Programs.
- n. Assure State Support for Mandated Local Programs.
- o. Reform Mandate Reimbursement Laws.

Local Land Use Decision-Making Authority

- p. Tax Structure Should Be Designed to Minimize the Influence of Land Use Decisions on Revenue.

RECOMMENDED ACTION ITEMS

14. Direct the Governmental Structure Task Force to develop a County position on the California State tax structure.

15. Direct the Governmental Structure Task Force to investigate the possibility of the return to use of property tax by action of local government legislative bodies.

16. Direct the Governmental Structure Task Force to examine alternatives to the property tax for financing of some local programs.

Strengthening Home Rule

RECOMMENDED BOARD POLICY

- q. Pursue Active Support for Strengthening Home Rule.

RECOMMENDED ACTION ITEM

17. Direct the Governmental Structure Task Force to develop an advocacy program(s) directed at pursuing measures to strengthen home rule powers.

The Time to Restructure

The policy positions that have been recommended by the Commission establish a conceptual base from which the County can take effective actions to determine its future direction. The action items that are recommended represent a major portion of the implementation strategy that will enable the County, other jurisdictions and other stakeholders to become increasingly proactive participants in the governmental restructuring process.

A review of the efforts nationwide clearly demonstrates that Los Angeles County will have to come to the realization that, strategically, there is no alternative to

governmental restructuring. Without action on this vital

“This [Los Angeles Charter Effort] is not bite-sized stuff. It’s challenging, it’s complex and yes, it’s vitally important.”

“Time To Wise Up”
*San Fernando Valley
Business Journal*
February 1997

issue, county government will become increasingly irrelevant to its citizens. Thus, to be able to continue to serve its citizens, Los Angeles County must set in motion a strategy to realistically pursue the goal of restructuring government.

Section I - Background

“If there is a general consensus on any major public issue in California, it is the fact that the State’s governments -- nearly 7,000 agencies, including the State government itself, 58 counties, 470 cities and literally thousands of school districts and special districts -- are not serving the public as effectively as they could be.”

League of California Cities
Making California’s Governments Work

Introduction

Loss of Local Control

“The main benefit of local control is the much needed clarification it can bring to a process that is now duplicative and Byzantine.”

Don Knabe
Supervisor
Los Angeles County
Board of Supervisors
commenting on coastal review
process

Society has made greater strides in the last half of the Twentieth Century than during any other previous period in history. The magnitude of changes in technology, social structure, and organizational management brought about by the “Information Age,” can be most appropriately compared in scope to those of the Industrial Revolution. As it was during the Industrial Revolution, organizations choosing to accept the realities of change will continue to exist and will prosper by capitalizing upon their adaptation. Those that perpetuate their efforts to maintain the status quo will find themselves becoming increasingly irrelevant, and ultimately a hindrance to society.

Governments now face the challenges of a rapidly changing economic and social environment. Given the current philosophy of devolving political responsibility and authority, particularly as it applies to local government, heightened attention must be given to designating adequate management systems and financial structures.

Adequate resources are vital to changing operating programs, to the management and design of improvements, and to the introduction of policy and operational innovations. A lack of resources and initiatives in these areas will create serious public concern over the capacity of local governments to meet growing urban and regional needs. If government is unable to respond to these challenges, it is reasonable to expect the public would find other means of thoroughly restructuring the organizations of government, and the procedures under which they operate.

Too often adaptation is forced upon an organization as a result of uncoordinated, issue directed, and/or emotionally driven events. Adaptation should be a systematic and focused change process designed to maximize the efficiency and effectiveness of the total organization in responding to its mission. In attempting to implement initiative based or legislated change, governments within California often find this systematic approach to be lacking, with a resulting set of unintended consequences. These unintended consequences commonly have meaningful fiscal impacts that significantly influence future policy.

Usually, the unintended impact of implementing changes has been the shift of the locus of power from the government delivering the service (local) to the government funding the service (state or Federal). The major consequence of this shift in the locus of power is the loss of control. A loss of control and the resulting organizational confusion leads to resident distress over an inability to influence service and to an increased sense of cynicism or apathy with government. Ironically, this occurs when communications technology and the ability to analyze data has advanced to a point where local government should be positively influencing the citizen's requirements for information and involvement which would facilitate an increase in local control. Additionally, as the locus of power shifts from the organization responsible for delivering the service, residents will find it more difficult, if not impossible, to figure out who should be held accountable.

Although there is a widening political recognition of the structural problems

“For too long the Legislative Analyst’s realignment proposals have been kept in the background. It is time to move those proposals into the foreground so that the legislature can debate them and adopt reforms that will end the dysfunctional relationship between the state and local governments in California.”

Michael Antonovich,
Supervisor
Los Angeles County
Board of Supervisors”

facing government, there is not an equivalent technological and societal evolution in the structure and management of California government, particularly at the local level. As the League of California Cities has pointed out, approximately seven thousand jurisdictions within California have not evolved sufficiently to service the public effectively.

“We need a change both in state and federal policy that allows for direct reimbursement to a county that has these [service delivery] responsibilities. When money goes first to the state and then to the county only at the state’s discretion and after administrative costs have been taken off the top, it becomes increasingly difficult to deal with mounting problems.”

Yvonne Burke
Supervisor
Los Angeles County
Board of Supervisors

Continuing reliance on turn of the century assumptions, supported by the influence of those interest groups and power centers having a personal stake in maintaining the status quo, present a formidable obstacle to a meaningful restructuring of the current governmental structure. This circumstance exists in spite of the recognition that government continues to be less and less responsive to current societal needs. This outdated model of governance may well persist in dictating increasingly irrelevant decisions into the new millennia. Without action, any evaluation of government’s performance operating under this model will certainly not result in a favorable outcome for either government or its officials.

To accomplish any restructuring effort, the relationships existing between the various levels of government must be fully understood. Without an understanding of the needs and requirements of every level of government, and an appreciation for how to achieve their objectives, the search for a solution will be rewarded with severely limited success. At the Federal level, for example, reimbursements, are, for the most part, based upon a different governmental structure than exists within California. Most counties in other parts of the country do not provide health services, welfare or tax collection, as they do in California. If the Federal Government provides funding to cities or to the state, as is done in other states, it bypasses the governmental structure charged with supplying these services in California - the county.

Although the issues involving governmental structure and operations are overwhelmingly recognized and the need for action is almost universally acknowledged, government, particularly in California, has found it extremely difficult to address these problems. For example, the California Legislature did not consider these problems in 1996, even though it had established a Constitution Revision Commission to make recommendations for that purpose. Neither have other initiatives, undertaken by either public or private organizations, been

effective in addressing these problems and/or structural issues.

History has routinely proven that, although difficult, these problems will, under public pressure, ultimately be resolved, if not by government, by others. The real question then becomes whether government will assume a proactive role in its own redefinition or whether it will be forced to react to the proposals of other, more responsive, stakeholders. Governmental decision makers must recognize that an organization's obsolescence is a degenerative disease. As in medicine, a degenerative disease will not be cured with procrastination, but by decisive action.

Fiscal Issues

The most critical problem facing California county government, particularly Los Angeles County, is the recent shift of revenue to the State. This has occurred in spite of the fact that the County has maintained the same responsibility for program service delivery. As a result of this shift, Los Angeles County has found itself trapped in an entanglement of continuing fiscal difficulties. These difficulties have forced the County to reduce budgets in most program areas including: health, welfare, libraries, parks, and arts funding. Given the current governmental and fiscal structure, few alternatives are available to policy makers other than reducing, eliminating or postponing services. Thus, divisive priority setting and reductions in service delivery will continue, unless there is a meaningful change in how County programs are funded.

“We don’t, as a County Board, have the ability to correct the structural problem. We were told by the State that we have to follow certain rules, provide certain services, at the same time, we are being denied the necessary funds.”

In the struggle to remedy this condition, taxpayer initiatives have attempted to influence a fiscal restructuring within California government. These initiatives have often resulted in secondary, tertiary, etc. sets of unintended impacts to the structure and operation of government. As society becomes increasingly complex, a recognition that solutions to problems must be developed using a comprehensive, system-wide perspective will be essential for both governmental decision-makers and the public.

Gloria Molina
Supervisor
Los Angeles County
Board of Supervisors

In seeking a resolution to its problem, the State has, at times, created an entirely new set of problems. This situation was demonstrated when the State exercised its option to transfer to itself revenues normally considered as support for local programs. The State did not consider the consequences of

these shifts. Further confusing this situation, some programs with federal and/or state funding are being reduced, frozen or totally eliminated.

As revenue becomes increasingly limited, spending pressures and program responsibilities continue to escalate. Declining revenue and increasing demand for service places unrealistic pressures on the ability of the County to provide the required levels and quality of service.

“Whether conscious of it or not, every community has a vision of its future. That vision may or may not be positive, or be shared by all residents, but it is the beacon that helps determine in which direction the community will go.”

William H. Hansell, Jr. *National Civic Review*
Fall 1996

The primary reality of the existing funding structure is that Los Angeles County is at the mercy of the Federal and state governments. From human services to criminal justice programs, the County is often left to fund a significant portion of the expense for mandated services or policy initiatives. To fund these “unfunded mandates” the County is forced to use discretionary revenue to cover these costs, regardless of the fact that it may be declining. Partially as a result of these demands, the discretionary funds available in the County’s General Fund have shrunk from approximately 20% of its budget to less than 1% over the past 10 - 15 years.

As the Board of Supervisors continues to respond to increasing service demands with reduced revenue, they will find themselves trapped in a constant cycle of crisis management. The Board will encounter the normal tenancy to seek greater control over operations at the expense of formulating organizational policy and establishing a long term orientation. Board members will have less time, fewer resources, and less discretion to contemplate the strategic direction of the County. The result can be a frustrated governing body that increasingly feels that it has lost local control over much of its budget and over the power of county government to shape its own destiny.

County Services

Beyond the issues of funding, many services provided by the County do not lend themselves to being easily understood or effectively used by residents. Thus, residents become frustrated in their perception of the level of services they receive compared with the amount of taxes that they pay. Organizational layers and fiscal interactions of the current governmental structure within California, compound the inability of the taxpayer to associate his or her taxes with services received.

As a result of this frustration and inability to associate taxes with services, the taxpayer may tend to criticize those local government services, which impact them directly, e.g., filling a pothole or law enforcement response. The expenditures of the state and Federal governments, over which the taxpayer feels almost no control, are usually more difficult to personalize and criticize, other than on a philosophical basis, e.g., maintaining a defense infrastructure.

The Future of County Government

The County faces one of two futures. The first, is a continuation of the entire governance structure's historic "stonewalling" response to effective revisions of the local government structure. The consequence of this course of action will be a protracted deterioration in non-mandated services to finance growing costs in mandated services. This further reduces the importance of local decision making and increases the irrelevance of local government.

