

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

At the Local Government Summit on State Governance and Fiscal Reform, held on July 17-18, 2009, attendees participated in 17 small group discussions. In those breakout sessions, they discussed the Principles and Reform Options developed by the Joint CCS Task Force on State Budget and Fiscal Reform.

This summary provides an overview of the prevalent themes emerging from those discussion groups. Each discussion was facilitated by staff, and each group was assigned two or three options to discuss – but through a voting process, selected one or two other options that were important to the participants in that group. Consequently, some of the options were discussed by only one group, while others, such as Option 1.1, were discussed by all or most of the groups.

The portions of the summary in bold represent a theme or idea that surfaced in more than one discussion. The “Prevailing Themes” section highlights the themes that surfaced throughout the groups and in discussions on many different Options.

Prevailing themes

1. **The roles and responsibilities of state and local government need to be more clearly defined.** Very little reform can be achieved until there is a clear understanding of the relative authority of local and state governments.
2. **Local governments need sovereignty on budget matters, including protection against unfunded state mandates and from the state borrowing local revenues.** In order to ensure stable local budgets, uninterrupted services, and the ability to plan and make decisions in the best interest of the community, local governments need predictable revenues. The current system prevents planning because local agencies are unable to rely on consistent future revenues, and are responsible for complying with mandates from the state that are not funded and may not be the priority of the community. Local sovereignty would ensure that local officials have control over the decisions that impact their communities and are able to prioritize programs and services, and align expenses to revenues.
3. **The state and local budget cycles should be aligned.** Currently budget cycles are not aligned, and it means that local governments may pass a budget that becomes unfeasible when the state budget is passes.
4. **Local government is best suited to provide services for the community because it is more reflective of community values, and more accountable to the community.** The decisions of local government can be directly and explicitly linked to the revenues raised. Local officials are in positions to make decisions that reflect the priorities of the community and react quickly to community concerns or issues. In addition, local taxes and local services can be directly linked, creating transparency for the taxpayer and the ability to hold local officials accountable for their decisions.

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

5. **Local governments are more efficient than the Legislature and state government.** Local governments are less partisan and less influenced by lobbyists and special interest groups. Distrust of the Legislature and state government is prevalent.

6. **Concerns about state government include a belief that state government officials are unduly influenced by partisanship and special interest groups, are not accountable to their constituents, and a belief that state officials make irresponsible decisions.** There also exists a great amount of skepticism that legislators are skilled and trained in budgeting. The participants expressed great distrust of state government officials, their intentions on behalf of the state, and their breadth of knowledge.

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

Option 1.1 – Protect local revenue sources

The state should not be able to divert or borrow local tax revenues to fund state programs or state mandated services.

THEMES

- A. **In order to ensure stable local budgets, uninterrupted services, and the ability to plan and make decisions in the best interest of the community local governments need sovereignty on budget matters, including protection against unfunded state mandates and from the state borrowing local revenues.** The current system prevents strategic planning because local agencies are unable to rely on consistent future revenues, and are responsible for complying with mandates from the state that are not funded and may not be the priority of the community. Local sovereignty would ensure that local officials have control over the decisions that impact their communities and are able to prioritize programs and services, and align expenses to revenues.
- B. **Local government is best suited to provide services for the community because it is more reflective of community values, and more accountable to the community because the decisions of local government can be directly and explicitly linked to the revenues raised.** Local officials are in positions to make decisions that reflect the priorities of the community and react quickly to community concerns or issues. In addition, local taxes and local services can be directly linked, creating transparency for the taxpayer and the ability to hold local officials accountable for their decisions.
- C. **Local governments are more efficient than the Legislature and state government.** Local governments are less partisan and less influenced by lobbyists and special interest groups. Distrust of the Legislature and state government is prevalent. Concerns about state government include a belief that state government officials are unduly influenced by partisanship and special interest groups, and a belief that state officials make irresponsible decisions. There also exists a great amount of skepticism that legislators are skilled and trained in budgeting.
- D. **The roles of local and state governments are not clearly defined.** There is no clear definition of which services are most appropriately provided by state or local governments. There is also no clear definition of local revenues, and which revenues should be collected by state or local governments.
- E. **There could be inequity in the ability of local governments to raise revenues and provide services.** The state currently equalizes funding, and some areas are subsidized. In some areas, the ability to raise revenue will be insufficient to provide needed services.
- F. **Cities, Counties, and Schools will have to determine how to allocate local funds.** In some communities the relationship between local agencies is adversarial and allocating dollars between cities, counties and schools could be difficult.