The second option available to the County is to assume a proactive position in seeking fundamental reform in governance and the financing of its service delivery. Adopting this option can preserve and strengthen the ability of local government to set priorities over expenditures and, thus, enable the accomplishment of locally determined goals and objectives.

If Los Angeles County is to avoid the potentially catastrophic impacts to the structure, management, and control of local government in the next century, it must become proactive in seeking effective solutions to structural and funding problems. To remain effective and relevant to society, the County must take action to manage change and to capitalize upon the opportunities that change offers. In reality, the County has little choice but to meet the challenges of the future aggressively.

“Maybe we can return to an era when government counted for something and people saw it in a positive light, to some extent.”

Zev Yaroslavsky
Chair
Los Angeles County
Board of Supervisors

Authority

At its meeting held on September 3, 1996 the Board of Supervisors discussed the local government structural issues raised by the California Constitution Revision Commission (CCRC). Part of the Board's discussion centered on the existing fragmentation and confusion in defining State and local government responsibilities. Supervisor Yaroslavsky expressed the opinion that it was important for Los Angeles County to become actively involved in considering proposals by the State, or any other organization, to reform local

government.

As a result of the September 3rd discussion and the motion by Supervisor Yaroslavsky, the Board took the following action:

Requested the Los Angeles County Citizens Economy and Efficiency Commission to review and evaluate the recommendations of the California Constitution Revision Commission that relate to local government structure and operations and its assigned responsibility versus authority, particularly as they relate to Los Angeles County; and consider possible alternatives to these recommendations;

Additionally, this discussion resulted in the following request:

Requested the Los Angeles County Citizens Economy and Efficiency Commission to recommend a strategy by which the County can become proactive in the Legislature's consideration of these issues; and to report back to the Board in sufficient time to influence the Legislature's consideration of these issues.

Scope

Due, in part, to the almost universal agreement that significant problems exist in the current structure of government, various national, state, and local organizations have been working on proposals to restructure government. These efforts range from Vice President Gore's restructuring efforts at the Federal level, to many restructuring studies conducted at the state and local levels throughout the country.

Most studies involving governmental restructuring attempt to consider the total spectrum of organizational and operational issues within government including, but not necessarily restricted to:

- The Development of a Strategic View of Government
- Fiscal/Budget Structure
- Governance Structure

- Intergovernmental Relationships
- Effective and Efficient Delivery of Public Services
- Responsibility and Accountability in Public Management

The Economy and Efficiency Commission recognizes that a comprehensive and integrated review of these areas is necessary to arrive at a truly reformed governmental process. Although this study recognizes this need, both Board direction and available resources have limited the scope of this study. Thus, this study focuses on devising a strategy which will initiate a process for improving the existing dysfunctional state-local relationship within California, as recognized in the California Constitution Revision Commission (CCRC) report.

The draft report of the CCRC, reviewed four major areas of California governance: State Governance, State Budget, K-12 Education and State and Local Relations. The study, now undertaken by the Economy and Efficiency Commission, builds upon the work of the CCRC in the field of State and Local Relations. It considers the potential impacts in the areas covered by the four (4) CCRC recommendations dealing with intergovernmental relationships, had they been adopted. These recommendations addressed the following: state-local government realignment plan, local government structure and community charter, locally levied taxes and a majority vote requirement on local taxes and bond measures, and strengthening the home rule provision.

After reviewing the CCRC recommendations and the strategy presented in this study, it will become clear to the reader that a substantial amount of additional work will be required to effectively address many of the internal, operational, policy, and structural issues that have been raised.

Study Objectives and Guiding Principles

This study has the following objectives:

- To identify a strategy that will enable Los Angeles County to internally address the issue of restructuring the state-local governmental relationship and to use this position as a basis for future restructuring efforts.

- To begin the process of seeking, in cooperation with other jurisdictions and stakeholders, the development of an effective, efficient, and accountable government at every level.
- To assist government in becoming capable of supporting a growing economy by insuring a government that is able to deliver quality public services at a reasonable cost to the taxpayer.

The pursuit of these objectives will advance the ability of Los Angeles County to become proactive in exploring innovative solutions to the issues raised in this and other studies. To enhance the accomplishment of these objectives, a set of study principles has been adopted. These principles fit the reality of society, are internally consistent, are formulated to be communicated and understood by both government and the public, and provide a basis for continual testing policy performance:

“...conducting such examinations will be demanding, and the initial iterations of the process imperfect at best.”

William R. Dodge
National Civic Review
Fall-Winter 1992

1. Efficiency and Effectiveness of Government - Government must continue to improve the effectiveness of its operations and systems to ensure that it is able to provide an equitable, adequate, and efficient level of service. To accomplish this local government must have the flexibility necessary to develop innovative approaches in solving community problems. This principle will require further consideration of both unfunded mandate and maintenance of effort requirements prescribed by the state and/or Federal governments.

2. Restructuring of the State/County/Local Relationship to Insure Accountability and Responsibility in Government by Clearly Identifying Roles - In practice, a clarification of the roles of state and local government will expand their capability to identify opportunities for improving the efficiency and effectiveness of governmental structure and operation. In addition to defining roles, each governmental entity must be given the authority and responsibility for their performance and for achieving results. This restructuring of relationships will be key in establishing a process for ongoing review, increasing flexibility to manage programs, and efficiently realigning public agency responsibilities.

3. Provide Opportunities for the Public and Other Governmental Jurisdictions and Stakeholders to Become Involved in any Restructuring Process - To accomplish any restructuring will require that the process be understood by, and effectively communicated to the public, other governmental jurisdictions, and stakeholders. It is essential that each participant understand what is being done and why, that they are able to

provide constructive input, and that their support be solicited on proposals or actions taken by the County, or by other levels of government.

4. Maximize Local Control - County government in California is a creature of the state and has no independent authority in the delivery of state/federal programs outside that which is bestowed upon it by the state and/or Federal government. This means that a county's authority in some program delivery matters must be granted by either state legislature or federal regulation. It also means that the state and Federal governments are able to impose mandates, restrictions, or other constraints that can have an impact on how county government operates or, in some instances, how it can use locally generated revenue. The concept as expressed in "home rule" is applicable since it provides local government with the authority to act independent of state intervention in the control of local affairs. This concept is appropriately expanded into legislative considerations of land use decision-making authority.

5. Protection/Restoration of County's Revenue Base - This principle reflects the reality of the changing environment within California's economy; that local government has to operate within available resources. To ensure compliance with this concept local government will have to be empowered with authority to act on matters within its scope of responsibility and be furnished with adequate revenue to fund programs within that scope. Lacking that, logic dictates that local government be given the capability to reduce program levels to meet available revenue.

Section II - State-Local Relationship

“. . .California’s existing ‘system’ of government is dysfunctional . . . fundamental reorganization of state and local government responsibilities is required.”

California Legislative Analyst
Making Government Make Sense

Background

In 1993, legislation authored by California State Senator Lucy Killea created the California Constitution Revision Commission. This legislation arose from questions over how effectively California state and local governments were serving the people. A key problem in the state-local relationship is that there is no overarching goal or principle guiding the relationship. The result of this is that the assignment of responsibilities between state and local governments, particularly counties, is confused and follows no objective path that clearly describes which agency is accountable for each program.”¹

From 1994, when the CCRC began operations, to its dissolution on July 1, 1996, an extensive dialogue took place involving numerous public hearings and meetings at which citizen’s concerns were expressed. Although draft summary material was made available to the legislature, as of the publication of this study, the CCRC had not yet published its final report fully explaining their summary recommendations.

The work of the CCRC failed to develop legislative support and no action was taken on their recommendations during the 1996 session. It appears that the lack of action on the part of the legislature was due to several factors including:

- a. **The Reluctance to Change the Status Quo** - Cultural and institutional aversion to change, vested interests, and stakeholder concerns created strong incentives to maintain the existing structural relationships. These factors contrive obstacles that are extremely difficult to address, especially in an all-encompassing structural reform proposal. On the other hand, any alternative proposing only modest and incremental changes is open to the criticism of being inadequate or incomplete.

¹ California. California Constitution Revision Commission. Draft report of *State-Local Relations: Straightening Out the Responsibilities of State and Local Government and Strengthening Local Government*. Sacramento, CA, December 1996. Section IV. Page 18

- b. **The Recomposition of the Commission** - In the final six months of its existence, a number of CCRC members were replaced because of a change in the Assembly's composition. This change had the effect of ideologically revisiting much of the Commission's 18 months of work. This slowed much of the progress that had been achieved. In addition, the "home rule community charter" concept that included the ability of local governments to gain additional revenue authority and the issuance of bonds with majority votes was challenged.
- c. **The Dilution of the Commission's Recommendations** - Although the recommendations of the CCRC were modified in the hope of gaining legislative support, even these revised recommendations found only partial and unenthusiastic support.

“Most important was the pervasive desire to continuously improve every facet of life within the region and to recognize that the failure to pursue such a continuous process would necessarily result in a serious decline.”

Pennsylvania Economy League
*Preparing Allegheny County for
 the 21st Century*
 1996

The issues raised by the California Constitution Revision Commission were broadly based with significant structural consequences. Although the need for this type of action is acknowledged, it would be unrealistic to expect quick acceptance of these types of proposals. Rather, the CCRC's work, as that of other similar efforts, should be considered as another step toward the resolution of this large and complicated problem.

The Objective and Goals of the CCRC

The problems identified by the CCRC and other organizations are critical to the effective operation and continued relevancy of government, e.g., organizational confusion and overlap, perceived inefficiencies, lack of effectiveness, inadequate funding, appropriate representation on matters of taxation, and lack of a revenue-to-service relationship. Although these issues are important individually, they are also indicative of larger fundamental, systemic, and structural problems. Public awareness of these problems has resulted in the entire structure of government often encountering open hostility, skepticism, and apathy. This standing in the opinion of the public may ultimately threaten the principles upon which representative government is based.

The CCRC was asked by the Legislature to undertake the following:

- **Examine** the structure of state government and propose modifications that will increase accountability.
- **Analyze** the current configuration of state and local government duties and responsibilities and review the constraints that interfere with the allocation of state and local responsibilities.

“The complexity and inefficiency of the current process is what drove the Commission. We have a largely 19th Century governmental structure in California going into the 21st Century.”

Bill Hauck, Chair
California
Constitutional Revision
Commission

- **Review** the state budgetary process, including the appropriate balance of resources and spending; the fiscal relations between state, federal, and local governments; and the constraints and impediments that interfere with an orderly and comprehensive consideration of fiscal issues.
- **Consider** the feasibility of integrating community resources in order to reduce duplication and increase the productivity of local service delivery.²

The CCRC considered a large volume of material during the course of its deliberations, including detailed implementation recommendations to some of the broad points made in their preliminary recommendations. The ten page document titled, *Summary of Recommendations*,³ was the only published CCRC document available to the Economy and Efficiency Commission during the course of this study.