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

- G. **Protecting local revenue sources may be more important to cities, than to counties and schools.** Some participants expressed a desire to protect the Proposition 98 and Proposition 1A guarantees because school districts and counties currently rely on state funding and have limited ability to raise revenues.
- H. **There could be resistance from state government officials because the state provides services that are subsidized by local revenues.** State-provided services are valued at the local level and require resources. There is a concern that if local revenues remain in local communities, it could exacerbate the state budget crises. In addition, there could be resistance on the grounds that the state redistributes funding and provides services for the “greater good.”
- I. **Creating the political will for reform with state government officials will be challenging, due to competing interest groups and powerful lobbyists.** Powerful interest groups have a heavy influence on resource allocation, and will create competing priorities for state government officials in the consideration of protecting local revenues.
- J. **The current state governmental system, including the state constitution, the initiative process, and current budget obligations, precludes local control.** California’s constitution does not currently recognize the sovereignty of local governments. The initiative process creates budget obligations that require funding to be allocated to certain services and current state budget obligations such as Proposition 1A and Proposition 98 automatically allocate funds to local agencies. Other initiatives, such as Proposition 13, have limited the authority to raise revenues and are protected by powerful political players. Any reforms to state government and the budget process to protect local revenues would need to take these aspects of the current system into account. Any major reforms to the system will pose great political challenges and would require a very expensive and difficult campaign.
- K. **Any effort to protect local revenue sources must be well defined for the public.** Local communities would support the effort for local control if they are well educated about and have a clear understanding of the issues, including the roles of local and state governments, state mandates, state borrowing of local funds, and the connection between taxes and local and state services. There are also many community stakeholders that would support this effort, such as local labor unions.
- L. **If local revenues remain in local communities, there must be a clear system to hold local officials accountable.**
- M. **If local revenues remain in the community, interest groups and stakeholders will exert the same pressures on local officials that they currently exert upon state government officials.**
- N. **Other ideas for stabilizing local budgets:**
- Coordinate and align state and local budget cycles.

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

- O. Some participants felt that the issue of protecting local revenues is the paramount issue for collaboration between cities, counties and schools.
- P. Some participants were adamant that the next steps include taking action on an issue that cities, counties, and schools could stand behind collectively.
- Q. The Legislature should be subject to the same kinds of open meeting laws that apply to other government bodies.
- R. Regional taxes were mentioned as an alternative to local taxes, because there are some services that require collaboration between local agencies.
- S. The role of regulatory agencies, commissions, and councils needs to be discussed and possibly reformed.
- T. Proposition 13 (including allocation of funds, the comparison between the impacts on business and residence, and the proliferation of community development agencies) needs to be reexamined.
- U. Some of the participants expressed a concern that local agencies are perceived as “top heavy” and inefficient.
- V. Local communities may not have the systems in place for total local sovereignty, leading to concern about the unintended consequences of local sovereignty.
- W. Some participants felt that the conversation should focus on how the state and local agencies spend their money, and how agencies decide what they can afford, rather than discussing taxing authority.

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

Option 1.2.1 – Approve local taxes with less than a 2/3 vote

Given the active involvement of voters in all decisions on local taxes, the 2/3 threshold for voter approval of taxes or bonds should be reduced (e.g., the current 55% vote for school bonds).