² California. California Constitution Revision Commission. *CCRC News*. Article on the Internet, <http://library.ca.gov/california/CCRC/ccrcmay.html#intro>. Sacramento, CA, May 1996. Introduction.

³ California. California Constitution Revision Commission. *Recommendations of the California Constitution Revision Commission to the Governor and the Legislature: Summary of Recommendations*. Sacramento, CA, August 1996.

The CCRC's primary objectives in making their recommendations were to:

- Improve the accountability and responsiveness of government at all levels - from the state to the smallest community.
- Eliminate barriers to efficiency and increased flexibility.
- Assure that the state adopts and maintains a balanced budget.⁴

Issues State-Local Government Relations

The CCRC enumerated thirty-five recommendations, only four of which, as previously noted, deal with state-local government relations. This study examines these four state-local government relations recommendations in detail. Included in this examination is a review of the potential impact on Los Angeles County, had the recommendation been adopted, and a discussion of the issues raised by the recommendation. Each section concludes with both, recommended board policy positions and specific action steps to be taken to implement these positions.

The reader will note that the following four CCRC recommendations have substantial areas of overlap. Thus, the discussion and analysis of each CCRC recommendation will also, at times, face this hindrance.

Restructuring the State/County Relationship

CCRC RECOMMENDATION #32

Develop and adopt a state-local realignment plan – *“The governor would be required to submit a State-Local Realignment Plan proposing the alignment of state and local services. A plan must be adopted by the legislature. Following adoption, the plan would be incorporated into the state’s Strategic Plan, which would be submitted by the Governor and adopted by the legislature. The Strategic Plan and the state-local relationship would be reviewed and updated at least every four years.”*⁵

⁴ California Constitution Revision Commission, *CCRC News*, loc. cit.

⁵ California Constitution Revision Commission, draft report, p. 66.

CCRC CLARIFICATION OF THIS RECOMMENDATION

This recommendation sought to clarify service delivery responsibilities shared between the state and counties. The objectives of the proposed State-Local Realignment Plan were to:

Ensure that the roles and responsibilities for providing services and exercising regulatory authority were clear.

“It’s premature to call charter reform a movement of the people. . .But their idealistic message of better government cuts across income, politics, geography and race. . .that in itself is an accomplishment.”

*“Reform Movement Unites the Divided”
Los Angeles Times – Valley Ed.
February 9, 1997*

Ensure that the entity responsible for a service or regulation had the resources to finance it.

Ensure that the entity assigned to conduct an activity had the ability to organize and administer the activity.

Ensure that the program responsibilities that were shared between state and local agencies were identified and that local administrative flexibility was given priority over state administration.

The CCRC confirmed that, over the past twenty years, the power of local governments to make choices about the level and quality of local services has been significantly eroded. The current structure of local government has become fragmented and confusing.

Within the California governmental structure, counties function in two roles, serving in place of a municipality by providing municipal services to its unincorporated areas and as agents of the state in the administration of programs, e.g., health, social service, and criminal justice programs. The recommendation adopted by the CCRC responded to their concern that a significant portion of the fiscal distress faced by counties resulted from actions they take as agents of the state. Acting in this role, one that accounts for a majority of county budgets, a county must operate under procedures established by the state or in some instances the Federal government.

Counties have very little implementation discretion and, as a result of having to operate under established procedures, have little opportunity to optimize operations to realize cost savings. While the Federal and State government will normally pass through a portion of the funding necessary to support their programs, typically about 85%, the county can be required to provide the balance from within its limited tax raising capability.

Others who have also supported this position, e.g., the California Legislative Analyst (LAO), have suggested a proposal to have the state operate health care, welfare, public health, and jails directly. Under the LAO proposal, counties would be independently responsible for all “community based” programs, including social services, mental health, housing, and job training.⁶ It is clear that a significant realignment of revenues would be necessary if such a shift were to be implemented.

The California Councils of Government (CALCOG), who were asked to take the lead role with the CCRC on behalf of the League of California Cities (LCC) and the County Supervisor’s Association of California (CSAC), recommended a hybrid approach to this problem. They proposed that the State, rather than the county, become the provider of last resort. The State would not necessarily redesign its service delivery capability to provide the service. Instead, the State would prepare program specifications and commit to furnishing the funding. A county would be given the first opportunity to be the service provider. If the county declined, for whatever reason, the State could either seek other providers, e.g., major cities, nonprofit agencies, for profit companies, or could provide the service itself.

“Structural governance reform will provide a clearer delineation of responsibilities between the state and local governments, as well as, appropriate accountability measures for government effectiveness and efficiency.”

Betty T. Yee, Exec. Director
California Governance
Consensus Project
Metro Investment Report
November 1996

POTENTIAL IMPACT ON LOS ANGELES COUNTY

A major problem confronting Los Angeles County in recent years has been the uncertainty over mandated State programs and their associated funding requirements. The adoption of a realignment plan that clarifies responsibilities, insures financing, and provides flexibility in the administration of programs would enable Los Angeles County to become increasingly pertinent in the formulation of the scope of program administration, and the method(s) of service delivery that would be most beneficial to the particular needs and requirements of its citizens. It would also encourage and facilitate the County’s consideration of innovative solutions to problems, while contributing to the stability of the County’s budget.

⁶ Hill, Elizabeth. California State Legislative Analyst. *Making Government Make Sense*. Legislative Analyst’s Office, Sacramento, California, February 1993.

Anytime a state-local realignment proposal is considered, there exists the potential for both positive and negative impacts. For example, if a realignment proposal were to recommend the reassignment of a program delivery responsibility from the county to the State, e.g., health, welfare, and/or criminal justice, there would be significant impacts on revenue allocation, funding structure, and/or service delivery organizational structure for both governments. Since these programs comprise a major portion of the county's budget, this action would result in a lessening in the limited amount of local control currently exercised in these areas. Additionally, if the State became responsible for service delivery, service recipients would be required to deal with a larger, more geographically detached governmental jurisdiction. With this further loss in local control and the probable perception of a heightened level of impersonal service, recipients would likely express trepidation for the adoption of this approach.

The recommendation made by the CCRC to develop a Realignment Plan does not specify how the plan is to be formulated. Considering the stated objectives of the plan to clarify responsibilities and program funding, it would appear to be prudent for the Governor to intimately involve local governments and agencies from the plan's inception to insure their contribution and concurrence prior to its submission to the legislature. This position strongly supports the concept that affected jurisdictions become individually proactive among themselves and with the governor's office. The involvement of these jurisdictions should include the development, coordination, and support of a plan that considers the needs and requirements of all levels of government.

The CCRC recommendation references the development of a State Strategic Plan, which would incorporate provisions of the state-local realignment plan. By having a Strategic Plan incorporate the provisions of the Realignment Plan, there would be greater plan consistency and the flexibility to keep it consistent with the goals and objectives of the State. This could be a consideration in the future introduction or coordination of actions with the State.

The CCRC has proposed an approach to state-local realignment that appears to be sufficiently flexible to allow for the differences within jurisdictions that obviously exist. At the same time it should enable each jurisdiction to pursue unique solutions to problems involving external relationships. This

flexibility is important when considering the differences in jurisdictions throughout the State.

DISCUSSION

An evaluation of alternative governance scenarios demonstrates that the size, complexity, and unique requirements of Los Angeles County should make it a major governmental participant in the evolution of any realignment proposal. Thus, without Los Angeles County's leadership and participation in the development of a realignment plan, the needs of the County would likely not be adequately represented. Without this representation, the County could be faced with negative structural and operational impacts. This is a major justification for assuming a proactive and participatory position on this issue.

It will be necessary for the County to formulate a position on the restructuring of the state-local relationship. The County can use this position as a basis for discussions on this issue. These discussions are intended to lead to a general consensus on this matter with other jurisdictions and stakeholders within the County and, possibly with other jurisdictions and stakeholders statewide.

Using this stratagem for realignment, Los Angeles County is provided with an additional tool to support its search for efficient and effective service delivery to the public. It furnishes the County with a thoughtful basis for participating with other jurisdictions in seeking innovative and alternative solutions to the financial, structural and organizational problems facing local government.

Accepting the challenges of restructuring would not only be consistent with the inherent responsibility of Los Angeles County, the nation's largest county, but it would also be consistent with the guiding principles for the County established in this study. The adoption of this course of action will require political leadership, entails the commitment of resources, and assumes a degree of risk in not being able to develop a position that is acceptable to a majority of the other jurisdictions and stakeholders within the County or the State.

In confronting this issue, the County could effectively utilize the model recently used in the Health Care Crisis. In that model the County committed a number of qualified staff, full time, to the resolution of the problem. These

“Badly damaged public confidence in government at all levels might be restored if clear lines of responsibility were established and voters knew who to hold accountable for delivering the services they want.”

Alice Rivlin, Vice-Chair
Federal Reserve Board
as cited by Dave Broder in
The Washington Post

individuals, detailed from County departments or other appropriate organizations, would be selected for their expertise in policy formation and governmental structure. The group would be tasked with the creation of a County position on realignment and with the responsibility to coordinate with the assistance of the Metropolitan Community Charter Commission (discussed later in this study), this position with other jurisdictions and stakeholders.

The rationale supporting the use of dedicated staff is based upon the time demands involved in this effort, the specialized knowledge requirements to formulate an effective position, and the initial investigative nature of the activity being recommended. Additionally, the coordination requirements necessary to present a County position and the need to continually evaluate program or process alternatives would be facilitated by the assignment of a full time staff.

Action by Los Angeles County can significantly enhance the advancement of the concepts proposed in this study by bringing them into more realistic focus. This undertaking will require a serious commitment to finding a solution to these problems, as well as, committed leadership and statesmanship. Without an earnest commitment to this process, the County would be better served by deferring any action on this matter.

The Economy and Efficiency Commission feels that this issue is too important for the County, and its citizens, not to be an active participant. There is too much to lose as a result of letting other levels of government, or other jurisdictions and stakeholders, dictate action in this endeavor.

RECOMMENDED BOARD POLICIES⁷

Restructuring of the State/County Relationship

a. Actively Restructure the State/County Relationship

The Economy and Efficiency Commission supports the General Legislative Policies adopted by the Board (See Attachment I). To expand upon these policies, the Commission is recommending the adoption of a proactive role for the County in bringing forth these concepts as a

⁷ In the course of recommending policy positions, the Commission took into consideration the general legislative policies adopted by the Board at its January 7, 1997 meeting. The positions recommended in this study are offered to expand upon existing policies and to assist in the development of an overall legislative strategy. Attachment I lists the General Legislative Policies that have been adopted by the Board.

workable solution to the problems discussed.

The Commission feels it is indispensable to the success of any restructuring effort to include, not only Los Angeles County, but other jurisdictions and stakeholders within the County, other counties, and various other governmental jurisdictions and stakeholders within the state. By undertaking a proactive role, the County will be able to positively contribute to the creation of legislation that will ultimately have a historic impact on the future of local government.