THEMES

- A. **The 2/3 vote rule allows a minority of voters to make decisions, or prevent decisions from being made, that may have support from a majority of voters.** Because democracy is based on a majority vote, this principle is undemocratic.
- B. **The 2/3rds voting requirement makes it difficult to pass new measures, even if they are supported by a majority of the voters.** Because it is more difficult to achieve a 2/3 majority vote, it also becomes more expensive to garner the necessary support. A super majority or simple majority will make the process simpler and less expensive.
- C. **As demand for services rise, revenues can be raised more easily to meet the increased need.**
- D. **Local voters have a greater level of trust in local governments than they do in the state government.** Because there is disillusionment with state government there might be broader support for greater local control, including raising revenues and providing services locally.
- E. **The Howard Jarvis Taxpayers Association and other “voter advocates” will oppose this reform.** Taxpayers associations are very powerful and it will be difficult and costly to compete with these organizations to bring about reform.
- F. **Some voters believe that it should be more difficult to raise taxes and that the 2/3 requirement provides appropriate protection for taxpayers.**
- G. **The current economic climate will make reforms to the taxing system difficult.** Because the nation is in an economic downturn, voters will be less inclined to make raising taxes easier.
- H. **Inequity in the ability to raise revenues in communities will be exacerbated.**
- I. **Tax measures have been successfully passed with a 2/3 vote.** It may be difficult to get public support when there has been past success with the current system. Some participants suggested that the 2/3 vote become a supermajority vote, rather than a simple majority.
- J. **The state currently has the ability to take or borrow local funds, and reducing the 2/3 requirement for passing taxes may imply that there will be more local revenues for the state to take or borrow.**

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

- K. **It may be difficult to garner community support because of the perception that governments have been unresponsive and will become more top heavy.** Community members feel government has not been responsive, and will not be inclined to make raising revenue easier. If revenue is easier to find then there will be less incentive to run a streamlined and efficient government. Communities do not want to create bloated local government (like the state).
- L. **If the 2/3 requirement is lowered, the reform package should include a requirement that new taxes have a “sunset” clause.**
- M. **There will be no consistency of response in local communities to this proposal.**
- N. **If this was a center piece in the CCS movement, it would make local communities suspicious.**
- O. **“Special interests” in a community could more easily pass a tax that was not widely desired.**
- P. **The conversation should focus on how the state and local agencies spend their money, and how agencies decide what they can afford, rather than discussing taxing authority.**
- Q. **There are a series of reforms to state government and state budget process, including the overall structure of unfunded mandates, requiring a two year budget cycle, and allowing state to take or borrow local revenues, that should take place before reforming the local taxing system.**
- R. **Some other suggestions for tax system reforms were:**
- The General Tax remain (2/3) and Special Tax become majority vote
 - Expand Proposition 39 to include more revenue sources.
 - Allow greater flexibility over how tax revenues are spent.
- S. **A discussion should occur on the roles of state and local governments before decisions are made about raising revenues.** Defining those roles will create better alignment between revenues and expenses and ensure that the appropriate agency as appropriate revenue raising authority.
- T. **Broad voter education is needed to define revenue raising authority and connecting revenues to expenses.**

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

Option 1.2.2 – Approve local taxes without voter approval

Local elected governing bodies should be authorized to approve increases in local taxes without the requirement of seeking prior voter approval, subject to voter referenda.

THEMES

- A. It will be easier to raise revenues
- B. In a charter city the citizens have spoken on what they want to entrust you to do. In a charter city you will not be passing taxes in a manner that exceeds the written authority in the charter.
- C. Voters will not support this option and might revolt if it were enacted. This idea would be “dead on arrival.”

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

Option 1.3 – Allow regional or county-wide taxes for regional services with voter approval

Authorize counties, schools, and cities or any combination thereof to seek voter approval to levy income, sales, property (parcel or ad valorem within some limit), utility, vehicle or business taxes to finance important countywide or regional education, health, human services, public safety, environmental, or other services.

THEMES

- A. The ability to raise regional taxes will encourage community collaboration to provide services that serve people across local districts.
- B. Services such as transportation and hospitals have already set a precedent for success.
- C. Relationships in some communities are adversarial and this effort could add a layer of regional government in order to facilitate the process.
- D. Regional taxes may cause inequities in the allocation of resources within the region, and smaller regions that have difficulty raising revenues would not be able to provide equal services.
- E. Regional services would need to coordinate with other local agencies so as not to create redundancy in service offerings.
- F. Regional services, without create a regional agency, would require labor from collaborating organizations, which may be burdensome.
- G. There may be resistance from taxpayers who would not support another layer of taxes.