The Commission recommends that the County's goal, in any realignment effort be to; clearly define the roles and responsibilities of each level of government, provide the responsible agency with adequate funding, and provide sufficient flexibility to organize, administer and be responsible for programs.

b. Maximize the Separation of State and Local Duties

The Commission supports the concept that any attempt to restructure government must strive to provide a clear separation of duties, as recommended in the CCRC report. Responsibilities assigned to the County, or other local jurisdictions, should be accompanied by the clear authority to develop program policies and to administer them without state interference. These duties should also be accompanied by the authority to raise the necessary revenue directly at the county level. In those instances where duties cannot be clearly separated, and/or must be shared between the county and state, it will be even more essential to identify and clarify the duties and responsibilities of the jurisdictions involved.

RECOMMENDED ACTION ITEMS

1. Direct that a specialized intra county Structure Task Force (GSTF) be created using the model introduced by the Health Crisis Task Force. The mission of the GSTF will be to formulate a County position on the design and implementation of a State-Local Realignment Plan that is consistent with adopted Board policies and the Board position recommendations made in this study. The purpose of establishing a County position on State-Local Realignment is to provide a basis for carrying on discussions with other jurisdictions and stakeholders, both within the County and statewide. Throughout this process the County, in partnership with all impacted jurisdictions and stakeholders, will be able to fashion a

coordinated Realignment Plan that can be broadly supported. Thus, it is anticipated that the internal County position formulated by the GSTF will be continually refined through these discussions to incorporate new ideas and recommendations of others.

Implementation: Within two months of the adoption of this recommendation.

2. Direct the Governmental Structure Task Force (GSTF) submit to the Board a project work plan, to include objectives to be achieved.

Implementation: Within three months of the adoption of this recommendation.

3. Direct the Governmental Structure Task Force (GSTF) to review regulations impacting the County with the objective of identifying those that overlap, are unnecessary, result in duplication, or are hindrances to the efficiency of the County and to recommend possible actions to resolve these conditions.

Implementation: Within five months of the adoption of this recommendation.

Local Governance Structure

CCRC RECOMMENDATION #33

Evaluate local government structures and develop a community charter
– *“The local governmental agencies within each county (or multi-county area) would be required to initiate a process to examine their current governance structure, methods of service delivery, and assignment of responsibilities and powers. From this examination, each area would develop a Government Services Plan. Following the development of the Local Government Services Plan, each area would develop a AHome Rule Community Charter” (Community Charter) to implement the Local Governmental Services Plan. The charter would be placed before the voters in each area for approval.”*⁸

⁸ California Constitution Revision Commission, draft report, p. 69.
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CCRC CLARIFICATION OF THIS RECOMMENDATION

It is the position of the CCRC that local government control of service delivery, together with its required financing, has been seriously weakened. The CCRC believed in the concept that local government is the best suited level of government to respond to local service needs, to efficiently organize service delivery, to evaluate how services are provided, and to establish service accountability. In an attempt to address these concerns, the CCRC adopted the goal of moving authority for program administration and service delivery to the local government.

The CCRC pointed out that the state constitution imposes a number of barriers to reform including 1. local government has no control over the allocation of property taxes raised in their communities - the constitution requires the allocation of these resources, and 2. the constitution makes it difficult for local entities to work collaboratively by prohibiting pooling of resources to address problems that overlap jurisdictions. It is the position of the CCRC that constitutionally mandated reform is required to remove these and any other, structural barriers.

The CCRC's investigation of this issue considered several governance models for California. Their investigation concluded ". . . that the best solution is a flexible approach that allows communities to adapt government structures to their own needs and desired level of public services."⁹ The Commission also felt that ". . . the entities within each county or multi-county area should reevaluate their organization and function to ensure that local services are being provided in an effective and efficient manner."¹⁰

This CCRC recommendation does not require any community to change its current governance structure, but rather requires that citizens within each county conduct an evaluation of their structure. A Citizens Charter Commission (CCC) was recommended by CCRC to undertake this evaluation. The membership of the CCC was to be comprised of non-government participants (majority) and government officials (minority). It

“We can’t run a state with 450 cities, 58 counties, and 1000 school districts from Sacramento. We will bring it to a standstill. We must have some independence for each local jurisdiction so they can plan and manage.”

Keith Comrie
Chief Administrative Officer
City of Los Angeles

⁹ Ibid.

¹⁰ Ibid.

also suggested that with the passage of concurring resolutions by each county, a multi-county CCC may be formed to develop an area-wide Government Services Plan and a Community Charter that would be voted on by the people. Community Charters could also be considered for sub-regional or sub-county areas, e.g., San Gabriel Valley, etc.

November 21, 1996 As conceived by the CCRC, the CCC would examine the current structure of local governments and the needs of all communities within the area. A significant portion of this requirement was that the CCC would be granted the constitutional power to organize, reorganize, and change the existing boundaries of any local government agency with the exception of charter cities. It then becomes the task of the CCC to develop and adopt a Local Government Services Plan which is responsive to the delivery and financing of local services. This Plan would include:

**“Now is the time .
. . .to act [on LA
City Charter]; . . .
to show
leadership in
forging a
commitment for
greater
neighborhood
empowerment;
. . .to stand up for
something other
than
bureaucracy.”**

- Organizing local government to be more efficient and effective.
- Allocating local service and regulatory responsibility.
- Organizing state-local programs and programs administered on behalf of the state to provide for local flexibility.

Following the adoption of the state-local realignment plan, each CCC would write a home rule community charter to implement the Government Services Plan. This charter would then be placed on the ballot at the next available election. If the voters reject the charter, a revised charter would be developed and submitted to the voters at the subsequent election. This is the same initiative authority that citizens currently possess to place a city charter on the ballot.

“Of, By and For the People”
Daily News
November 19, 1996.

POTENTIAL IMPACT ON LOS ANGELES COUNTY

If this recommendation had been accepted, it would have required the County to become a participant in resolving questions of restructuring governmental relations, particularly within the region. Considering the County’s area and population, the number of municipal services contracts with cities within the County, and the governing role assumed by the Board in over numerous special districts, the County would probably have adopted the role of a leader in a process that makes certain all other jurisdictions and stakeholders are assured of making an important and meaningful contribution to achieving solutions.

The creation of a CCC, as proposed in this recommendation, has the

advantage of providing diverse community input to the restructuring process. But, as has become evident in the City of Los Angeles charter reform effort, it is likely that several questions would arise as to the scope of this Commission's authority.

Although it may be considered fundamental in the conduct of an effective restructuring process for a Charter Commission to have some form of A . . . constitutional power to organize, reorganize, and change the existing boundaries of any local government agency . . . ,” this level of power would most certainly be viewed with major concern by all levels of government. Alternatively, without granting a meaningful level of authority, the success of any restructuring will be fully dependent upon the cooperative ability of all of the jurisdictions involved. Each jurisdiction will recognize that cooperating in the creation of a solution that maximizes goals of charter reform may result in actions that are not necessarily consistent with their self-interest. Past successes of cooperative effort, where a governmental jurisdiction would be obliged to act against its own self-interest, have been very limited.

“Such an accounting [of all municipal levies] must be undertaken to begin the process of determining what level of local services the public can now expect.”

Wake-Up Time X
Prop. 218 is Law”
Los Angeles Times

The authority question which is raised by the Aconstitutional power provision is further exacerbated by the stipulation in the CCRC recommendation that the proposed Home Rule Community Charter can be placed directly on the ballot without the action of any governing body or any other affected unit of local government. This may be considered a failure of this recommendation, in that there are no accommodations for a formal review of the proposed charter prior to it being placing on the ballot.

In other instances within their report, the CCRC recommended that the Legislature have an opportunity to review qualified statewide initiatives. The purpose of this review was to make technical and clarifying amendments consistent with the objectives of the initiative and with the consent of the proponents. The same consideration should be given to local government by allowing the county and cities to collectively review and discuss technical and clarifying amendments to the charter before it is submitted for voter approval.

Under the CCRC recommendation, existing charter cities would not be subject to provisions of a new community charter unless they agreed to do so.

With most of the major cities in Los Angeles County being Charter Cities, including the City of Los Angeles, the charter city protection could have a significant impact on this process. If these cities refuse to participate in a discussion to arrive at a Community Charter consensus, any outcome would be fragmented and probably ineffective.

DISCUSSION

Other Studies on This Subject

The importance of the governance issue has been broadly demonstrated at the national, state, and local levels. To date, there have been a number of efforts throughout the United States to restructure, reorganize or reinvent government at all levels. Representative counties that have undertaken this endeavor include: Cuyahoga County, Ohio; Allegheny County, Pennsylvania; and Milwaukee County, Wisconsin.

Within California several studies have been completed, or are in process, including programs in Santa Clara, Orange and San Diego Counties. Locally, the City of Los Angeles is currently confronting the question of how to undertake charter reform.

A study to consider various structural impediments within the County's governance structure was undertaken in a July 1996 by the Citizens Economy and Efficiency Commission.¹¹ This study identified a number of difficulties including: the inefficient delivery of municipal services to unincorporated areas, the need for reviewing service delivery alternatives, citizen confusion and concern over the role of government, and the need for performance measurement and accountability in local government. Additionally, the Los Angeles County Blue Ribbon Budget Task Force Report¹² contained numerous recommendations which may be considered in conjunction with any restructuring proposals.

It is evident from these and other studies, that abundant restructuring opportunities are available to the County and to jurisdictions within the County. Additional activity in this field has the potential for markedly

¹¹ Los Angeles County. Board of Supervisors. The Los Angeles County Citizens Economy & Efficiency Commission. *Accountability and Municipal Service Delivery to Unincorporated Areas*. Los Angeles, CA, July 1996.

¹² Los Angeles County. Board of Supervisors. Los Angeles County Blue Ribbon Task Force. *Los Angeles County Blue Ribbon Budget Task Force Report*. Los Angeles, California, May, 7 1996.

improving government and for extending efficiencies in service delivery, which are currently hampered by factors such as, the size of the County, numbers of jurisdictions, and the interactive complexity of the system.

Agreement on Goal

There appears to be agreement from most parties on the appropriateness of the stated CCRC goal of moving A . . . authority for program administration and service delivery back to the local level.” It is reasonable to agree with the contention that “. . . local governments are best suited to respond to local needs . . .” The question raised by these statements is not whether an examination of the current governance structure, methods of service delivery, and assignment of responsibilities and powers of local government control is necessary. Rather, the question is how can local government best undertake this evaluation and have it contribute to the accomplishment of the goal of returning control to local government. To contribute to the achievement of the goal, an evaluation would require that a judgment be made as to how the actions necessary to implement any proposals can best be refined.

“We realized we needed a larger voice. It makes sense for all of those players (Allies for California Cities and Counties) to work together.”

Review of County Functions

In the course of any realignment effort, thoughtful consideration must be given to the possibility of internal realignments within the county’s service delivery structure. This will be necessary to insure that it is, or can be, made consistent with any proposal for a systemic state-local realignment.

An effective review of the county’s organization and the relationship of that organization with other local and state jurisdictions, will require that proposals covering changes in the state-local relationship be completely understood and that any potential impacts be considered. The overarching theme of a review of county functions must be the improvement of the performance and accountability of government.

Need for Collaboration

It is integral to the success of any endeavor involving numerous jurisdictions, that the strategy be designed to be understood and inclusive. This requires a commitment to collaboration with other governmental jurisdictions within the County, other local stakeholders, and potentially other jurisdictions and stakeholders throughout the state. A carefully developed agenda is needed to bring together these organizations and individuals to arrive at a shared vision for quality local government. (Attachment II presents a sample technique to initiate this collaboration.)

Developing a Metropolitan Viewpoint

In a complex metropolitan region, many problems, needs, and solutions transcend traditional local governmental boundaries. Consideration of reform must envision issues, where necessary, in a regional context. Some issues may cross jurisdictional lines and involve a larger regional view, some may be defined as a county-level issue, and others may be defined at a sub-county level since it would respond to issues of jurisdictions or neighborhoods existing within the boundaries of the County. Issues can also be identified in a varying set of configurations, e.g., existing within the boundaries of a city or special district, or possibly overlaying jurisdictions within the county or between counties.

“If we can’t [pay for] the libraries, if we can’t do the roads. . . then we’re not going to attract new businesses.”

Daniel Wall, Lobbyist
CA State Assoc. of Counties
as quoted by Dan Morain in the
Los Angeles Times
January 8, 1997

A California Department of Transportation (CDOT) publication¹³ has identified the need for local collaboration from the perspective of economic and community development. This publication stresses the role of

California’s state and local governments in helping private enterprise compete successfully. This position can be advanced by providing the infrastructure for the efficient movement of goods in an increasingly competitive global market, e.g., Alameda Corridor Project. In addition, the CDOT study supports the need for reform due to decades of accumulated Federal, state, and local regulations that have encumbered agencies and governments with overlapping, conflicting, and/or outmoded procedures.

A majority of economists stress that regions, including the Los Angeles Region, will have to collaborate locally to compete in the new global

¹³ California. California Department of Transportation. *California Trade and Goods Movement Study*. Los Angeles, CA, June 1996.

marketplace or face an inevitable decline. The new paradigm for the world's economy has regions competing against regions.

It is necessary, in the support of economic development, that governments within a region be as efficient as their counterparts in other regions. Without attaining this efficiency they will fail to support the needs of the private sector. This failure will cause out-migration of business and jobs to other regions in which the public sector is supporting the private sector by changing to meet the demands of the new environment.

Further supporting this contention is DRI/McGraw Hill, a leading authority on regional economics and the world's largest economic and strategic information company. In a report prepared for the Los Angeles County Community Development Commission,¹⁴ DRI/McGraw Hill validates the points made in the Department of Transportation report. They feel that what drives the performance of the Los Angeles regional economy is the interdependence and interrelationships among industries, the economics of the area, and the ability of local governments to effectively provide the governmental resources and infrastructure to sustain a dynamic economy. Given the necessity to support the regional economic growth in the greater Los Angeles area, it is evident that any reorganization of government and/or their relationship must be assessed in light of its possible impacts to regional economics.

Los Angeles County is composed of a complex web of agencies and jurisdictional arrangements to deliver services and to collect revenues to fund those services. There are 88 city governments and various local agencies, such as the Metropolitan Transit Authority (MTA), etc. Further, there are 94 districts under the jurisdiction of the Los Angeles Local Agency Formation Commission (LAFCO)¹⁵ as indicated below:

<i>California Water District (1)</i>	<i>Cemetery Districts (5)</i>
<i>Community Services Districts (4)</i>	<i>County Sanitation District (25)</i>
<i>County Service Area (1)</i>	<i>County Water Districts (13)</i>
<i>County Waterworks Districts (5)</i>	<i>Fire Protection Districts (1)</i>
<i>Garbage Disposal Districts (6)</i>	<i>Health Care/Hospital Districts (2)</i>
<i>Irrigation Districts (6)</i>	<i>Library Districts (2)</i>

¹⁴ *Southeast Los Angeles County Defense Adjustment Plan: An Integrated Strategy for Action*. Report prepared for Community Development Commission of Los Angeles County by DRI/McGraw Hill Economic Competitiveness Group. L. A., CA, 1996.

¹⁵ Information provided by Larry Calamine, Executive Officer, Los Angeles County Local Agency Formation Commission (LAFCO), July 1996.

Mosquito Abatement/Vector Cont. (5)
Recreation & Parks Districts (4)

Water Agencies (2)

Municipal Water Districts (9)
Resource Conservation Districts (2)
Water Replenishment District (1)

Within this region, Los Angeles County is the largest local governmental jurisdiction and the one that would be most impacted by pursuing any restructuring strategy. Thus, the County becomes the most probable jurisdiction to assume the responsibility for initiating any restructuring proposals and to assume a leadership role to bring together cities, other jurisdictions, the private sector, academia, key interest groups, and the public.

“[The task is] to undertake a comprehensive review of the . . . charter, to evaluate what works well and what does not, and to address any impediments to the best possible government. . . . nothing is exempt from examination nor immune from reform.”

Mission Statement of Los Angeles City Commission on Charter Reform

Metropolitan Community Charter Commission (MCCC)

The CCRC made the recommendation that jurisdictions within the state create a “Community Charter Commission.” With the creation of the proposed commission, the reorganization of governmental services and agencies could be more reasonably examined, questions involving the clarification or alteration of intergovernmental relationships could be fully reviewed, and the requirements for financial stability could be established and actively pursued.

The Economy and Efficiency Commission concurs with the charter commission approach. It feels that these advantages could be effectively achieved through the creation of a broadly based, multi-jurisdictional, multi-stakeholder Metropolitan Community Charter Commission (MCCC).

The primary purpose for the existence of the MCCC would be to serve as a means of insuring an inclusive involvement and coordination of other jurisdictions, interest groups, the media, academia, the business community, and the public in any restructuring of government. A second purpose for the creation of the MCCC would be to both serve as a resource in advising the County (GSTF), or any other jurisdiction or stakeholder, on the potential impact of any recommendations resulting from the development of a position on restructuring. The availability of the MCCC as a resource would be of great assistance to the GSTF, or any other jurisdiction or stakeholder, in making sure that any proposed position has incorporated the concerns and positions of other jurisdictions and stakeholders.

Although the use of the MCCC is a reasonable approach to the restructuring issue, serious questions will have to be resolved prior to taking any action on the creation of this body. Questions of composition, authority, scope, responsibilities, incentives and goals have to be reviewed and evaluated. The actual creation of a MCCC should be deferred until these questions can be resolved and a methodology for navigating these sensitive political concerns can be found.

RECOMMENDED BOARD POLICIES

Evaluation of Local Governance Structure

c. Periodically Evaluate Local Government Agencies

CCRC has recommended an evaluation of the structure, methods of service delivery, assignment of responsibilities and powers to local government agencies to A . . . ensure clarity as to which local entity is accountable for providing a service.”¹⁶ The concept that local government agencies should be periodically reevaluated is one that is generally acknowledged, but routinely unheeded. Prior to proceeding with actions on proposals to restructure or create charter revision organizations, the County should undertake an internal evaluation to fully understand both itself and the impacts that any proposals will have on County’s structure and operations.

d. Foster Collaboration Among Local Governments

In addition to restructuring, collaboration among local governments offers the opportunity to develop more efficient and effective ways of meeting public needs within the constraints of existing resources. AAlthough many opportunities exist for collaboration among local governments, long established parochial interests or institutional rigidity prevent such activity.”¹⁷

Local Government has the capability of collaborating both vertically, e.g., regional organizations, joint power agencies, mutual aid, etc., and horizontally, e.g., city to city, water districts to water district. An intensive evaluation of all opportunities that such collaboration would provide should afford a greater possibility for the development of increasingly cost effective system for service delivery.

¹⁶ California Constitution Revision Commission, draft report, p. 69.

¹⁷ Ibid., p. 68.

e. Create Incentives to Encourage Local Governments to Effect Local Government Reforms

According to CCRC “. . . the lack of tangible incentives have discouraged, if not prevented local government from initiating reform efforts.”¹⁸ Meaningful incentives will be necessary to encourage the adoption of bold and innovative approaches to community problems, efficiency improvements, accountability and service delivery. Given the size of Los Angeles County, the number of jurisdictions and stakeholders involved, and the complex nature of the responsibility and authority structure, incentives may be the only means to encourage positive participation in governmental restructuring.

“There is also some talk of a plan that might shift income tax to local governments on the basis of where the money was earned - an idea aimed at rewarding job creation by local agencies, something now mostly absent from the current system.”

“Lawmakers Offer a Helping Hand to Local Government”
Daily Bulletin
February 4, 1997

f. Create Incentives for Regional Cooperation

As with the need for incentives to encourage local government restructuring, tangible incentives are needed to encourage regional cooperation. Regional cooperation results in coherent policies and programs throughout an area that would reasonably be considered more appropriate for these services, e.g., sharing of law enforcement training facilities. This approach would likely result in cost savings and better public understanding and acceptance of local government programs and services.

g. Consolidate, Merge and Realign Local Governments, Including Special Districts

Regional realignments are requisite in clarifying the delivery of local government services, budgeting, and taxation. The CCRC felt that “. . . once the citizens of a community evaluate, reconnect, and reorganize their governments, their ability to control local affairs should be strengthened.”¹⁹ The multiplicity of jurisdictions and

¹⁸ Ibid., p. 70.

¹⁹ Ibid., p. 68.

governmental agencies substantially contributes to the near-universal belief that government is failing society and that the problems are mainly structural.

The public's disillusionment with government is clear. Recognition of this fact should provide public officials the reassurance and motivation to examine all available opportunities for consolidation, merger, and realignment.

RECOMMENDED ACTION ITEMS

4. Direct the Governmental Structure Task Force to prepare, with the assistance of departments, an internal review of County structure, operations, and responsibilities. This review is the initial step in preparing the County to initiate discussions with other jurisdictions on governmental restructuring. It will also provide a foundation for a plan to integrate the delivery and financing of local government services (Local Government Services Plan), e.g., countywide, region-wide, statewide.

Implementation: Within six months of the adoption of this recommendation.

5. Direct the Governmental Structure Task Force to investigate the possibility and impacts of taking action on those elements of their internal review that can be implemented immediately to assist in positioning the County, or other involved jurisdictions, in their response to any state-local restructuring proposal or in the formulation of a plan for the delivery and financing of local government services (Local Government Services Plan).

Implementation: Within seven months of the adoption of this recommendation.