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

Option 2.1 – Require findings and supermajority vote to preempt local control.

When state preemption of local regulatory, taxation, and other local powers is deemed necessary, the Legislature should make specific findings setting forth the reasons and necessity of having a statewide rule or program, and the preemptive statute should only be adopted with a supermajority legislative vote of both the Assembly and Senate. Implied preemption of local control should be prohibited.

THEMES

- A. Polls show that the public has greater confidence in local government.
- B. **Local government is reflective of community values and better equipped to prioritize community services and plan for the future.** Local officials know the needs of their communities better than state officials. Locals can better align funding with planning and decisions. Unfunded state mandates create a disconnect between decisions at the local level and funding streams. In addition, there is more accountability at the local level.
- C. The state has a tendency to make “one size fits all” decisions that are not appropriate for some areas (such as rural communities).
- D. **This option would force local and state roles and responsibilities to be clearly defined, as well as defining “state preemption” of local control.** This includes clearly defining the roles and responsibilities of special districts and all other local agencies.
- E. If the Legislature is responsible for the findings, there will be no oversight mechanism and no way to overrule their findings.
- F. A supermajority requirement may not serve everyone equally; rural communities may still not be represented equally.
- G. Partisan politics and “special interest groups” will still have an influence over the Legislature and may compromise the findings and supermajority requirement.
- H. Local communities may not have the resources or capacity for full local control, such as meeting an increased demand for labor.
- I. This could exacerbate local partisan politics.
- J. This option is premature and there are bigger issues that need to be addressed.

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

Option 3.1 – Modernize claims process

Reform the existing state mandate claims process to remove unreasonable burdens and delays on local agencies seeking to recover costs.

THEMES

- A. **Many state mandates are not fully funded and they interfere with the implementation of local priorities.** In addition, the state has been able to defer mandate reimbursements in the past, and/or expected the federal government to offset the costs.
- B. The audit process checking for mandate compliance of local agencies is “unfair.” There is also a disconnect between the legislative and regulatory processes.
- C. “Mandates” are not clearly defined and will make reforming the process difficult.
- D. State government officials do not understand local communities upon which mandates are imposed.
- E. There are competing interests for limited resources.

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

3.2 – Require mandate reimbursement even if local fees possible

Prohibit the state from avoiding mandate claims by prohibiting the state from requiring local governments to pass on costs through local fees.

THEMES

- A. **Local control is preserved by not allowing the State to mandate local priorities.** If the state imposes a mandate, the state must provide a dedicated revenue source. This includes not allowing the state to issue deferrals or IOUs. Mandates on local agencies make it difficult for local agencies to plan their budgets if they must also find funding for state mandates.
- B. The state's role in mandating priorities to the local level is not clearly defined. What are "Guidelines" and what are "Mandates"?
- C. **State officials and special interest groups will oppose restrictions on the state's ability to mandate its own priorities on local agencies, and may oppose this option on the basis that it will be difficult to find new funding streams.** State officials may view the mandate process as defending the "greater good" and do not always agree that local money should be used for local priorities, rather than state mandates.

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

Option 4.1 – Allow local control of employee retirement benefits.

All local governments, including schools, should be able to design and implement their own appropriate pension and post-retirement health benefits program, including the ability to establish new benefits tiers for new hires and to implement cost-saving measure otherwise allowed by the constitution.

THEMES

- A. The private sector is already using multiple-tier retirement benefits and it is working well. In addition, the retirement system provided to government employees, CalPERS, has a monopoly.
- B. Different regions will have different economic capacities to provide retirement plans, which may create competition for labor in neighboring regions.
- C. Cities and counties do not feel this is an issue because they already have the option to choose a retirement plan for their employees.
- D. There is greater need to reform pension plans in general. State pension plans impact local pension plans and locals cannot always compete.

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

Option 5.1 – Expand block grants

Make greater use of block grant programs that give local government flexibility in the administration of state funded services.

THEMES

- A. Administrative flexibility will lead to greater local control, making it easier to provide services that reflect local priorities.
- B. Flexibility in the administration of block grants will be very important for school districts.
- C. Not all counties have local sufficiency (some are subsidized). It will be important that large and small counties are granted the same rights and flexibilities.
- D. Grants should focus on accountability for achieving certain results and not focus on how to accomplish those results. This option might be better described as “modify” or “revise” block grants, not “expand” block grants.

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

Option: 5.2 – allow contracting for services and reward innovation

Remove obstacles to contracting out services as opposed to using employees of the local agency.
Create financial incentives for lowering administrative overhead.

THEMES

- A. This option would save money for local agencies and encourage a smaller, more efficient governmental agency.
- B. This would give counties and schools the same flexibility this is currently awarded to cities.
- C. Existing prevailing wage laws make labor expensive and projects more complicated.
- D. Local agencies should have the authority to elect the most efficient provider of services, and should not be forced to contract out.

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

Option: 6.1 – Institute performance-based budgeting and prudent reserves

Implement best practices in performance-based, multi-year budgeting and establish prudent reserves in order to achieve measurable outcomes and improved stability during periods of financial turmoil.

THEMES

- A. **It is a good government practice to create accountability for state programs and services to perform to pre-determined standards, and to create a process for review and analysis of performance indicators.** The review and analysis of programs and services would increase transparency of decision making in the Legislature, and data driven decision making could reduce partisanship.
- B. Multi-year budgeting allows both state and local governments to plan into the future to create stable budgets and the ability to prioritize program and service offerings.
- C. Creating reserves reinforces financial discipline and will create a cushion for bad budget years.
- D. Including a sunset clause would allow for elimination of ineffective programs and services.
- E. **These budget reforms could reduce the flexibility of spending and responding to new information.** In addition, rising costs could make expense projections more difficult.
- F. **Reforms of this nature would require a significant amount of time and effort, and are also politically risky to pursue.** There is a feeling that the Legislature (and its staff) is risk-averse and not likely to be willing to make the effort required for these changes.
- G. Mandated reserves are typically not useable. There also needs to be a clear understanding of how to allocate reserves. It will also be difficult to explain to the public why there are reserves and their local programs and services are still being reduced or cut.
- H. **The public is not engaged in the political process until they see and feel the effects of local programs and services changing.** Constituents do not hold legislators accountable and Legislators do not engage their constituents.
- I. State and local budget cycles should coincide to provide stability for local budgets.
- J. The Task Force could create an “option 6.5” that requires the state to have a strategic plan that is tied to the state budget and would force prioritization of programs and services.

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

Option: 6.2 – Require new funding source for new state mandates

New programs or mandated funding obligations should be approved only if the budget authorizes a new, dedicated, reliable and adequate funding source or explicitly provides for measurable offsetting savings in state or local operations.

THEMES

- A. **It is a good practice and fiscally responsible to identify a funding stream when new programs or services are introduced.** It will help state government officials to balance the state budget, help to stabilize state and local budgets, and will force state officials to prioritize programs and services if funding sources are to be re-directed from one program to the next.
- B. Polling shows that the public wants the Legislature to “live within its means” and only create programs and services that the state can pay for.
- C. Requiring funding sources for new state mandates would make it more difficult to propose a new mandate and could limit the number of mandates enacted.
- D. Some mandates are for the good of the state, such as mandating air quality standards. These mandates are necessary, but the goal of the state should be to set realistic minimum standards and fund to the minimum standard.
- E. There may be proposals that claim to be revenue neutral, but actually are not.
- F. The general public will eventually rebel against targeted taxes to pay for mandates.
- G. State government officials do not have the breadth of knowledge or understanding, and are not familiar with areas of the state that are not their own, in order to anticipate the effects of moving funding from one place to the next.
- H. There is no political will in state government to make decisions that are best for the state, not just individual constituencies.
- I. **Other requirements for new mandates:**
 - **Should include sunset clause that state that if the funding dries up, the mandate is terminated or suspended until funding is reestablished. The sunset clause should also include review and assessment of performance.**
 - Should mandate “what” should be done, not “how” is should be done.
 - Should not be funded by borrowing.
 - Should reflect, not only the revenue source, but the true costs including projected costs.
 - New rules should apply to existing mandates as well
 - There should be no new mandates until existing mandates are funded.
 - The funding sources should be a permanent funding stream.