6. Direct the Governmental Structure Task Force to prepare a draft Local Government Services Plan, reviews its impacts on Los Angeles County, and revise appropriately. The purpose of this draft is to provide the County with a basis for discussing the formulation of a Local Government Services Plan with other jurisdictions and stakeholders. It is anticipated that this plan will be revised in accordance with the discussions that will be held on this issue. The Local Government Services Plan should minimally include the following:

- A proposal(s) for improving the efficient and effective organization of local government and a methodology to provide a continuing evaluation of this organization.

- A proposal(s) for changes, where necessary, in the allocation of local service and regulatory responsibility.
- A proposal(s) for organizing state-local programs and programs administered on behalf of the state and a methodology to provide a continuing evaluation of this organization.

Implementation: Within ten months of the adoption of this recommendation.

7. Direct the Governmental Structure Task Force to participate, on behalf of the County, with other jurisdictions in a cooperative process to formulate a coordinated Local Government Services Plan.

Implementation: Within fifteen months of the adoption of this recommendation.

8. Direct the Governmental Structure Task Force to study and propose, within the context of the discussions as envisioned for those on the Local Government Services Plan, an approach to implementing a realistic incentive program(s) that is designed to develop the best practices and/or the best structure for the following:

- Encourage Local Governments to Effect Local Government Reforms,
- Foster Collaboration Among Local Governments,
- Create Incentives for Regional Cooperation, and
- Encourage the Consolidation, Merger and Realignment of Local Governments, Including Special Districts.

Implementation: Within sixteen months of the adoption of this recommendation.

9. In anticipation of the creation of a Metropolitan Community Charter Commission (MCCC) that has as its objective assisting in the creation and countywide coordination of each element of any restructuring proposal, direct the Economy and Efficiency Commission to study and make recommendations to the Board on the composition, role, function, authority and responsibilities of this Commission.

Implementation: Within seven months of the adoption of this

recommendation.

10. Upon the creation of a Metropolitan Community Charter Commission (MCCC), suggest that it undertake the role of neutral party in developing a coordinated position at each phase of the State-Local Realignment process among the County, jurisdictions and involved stakeholders.

Implementation: Upon creation of the MCCC.

11. Upon the creation of the Metropolitan Community Charter Commission (MCCC), suggest that it actively solicit, encourage, and stress the importance of the input and collaboration of all of the participants, including other jurisdictions and stakeholders, in each phase of the restructuring process.

Implementation: Upon creation of the MCCC.

12. Upon the creation of the Metropolitan Community Charter Commission (MCCC), suggest that it conduct meetings and strive for cooperative efforts by jurisdictions within the County and statewide, to achieve the results of the cooperatively developed and approved position on each of the elements of this process.

Implementation: Upon creation of the MCCC.

13. Direct the Governmental Structure Task Force to assist, as necessary, the MCCC in pursuit of support from organizations, such as the California State Association of Counties (CSAC), etc., for the position that any governmental restructuring process addressing a state-local relationship must include the counties and other local governments.

Implementation: Within two months of the MCCC having formulated a coordinated inter-jurisdictional position on State-Local Restructuring.

Local Taxes and Bonds

CCRC RECOMMENDATION #34

Protect locally levied taxes and provide for a majority vote on local taxes and bond measures – *“The constitution should protect the property tax and other local taxes from state reallocation. Additionally, increases in local taxes should be subject to a majority vote of the governing board and the voters. A higher popular vote requirement may be included in the home rule community charter.”*²⁰

CCRC CLARIFICATION OF THIS RECOMMENDATION

The CCRC felt that in reviewing new alignments, every effort should be made to maintain both the program funding and operational responsibilities at the same governmental level. Taking this approach, responsible elected officials have the obligation, and the opportunity, to achieve an operational balance. The adoption of this recommendation would have required significant revenue redistribution between governments.

Counties are currently limited in their ability to increase revenues to address budget shortfalls and are required to seek state authorization and/or voter approval for almost any broad-based tax. One of the objectives of the CCRC was “. . . to enhance local control and ensure that local taxes are maintained and protected for providing local services.”²¹ In an era where the watchword is accountability and flexibility, local officials should have the tools necessary to fund local programs in the absence of a compelling reason to the contrary.

In examining the current tax structure the CCRC determined that it had an adverse effect on development patterns and that it led to the “fiscalization of land use.” (Misczynski, 1986)²² In order to protect local taxes for local purposes and reduce the fiscal pressure on land use decisions, the Commission recommended the following:

²⁰ Ibid., p. 72.

²¹ Ibid.

²² The “fiscalization of land use” is a term used to identify the growing tendency of city and county governments to make growth and land decisions based primarily upon their revenue consequences (amount of sales tax generated).

- Allocation of the Property Tax** - The distribution of the non-school share of the property tax would no longer be determined by state law, but rather by local Community Charter.
- Allocation of the Local State Tax** - The general purpose locally levied 1% sales tax could be allocated by the Community Charter.
- Allocation of the Vehicle License in Lieu Fee** - The allocation of the “in lieu” fee could be part of the home rule charter process.
- Local Tax Authority and the Vote Requirement** - This provision would have required that local taxes - either special or general - be subject to a majority vote of the governing body proposing the tax and the voters unless the home rule charter contained a higher threshold.

Proposition 218²³

Subsequent to the local tax recommendations made by the CCRC, the voters of California, in November 1996, passed Proposition 218. This Proposition significantly changes how local government is financed. Thus, it is necessary to consider the CCRC recommendation in light of the content and potential impacts of this initiative.

“It [Proposition 218] will have major impacts on this state . . .and its economy.”

In general, the intent of Proposition 218 is to ensure that all taxes, and most charges on property owners, be subject to voter approval. In addition, Proposition 218 seeks to curb some perceived abuses in the use of assessments and property-related fees, specifically the use of these revenue raising tools to pay for general government services rather than property related services.²⁴

Dwight Stenbakken
California League of Cities
as quoted by Joe Bel Bruno in
the *Los Angeles Bus. Journal*
December 2, 1996

Proposition 218 limits local governments' use of fees, assessments, and taxes. It determines that fees and assessments can only be used for specified purposes and cannot be used for projects or services benefiting the general public, such as

²³ Discussion based upon: Hill, Elizabeth. California State Legislative Analyst. *Understanding Proposition 218*. Legislative Analyst’s Office, Sacramento, CA, December 1996.

²⁴ *Ibid.*, Ch. 1, p. 2.

for public safety or libraries. All new fees and assessments, plus increases in existing ones, must be approved in an election by a majority of property owners. Approximately half of all existing assessments would also be subject to voter approval by no later than July 1, 1997.

Assessment district elections would be subject to a proportional voting system, with some property owners' ballots weighing more than others depending upon the assessment each would pay. Proposition 218 further requires that all public agencies and schools pay assessments, and that charter cities abide by Proposition 62's voting stipulations on local taxes. The "burden of proof" regarding legality of assessments and fees also would be reversed, placing the onus on local officials rather than on taxpayers.

Revenues for services such as fire protection, parks and recreation, ambulance, and business-area improvement programs, are those most likely to be affected by Proposition 218. The proposition's requirement to identify and separate the "general" and "special" benefits sets a standard well beyond current practice. In most cases, clearly distinguishing general benefits from special benefits, and determining the proportionate costs of each will be very difficult in today's environment.

POTENTIAL IMPACT ON LOS ANGELES COUNTY

The proposal made in the CCRC recommendation attempts to stabilize local revenue by prohibiting its reallocation by the State. The allocation of the three sources of revenue identified above, property tax, local sales tax, and the vehicle license in lieu fee, would positively impact the County's budgeting process by stabilizing the revenue flow and reducing the ability of the state to transfer revenue from the County.

Specific taxes could be included in the charter process that apply countywide, or that could be sub-county or community based. Using this approach, the voters of the County would have the opportunity to connect the governmental agency providing the service with the taxes levied to provide the services. This would be consistent with the recommendations pertaining to governmental accountability in the delivery of municipal services made in the Economy and Efficiency Commission's, July 1996 study.²⁵

A separate section of provisions for local financing is viewed as providing an incentive for the creation of Community Charters. Under this section, the

²⁵ The Los Angeles County Citizens Economy & Efficiency Commission, *Accountability Report*, pp. 4 - 9.

authority to raise taxes would require a majority vote of the governing body and a majority of the voters, unless the Charter provided for a higher threshold. The same majority vote would apply to general obligation bonds, as long as they were consistent with the provisions of the Charter that require a capital outlay plan. Property tax processes were exempted from this provision; they would remain under Proposition 13 *et seq.* procedures.

Major Anticipated Impacts of Proposition 218

Within eight months of Proposition 218's passage, local governments will need to reduce or eliminate specific existing assessments and fees to meet the measure's requirements. The Legislative Analyst's Office estimate that these actions will reduce local government revenues within California by at least \$100 million in 1997-98.²⁶ The potential loss within Los Angeles County of \$51.7 million is being addressed by the Chief Administrative Officer, County Counsel, Auditor-Controller, and other affected departments with recommendations in time to place the issue before the electorate on the June 3, 1997 scheduled election.²⁷

Proposition 218 shifts most of the power for taxation from locally elected governing boards to voters and property owners. In order to effectively fulfill their responsibility, local residents and property owners will require increased information on revenue generation and financing issues.

While locally elected governing boards continue to be fully responsible for decision-making regarding the expenditure of public funds with the passage of 218, they now have very little authority to raise funds without a vote of the residents or property owners. In addition, they are limited in their ability to call an election to raise revenue. This results in an increasingly constrained and restricted local governmental structure.

“City officials admit it will not be easy, even though the governor addressed the League [of California Cities] at its annual meeting last year and indicated that he considered financing reform for local governments a priority.”

Laurence Darmiento
San Gabriel Valley Tribune
February 9, 1997

²⁶ Ibid., p. 5.

²⁷ Direction of the Los Angeles Board of Supervisors, February 4, 1997.

Proposition 218 may also alter or expand the State's role and responsibilities regarding local government in three ways. First the Legislature will be asked to interpret several of the provisions of the legislation which will set the rules regarding local government finance. Second, since the Legislature has greater fiscal flexibility, it will probably receive requests from local government for financial assistance. Third, any effort to restructure state-local program responsibilities now becomes more complicated. Since local government has less flexibility to generate its own funds, the Legislature will have less flexibility to realign programs in a manner that increases local government responsibility without providing a direct subvention of state funds.

“We do know that it [Prop. 218] limits local government’s ability to raise taxes, but the impacts of the retroactive portion is still to be determined.”

Ken Kurtz
Public Finance Analyst
Moody’s Investors Service
As quoted by Joel Bel Bruno in
The Los Angeles Times
December 2, 1996

Specific impacts include the following:

Fiscal - Revenue Reductions - Proposition 218 affects only those general taxes that were imposed in 1995 or 1996 without a vote of the people. Los Angeles County revenue may be reduced due to the reduction or a repeal of existing property-related fees and assessments that do not meet the measure's restrictions on 1. fee and assessment amounts or 2. the use of these revenues. Over time, county revenues are likely to be impacted as a result of restrictions and voter-approval requirements that constrain new and increased fees, assessments, and taxes. The actual level of revenue impact will be dependent, in large part, on how the state and the courts interpret various provisions of the measure.