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

Option: 6.3 – Require new funding sources for statewide ballot measures that impose new obligations.

Every new ballot measure that imposes new funding obligations on state or local governments should authorize a new, dedicated and reliable funding source or provide for measurable offsetting savings in state or local operations to finance the entire cost of the new obligations.

THEMES

- A. **This option would force initiative proposals to be fiscally responsible and encourage fiscal discipline and prioritizing programs.** Identifying the funding sources could mean redirecting funds from one program to the next.
- B. The funding sources would be connected to the program that it benefits and would avoid random selection. This implies that money would not be taken from local governments that was already being used for other purposes.
- C. It would make it more difficult to propose an initiative and could limit the number of initiatives that make it to the ballot.
- D. **Other requirements for initiatives:**
- The funding sources should be permanent and irrevocable.
 - Should not have 2 issues in one initiative – they should be single issue proposals.
 - Should include a sunset clause or the flexibility to phase-out the initiative if the desired outcome is not achieved.
 - Should include performance criteria in the language of initiative.
 - Initiatives should need to “prequalify” before they make it to the ballot
 - If the program or serves ends up costing more than estimated, it should go back to the voters for approval.
- E. Could be construed as restricting the people’s power.
- F. Requiring a funding source could be overly restrictive and discourage a good idea, restrict voter’s power, or the funding could come with mandates from the state that might discourage new ideas.
- G. It inhibits the Legislature from doing their job and making decisions because the program and funding source has already been identified
- H. The entire initiative process needs to be reformed.

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

Option: 6.4.1 – Require voter approval of state tax increases

All state tax increases should be approved by less than a 2/3 vote of the electorate before taking effect.

THEMES

- A. There is an immediate need for increased revenues and this option will make raising revenues easier.
- B. This option is more democratic than the current system because it gives a voice to the people and because democratic society is based on a majority vote.
- C. Voters would most likely only rarely approve tax increases and if the cost/benefit favored the majority.
- D. There are high costs associated with campaigns for new taxes, more ballot measures, and polling and voting expenses.
- E. Voters may become fatigued by more elections and increased measures to vote on.
- F. **This option is antithetical to the current representative government.** Voters have elected officials to make these kinds of decisions on behalf of their constituencies. State officials will also try to protect their power and their authority to do the job they were elected to do.
- G. Ballot box budgeting favors well funded special interests that are not acting on behalf of the greater good and potentially important issues, policies and services remain under or un-funded.

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

Option: 6.4.2 – Reduce vote required for legislative approval of state budget and tax increases

The 2/3 vote of the state Legislature required to approve a state budget and increase taxes should be reduced.

THEMES

- A. The budget will be passed more quickly maybe even on time. The 2/3 vote requirement makes it very difficult to get enough votes to pass the budget and has taken a lot of time. There was some discussion that California, being one of the largest and most diverse states in the nation, has a more difficult time securing the 2/3 vote requirement.
- B. Democracy is founded up on a majority vote. The 2/3 vote is undemocratic in its strict definition, and this option would bring the budget process closer to true democracy.
- C. **Reducing the 2/3 requirement has the potential to reduce the bargaining power of the small minority, making it more difficult to stall the process on smaller issues, and possibly eliminating the “horse trading” on issues that results in piecemeal policies.**
- D. This option would draw clearer lines of responsibility and make it easier to hold the majority party accountable.
- E. Reducing vote requirement will create more partisan decision-making.
- F. Reducing the 2/3 requirement for tax increases will make it easier to raise taxes, which voters may not be happy about.
- G. The public does not trust the majority party to make the good decisions. The minority would resist this change.
- H. Power will be concentrated to the majority party leaders because they would they not need to consider minority party desires but they would not always have to consider some of those who disagree within their own party.
- I. Special interests would be able to leverage their resources into a core group in the majority party rather than spread bets and strategies. Special interests would be able to concentrate and focus and may achieve results more easily.
- J. The majority party could tinker with school revenues more easily.
- K. An option besides a simple majority would be to require a 55% majority.
- L. Raising taxes and lowering taxes should have the same vote requirement.