Fiscal - Cost Increases - The county would have significantly increased costs to hold elections, calculate fees and assessments, notify the public, and possibly defend their fees and assessments in court.

Fiscal - Credit - There will probably be two major credit effects of the new constitutional provisions:

- The uncertain credit quality for general fund supported leases, lease revenue bonds, and other debt obligations already outstanding, as well as those issued in the future. As of the publication of this study five cities within California (Anaheim, Los Angeles, San Diego, Sacramento, and Fresno) have had their credit rating reduced as a direct result of the concerns over the recently approved proposition

218. This downgrading will have an impact on the future sales of

general obligation bonds, which are funded through property taxes.²⁸

- The uncertain applicability of the repeal provisions to all bonds secured by assessments, special tax revenues, and other fees and charges, but most particularly those issued after November 5, 1996. There is also uncertainty for land secured and other credits supported by a specific tax, assessment, fee, or charge until the repeal provisions are clarified.

Taxes - If the county imposed or increased taxes without voter approval in 1995 or 1996 it would experience revenue reductions if voters reject these taxes at the polls. Any tax increased or imposed for a designated purpose by the county would require approval of two-thirds of the voters.

Assessments - By prohibiting the use of assessments to fund activities that provide general benefits, the county may be prevented from recovering the full cost of an activity through assessments. Many services that benefit property also provide some benefit to the general public. In such cases, governments might have to divert general fund money to the service or choose not to provide the service at all. For example, a \$9 million-a-year assessment for library services in unincorporated areas and a dozen cities is threatened by Proposition 218, as is a \$53 million property assessment for fire protection to unincorporated areas and 48 cities.²⁹

“Financing outcomes should be addressed simultaneously with discussions of government structure, not in isolation from them.”

So. California Association
of Governments
*Regional Comprehensive Plan
& Guide*
March 1996

DISCUSSION

There is general agreement that a lack of funding and failures to establish a relationship between revenue raising capability, service delivery, and governmental levels are major issues in the restructuring of state-local governmental relationships. The discretion of local government has been compromised by constraints on local government revenue authority -- a result

²⁸ Dickerson, Marla. “Anaheim’s Bond Rating Lowered.” *Los Angeles Times* [Los Angeles, Ca.], January 24, 1997.

²⁹ Rabkin, Jeffrey L. “Officials Grapple with New Tax Law.” *Los Angeles Times* [Los Angeles, Ca.], November 24, 1996.

of the abandonment of the property tax as a local revenue source and the domination of state fiscal rules. Clearly, fiscal issues are at the heart of state-local relations in California.

Over the past quarter of a century, the state and local tax structure has been modified to respond to the changing economy, initiatives responding to perceived abuses of the tax system, and the efforts of state and local government to react to change. The result of these actions is an often-confused taxing structure that has conflicting objectives and numerous unintended consequences. This fiscal structure seriously impacts the efforts of California governments to provide necessary public services, improve California's business climate, and assure the accountability desired by the voters.

“In terms of the County Board of Supervisors, over 90% of the budget is mandated by the state or federal government. Even if there are local needs or priorities that people want - parks, libraries, basic services - funding for these services is not there.”

David Janssen
Chief Administrative Officer
Los Angeles County

The consequences of an increasingly unmanageable tax structure include:

- the non alignment between program responsibility and financing authority.
- the conflict between achieving statewide objectives and relying on local governments for key fiscal decisions.
- the growing reliance of voters on taxes earmarked for specific purposes when rapid demographic, social, and economic changes require more government flexibility to effectively respond to problems growing out of these changes.

These difficulties complicate government structures, restrict government flexibility, inhibit accountability, provide insufficient revenues for critical public purposes, e.g., education and infrastructure, encourage a chronic budget “crises,” establish disincentives to economic development, and create voter hostility to the tax system. It is clear that this tax structure needs to be redesigned, consistent with any restructuring proposals, to maximize its effectiveness and to create an environment that supports a vision for government.

Much can be done on the financial side, but it will have to be accomplished in the face of public skepticism, strong resistance from interest groups, and measures adopted by initiative, statute, and ordinance. The measures are particularly significant in their placement of restrictions on government's

ability to manage revenue. Reversing these trends will take political

fortitude, time, public education, and earning the support of stakeholders within and outside of the public sector.

The scope of this study does not enable it to arrive at a proposed solution to this fiscal situation, but it does propose a direction that the County can follow in seeking a solution to these problems.

RECOMMENDED BOARD POLICIES

Protection/Restoration of the Revenue Base

h. Protect Local Taxes

If local government voters are to have the ability to determine the level of local services provided and the means of taxation and payment for those services, then they must have authority to determine how the existing property tax and other sources of local revenues are to be allocated, not the state.³⁰ It is necessary that operational responsibilities and program funding be at the same level of government. When local revenues can be transferred to the state, local government loses its ability to carry out program responsibilities. The Economy and Efficiency Commission supports the Board's legislative policy opposing any further erosion of the County's property tax base.

i. Shift Control of Property Tax Allocations to Local Government, Prohibiting the State from "Raiding Local Revenue Sources"

Current state law allocation of the property tax reflects a 1978 view of how local government resources should be allocated. This nineteen-year-old approach does not fit the present day needs of counties. The principle of local control requires that local voters and elected officials have the authority to allocate the local property tax in accordance with their goals and objectives for the communities.

Following Proposition 13, the state enacted a formula for the allocation of property tax collections. Accordingly the state was recently able to reallocate significant amounts of local property tax revenue and other "historically local" revenues (motor vehicle, alcoholic beverage taxes and vehicle code fines) to resolve state budget deficit problems. It has become evident that this shift in authority to allocate local taxes from

³⁰ California Constitution Revision Commission, draft report, p. 65.

local government to the state was a consequence of Proposition 13 that was not originally anticipated or intended.

The state's transfer of funds resulted in actions by local government to replace lost revenue by increasing fees and utility taxes. This situation, given the extent of taxpayer discontent and their perceived lack of accountability within government, contributed significantly to the passage of Proposition 218. Thus, without the authority to control its own revenue and the ability of the state to usurp that revenue "historically" considered to be local, local government has continued to lose ever increasing amounts of control over its own destiny.

j. Tax Structure Reforms are Accompanied by Governance Reforms to Maximize Efficiency and Accountability in Government.

Reversing current public skepticism regarding local government will require restructuring and reform. The non-school share of the property tax should be allocated according to the desires of the local community, as should the locally levied 1% sales tax and other local taxes. Local voters and elected officials should be given the authority to determine how local revenues are to be distributed.³¹

k. County Government Should Have Sufficient Resources Under Their Control to Adequately Address Their Responsibilities, Together with the Authority to Adjust Resource Levels in Accordance with the Priorities of Voters as Expressed Through Elected Representatives.

Adequate resources are essential to funding state programs and local services. There is an ongoing risk of fiscal crisis among counties which creates budgeting imbalances and significant reductions in local discretionary programs.³²

A continuing tension exists between the demand for services and the resistance to taxes. Whenever there is a proposition to reduce taxes, powerful interest groups arise to protect their interests from budget cuts. The complexity of the total array of services, together with the "Asound bite" and highly selective nature of political campaigning, make it exceedingly difficult for accurate and complete information to be

available to the public when voting on multiple issues and elections to

³¹ Ibid., pp. 72-73.

³² Hill, op. cit., p. 7.

office.

I. The Fiscal Relationship Between State and Local Government Should Be Established with the Objective of Assuring Effectiveness and Efficiency in Promoting Public Policies.

A goal of the restructuring process is to make government more accountable, while increasing both its efficiency and effectiveness. For example, in 1996 the legislature recognized the need for state funding of the court system, but the need has been delayed until an acceptable means of implementation can be agreed upon. There are a number of state programs which could be funded as a means of assuring statewide consistency and 100% state funding of state programs.

Mandate and Maintenance of Effort

m. Counties Should not be Made to Use County Revenues or Taxing Powers When Carrying out State Mandates or Programs

When a county, or any other unit of local government, is required to use local funds to carry out a state program, the local voters lose their ability to determine how local funds are to be used. One of the objectives of restructuring is to put local voters and locally elected officials in control of local government. Counties lack the fiscal flexibility to respond to local needs and preferences and to effectively administer programs for the state.³³

n. Assure State Support for Mandated Local Programs

A change in both Federal and state policy is necessary to allow direct reimbursement to a county that has the responsibility for and/or facilitates program delivery. In the instance where funding is provided, at the state's discretion and after administrative costs have been taken off the top, difficulties in dealing with mounting problems are compounded.

o. Reform Mandate Reimbursement Laws

Definitions of mandated programs differ due to their political implications, but one recent survey reported that counties must comply

with over 250 mandated programs. Current law theoretically requires

³³ California Constitution Revision Commission, draft report, p. 65.

that the state reimburse local government for mandated programs. As a practical matter, the reimbursement process is state controlled, not user friendly and adversarial in nature. If reimbursement is truly the objective, then there must be complete structural and operational reform of the process.

“The current system makes it most profitable for local government to chase after . . . big retailers - which encourages growth based not on sound planning but on a chase for sales tax money.”

The Lawmakers' First Priority:
Fix Local Financing Mess”
Daily Bulletin
November 11, 1996

Local Land Use Decision-Making Authority

p. Tax Structure Should Be Designed to Minimize the Influence of Land Use Decisions on Revenue.

One of the distortions arising from the current system of local government finance is the “fiscalization of land use.” A revenue structure which rewards actions that encourage balanced land use development (residential, industrial and commercial) is needed to offset the current inappropriate and inefficient incentives of those practices.³⁴

An unintended consequence of Proposition 13 was the Afiscalization of land use.≡ It is evident, in even the most superficial analysis of land use options, that revenue producing options will be exercised over those that result in increased costs of providing services. Thus, local government land use planning decisions have been co-opted by financial impacts affecting local government.

RECOMMENDED ACTION ITEMS FOR IMPLEMENTATION

14. Direct the Governmental Structure Task Force to develop a County position on the California State tax structure that considers the adopted Board positions presented above.

Implementation: Within nine months of the adoption of this recommendation.

15. Direct the Governmental Structure Task Force to investigate the possibility of the return to use of property tax by action of local government legislative bodies.

Implementation: Within nine months of the adoption of this recommendation.

³⁴ *Making California's Governments Work: A Discussion Paper Prepared as a Basis for Advancing Solutions that Will Benefit the Public.* League of California Cities. Sacramento, CA, January, 1995.

16. Direct the Governmental Structure Task Force to examine alternatives to the property tax for financing of some local programs.