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

Option: 6.4.3 – Reduce vote required for legislative approval of state budget and tax increases

The Legislature should be authorized to approve the state budget with less than a 2/3 vote but the 2/3 to required to increase taxes should be retained.

THEMES

- A. The budget will be passed more quickly maybe even on time. The 2/3 vote requirement makes it very difficult to get enough votes to pass the budget and has taken a lot of time. There was some discussion that California, being one of the largest and most diverse states in the nation, has a more difficult time securing the 2/3 vote requirement.
- B. Reducing vote requirement will create more partisan decision making.
- C. Current legislative environment makes this impossible and would need to be changed for budget process reforms to take place. This option should be pursued along-side redistricting reform and the consideration of a unicameral Legislature.
- D. **It would be problematic to decouple responsibility from authority, and decouple revenues from expenditures.** Passing a sound budget but without the same authority to adjust revenues could create big problems. Some participants felt it was not “realistic” to try and change the budget vote threshold while keeping the tax vote threshold at 2/3rds vote requirement.
- E. The associations of Cities, Counties, and Schools should find a message to speak with a unified voice.

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

Option: 7.1 – Modernize the sales tax

Broaden the sales tax base to cover major services and lower the rate to ensure a revenue neutral effect in the short-term.

THEMES

- A. **With the increased demand for services, due to growing population and an aging population that has a higher demand for services, the state needs new or increased sources of revenue.** This reform would broaden the tax base into growing sectors and increase revenues.
- B. Modernizing the sales tax creates equity between business and service providers.
- C. Services providers within the State will oppose taxing services because it will give an unfair advantage to out-of-state service providers.
- D. The “system” should be reformed before taxes are increased.
- E. Small businesses provide services and could be put out of business due to paperwork.
- F. It may require more staff for the State to collect extra revenue, which will require a new revenue source.
- G. This would fix some of the disparities in the existing sales tax logic.
- H. **Other suggestions for the consideration of the sales tax:**
- Medical services may need to be exempted. It is unclear if the insurance or the individual would pay the tax.
 - Junk food used to be under sales tax – should also consider sales tax on food
 - What about a statewide sales tax swap for income tax?
 - If the taxes stay local and within the community, residents would be willing to pay higher taxes if they can see tangible changes and real benefits.
- I. Taxpayers and pro-business advocates will strongly oppose because of the increased burden to businesses.
- J. Broadening the sales tax base could have potential impacts on small communities.

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

Option: 7. 2– Equalize tax inequities among similar property owners

Over time, equalize inequities in property values among similar property tax payers that have arisen based on differences in the date of property acquisition.

THEMES

- A. Equalizing the property taxes over time will generate more revenues.
- B. Equalizes inequities that are unfair to new home buyers who pay higher property taxes on similar property values to those who have owned their houses longer.
- C. Current law creates inequities between residential and commercial properties – businesses can sell their property and not get reappraised.
- D. Equalizing property taxes will also equalize the contribution of property owners, business and residential, to local services.
- E. Increasing property taxes will be difficult for people on a fixed income.
- F. It is not clear which level of government will control the additional property tax.
- G. There may be legal barriers to pursuing this reform, such as *Nordlinger v Hahn*.
- H. Removes state control of revenue allocation.
- I. Could stabilize budget concerns about revenue streams.

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

Option: 8.1– Require periodic legislative reauthorization of existing programs

At least every 10 years the Legislative Analyst should identify for the Legislature those state programs that have increased in cost at a rate faster than state revenue growth or some other relevant factor or which for reasons of inefficiency or ineffectiveness should be the subject of legislative oversight and reauthorization. Upon completion of the evaluation of the programs by the LAO and the Legislature, the continuation of the programs should be contingent upon reauthorization and funding by the Legislature.