Implementation: Within nine months of the adoption of this recommendation.

Strengthening Home Rule

CCRC RECOMMENDATION:

#35. Strengthening the home rule provision. *“The Commission recommends that California’s longstanding tradition of home rule be strengthened and provide a constitutional standard for balancing of state vs. local interest.”*³⁵

CCRC CLARIFICATION OF THIS RECOMMENDATION

Home rule³⁶ powers were recognized in the 1879 California Constitution. The CCRC’s goal in addressing this issue was to eliminate confusion by strengthening home rule and to more clearly define the parameters of local government. The ability to adopt local programs without state interference is an incentive for a jurisdiction to participate in the Home Rule Community Charter.

The CCRC proposal would insure that the community charter prevails over state law unless, 1. the local action has significant extraterritorial effects or 2. the need for statewide uniformity overwhelms local differences. This approach proposes to strengthen the authority of local government over issues that have been viewed as “municipal affairs.” It also establishes a standard within the constitution for balancing the interests of state and local communities.

³⁵ California Constitution Revision Commission, draft report, p. 12.

³⁶ “Home Rule” is the authority of a local government to act independent of state intervention in the control of local affairs. The extent of this authority ends where the state expresses a statewide interest. Therein lies the dilemma - who draws the line and where is it drawn?

POTENTIAL IMPACT ON LOS ANGELES COUNTY

“Home rule has to do with giving local governments the authority, accountability, autonomy, empowerment, and discretion to innovate and address local issues directly.”

Carl Neu & Jack Ethredge
National Civic Review
Fall 1991

Although Los Angeles County is a charter county, the charter is not a “home rule” charter. The only power that a county has is one of internal organization. The charter recommended by the CCRC would give Los Angeles County “home rule” powers that it does not possess. Given the state’s creativity in recent years of capturing revenues once thought to be the domain of local government, it is anticipated that the strengthening of home rule would improve the revenue stability of the county.

If the state constitution were to be amended as recommended by the CCRC, counties would then have had the opportunity to create Community Charters. These charters would have the strength to address governmental reorganization within the county, as might be approved by the voters. But, this change would provide limited powers to change the state-county relationship. Major realignments between the state and local governments, including counties, would have to occur at the state level as recommended by the CCRC in their State-Local Realignment proposal.

The protection offered to jurisdictions by this approach could encourage seeking charter status. While this might seem to be a positive step, it could possibly solidify the positions of a number of jurisdictions whose existence or interests may cause difficulty in arriving at fully acceptable solutions to countywide problems. In this case, change would become even more difficult.

DISCUSSION

Under California’s current constitution, cities and counties have historically had discretion in home rule, with the latitude to spend their revenue in the manner determined to be appropriate by the local voters. The enjoyment of home rule has been eroded as a result of the intended and unintended shift in power to the state government. This shift has generally been a consequence of the restructuring of the fiscal structure by the action of state government and by the voters’ passage of initiatives over the past twenty years. Local government has failed to respond effectively to these shifts and now finds itself in an even more difficult position. Without action to maintain home rule, consistent with the other proposals being made in this study, local government may well become superfluous.

It is presumed that the pursuit of home rule will require major effort, since the state seems reluctant to delegate power. However, greater local discretion in program management can only benefit the County in terms of available revenue to cover current costs, and in the County's abilities to influence program efficiencies.

RECOMMENDED BOARD POLICY

q. Pursue Active Support for Strengthening Home Rule

As a result of both intended and unintended consequences, the ability of the County to make decisions at the local level by locally elected officials has substantially lessened, often being transferred to state government. The erosion of the ability of the County to maintain its revenue structure or to generate additional local revenue, either by vote of the people or by action of the state, has resulted in denial of effective local home rule.

RECOMMENDED ACTION ITEMS

17. Direct the Governmental Structure Task Force, in coordination with appropriate offices, to develop an advocacy program directed at pursuing all possible measures for strengthening home rule powers, both within and outside the context of the Community Charter.

Implementation: Within ten months of the adoption of this recommendation

ion III - Conclusion

“If the Twentieth Century was one of social transformations, the Twenty-first Century needs to be one of social and political innovations.”

Peter F. Drucker

Managing in a Time of Great Change

Across the country and around the world, organizations, including governments, are facing a paradigm shift resulting in previously unknown environments, increasingly complex realities, and the realization of problems for which society has not prepared itself. As often as not, organizations in these circumstances continue to confront new challenges with old solutions.

In many instances, organizations have yet to recognize the shift from the traditional hierarchical form of organization to one that places emphasis on people, teamwork, advancing technology, long term strategies, new partnerships, power sharing and, ultimately, the joining of economic forces and institutions that have routinely clashed in the past. In short, the globalization of the economy, the explosion of technology, the increase in the magnitude of social problems and the complexity and lack of understanding of existing structures are pressures forcing a centrifugal disbursement of power outward from the old power centers.

Those organizations and individuals flexible enough to adjust to this new environment will be able to capitalize upon this shift and increase their relevancy and value. Others who chose to cling to the old hierarchy of power will be passed over and will, ultimately, no longer be germane to the process.

This study has attempted to establish preliminary parameters of the state-local restructuring issue by laying out initial steps in the development of a realistic strategic approach for Los Angeles County. This approach acknowledges that it is essential to have the long term commitment of decision-makers at all levels of government, particularly local government. The policies and action steps being recommended were developed to be flexible, and to help Los Angeles County to respond to the future demands that will be placed on California's governmental jurisdictions.

It is becoming increasingly clear that the current environment will make it necessary for the County to abandon the old ways of operating and to reach out to new opportunities. This outreach will require fundamental changes in the relationships and operations of the state, counties and other jurisdictions. The incorporation of these changes will require a dedication to a new collaborative effort by the seven thousand governmental organizations within California. In dedicating themselves to this effort, these organizations must recognize that the only constant in this new environment is change and this change requires a state of perpetual revolution.

Decision-makers must realize that the current focus on short term gains is no longer viable and that undertaking any restructuring effort will be a major long term commitment. They must acknowledge that short-term gains are perishable without rethinking and reform for the long term.

Governments must look to new arrangements for partnership, collaboration and sharing. The new mind set must be one of cooperation. Cooperation in the establishment of new relationships will be the vehicle by which local government will be able to maintain local control, accomplish the its program objectives, and be the means through which taxpayers can hold government accountable.

Los Angeles County has much to gain in becoming a leader in both altering the historic state-local relationship and seeking local government fiscal reforms. Functioning in a leadership role, the County will be positioned to involve other jurisdictions in defining how to restructure local government and how to create greater efficiencies and public understanding. By not taking action the County will assume a far greater risk than any risk that it assumes by adopting the approach recommended in this study.

“Tackling this issue [reform] will take political courage, for the horrified screams will come from both the mindlessly anti-tax crowd and those who believe in the sanctity of every government program. But it has to be done to protect the state’s future prosperity, and the sooner the better.”

“Lawmakers = First Priority:
Fix Local Financing Mess”
Daily Bulletin
November 11, 1996

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ATTACHMENT I

GENERAL LEGISLATIVE POLICIES

The following general legislative policies were prepared by the Chief Administrative Officer and adopted by the Los Angeles County Board of Supervisors on January 7, 1997. The objective of defining these policies was to better enable the County's advocates to react to administrative or legislative proposals when timing is critical. In many cases a timely response is essential in order to influence newly introduced bills, amendments to bills already in progress, and to proposals that might be offered in hearings, meetings, and work groups. The policy positions recommended in the body of the report have been identified in accordance with the sections presented in this Attachment.

I. Protection/Restoration of the Revenue Base

- A. Oppose any further erosion of the County's property tax base.
- B. Support legislative efforts to distribute growth in sales tax revenues on a per capita or other basis that acknowledges responsibilities of counties and their disproportionate losses under property tax shifts.
- C. Support efforts to limit County refund liabilities under the Guardino decision or Proposition 218.
- D. Oppose efforts to retroactively alter the equitable AB 1191 (Takasugi) distribution of the Public Safety Sales Tax.
- E. Support administrative or legislative efforts to mitigate County exposure to property tax refunds on State-Assessed properties, including the establishment of rebuttable presumptions of correctness for values established within a defined range of "fair market value."
- F. Oppose legislation which could diminish local transportation funding by further compounding the existing inequities of the State's north/south gas tax split.

II. Reduction and Reallocation of State Administrative Fees

- A. Support limiting administrative fees to the State's actual costs for mandated administration.
- B. Support fair allocation practices for State administrative fees.

III. Mandate and Maintenance of Effort Relief

- A. Support streamlining and elimination of administrative mandates to focus limited resources on vital services.
- B. Oppose new unfunded mandates.
- C. Support limit on local government liability for increased costs due to "Three Strikes."
- D. Support increased flexibility for local agencies to meet waste reduction goals established in the State Integrated Waste Management Act.

IV. Restructuring of the State/County Relationship

- A. Support restructuring of State and local programs only if they follow rational principles, including:
 - 1. Restructuring should promote program effectiveness and program cost containment.
 - 2. Restructuring should recognize the limitations to county fiscal capacity, by not transferring programs without sufficient revenues, both in the first year and in future years.
 - 3. Restructuring should create a nexus between authority, responsibility, accountability, and revenues.
 - 4. Restructuring should not be limited to the relationship between the State and counties.
- B. Support restructuring demonstration or pilot projects in various program areas.
- C. Oppose program shifts which are not accompanied by revenues sufficient to cover current and future costs.
- D. Oppose program shifts to counties when control over those programs remains outside of county control.
- E. Oppose program shifts to counties when the costs of those programs are offset by unproven mandate relief savings estimates.

V. Local Land Use Decision-Making Authority

- A. Oppose legislation that infringes upon your Board=s local land use decision-making authority.

VI. Utility (Gas, Electric, Telephone) Restructuring/Deregulation

- A. Oppose legislation or regulation that upsets the balance and equity achieved in AB 1890 (Brulte) which your Board supported.
- B. Support legislation and regulation that uniformly applies tax and fee burdens on all utilities competing in California to avoid creation of unfair competitive advantages and to preserve the revenue base of State and local government.
- C. Oppose legislation or regulation that would permit the transfer to Los Angeles County or its residents any costs or revenue losses incurred within another jurisdiction.

VII. State Support of Probation Camps

- A. Support continued State assistance for Probation Camps such as the \$32.7 million allocated in 1996-97.

Source: Board Action on these positions was taken January 7, 1997, in response to a letter from the Los Angeles County Chief Administrative Officer entitled, *County Goals, Policies, and Specific Proposals for the 1997-1998 State Legislative Session*.

ATTACHEMENT II Pages (1) and (2)

A SAMPLE TECHNIQUE FOR COMPARING ORGANIZATIONAL POSITIONS

Find:

**on EEC Website: <http://eec.co.la.ca.us>
or in hard copy in EEC Office, Room 163.**