THEMES

- A. A periodic review of fast growing programs would ensure that expenses were not growing faster than revenues, and would ensure greater state fiscal sustainability.
- B. A periodic review of programs would ensure that programs and services were meeting their performance standards and would allow for the suspension or termination of programs that are not meeting their intended goals. A review of programs and services would also allow the opportunity to evaluate if the programs or services have created any unintended negative consequences.
- C. Special interests groups may not support a review of their programs.
- D. A mandatory review will create extra work for the Legislature and LAO and state officials may not be likely to support the idea. It also may be very expensive to implement this option.
- E. Voter initiatives may not be able to be eliminated or suspended if they do not satisfy the performance criteria, or if they are outgrowing their funding.
- F. There may be programs or services that people are strongly invested in and feel to be very important, even if they are not performing well or have outgrown their funding.
- G. Reviewing programs from the holistic, statewide perspective may not account for local variations.

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

Option: 8.2/9.2 – Require voter approval for reauthorization of fast-growing programs

Except for federally mandated services and programs, upon completion of the evaluation of programs by the LAO and the Legislature, the Legislature shall not appropriate any funds for a program it reauthorizes in excess of the average state revenue growth unless it is first approved by the voters.

THEMES

- A. Requiring voter approval for fast growing programs would create a “check and balance” process for programs that will ultimately require more funding. This allows voters to reaffirm that the program is a priority.
- B. This process would be duplicative of the existing system.
- C. Allowing voters to reapprove a program is tantamount to budgeting via initiative.
- D. The role of the Legislature is to make decisions on behalf of the voters and this would circumvent their authority. In addition, the voters have rejected most of the initiatives on the ballot in recent elections, which has been interpreted as the voters wanting to leave legislation to the Legislature.

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

Option : 9.1 – Reform term limits

Term limits should be eliminated or reformed to extend the length of service of members of the Legislature. As a result of the rapid turnover of representatives in the current system, a large number of representatives are always new and inexperienced. This has resulted in a loss of historical memory, and a system where representatives feel more loyalty to their respective parties than to the constituents that elected them, and a greater concentration of power among unelected staff members and lobbyists.

THEMES

- A. **Reforming term limits would reward experience and knowledge and the institutional memory gained would provide continuity of policy making that currently does not exist.** Term limits have resulted in a loss of expertise and institutional memory in elected officials and created a system where lobbyist and legislative staff have more knowledge and consequently more influence. Reforming term limits would concentration knowledge and power in the officials elected by the voters.
- B. **Very complex issues require experience and expertise to understand – complex issues are currently not being addressed.**
- C. **Legislators not subject to term limits would be more likely to take responsibility to “get it right the first time” because they will be in office to see the consequences and be held accountable.** Legislators are less beholden to constituents because term limits have created a culture of enacting laws and not being held responsible because the responsible people have already left office.
- D. **Term limits have increased partisanship and made compromise more difficult.**
- E. Reforming term limits would reward those officials who perform well.
- F. **Reforming term limits would decrease the number of legislators who are preparing for their next job, rather than focusing on doing the job they are currently in.** Term limits have created a culture where there is political courage for Legislators to stand up against leadership or their party because they need the support for their next election.
- G. **Reforming term limits would provide continuity of leadership.**
- H. **Reforming term limits would need to be part of a package of reforms that includes finance, reapportionment, and primary reform.**
- I. **Voters may not support a reform of this sort because it is a very complex issue and term limits (checks and balances on power) are popular among voters.** The voters would need much more information to change the perception that legislators would be rewarded, for example, for not passing a budget on time.

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

- J. **Organized labor and special interest groups will oppose this reform because the current system is beneficial for them.**
- K. **Other considerations for reforming term limits:**
- Term limits should take effect after sitting members are gone – no grandfathering.
 - Limit number of years for leadership.
 - Term limit reform needs to be coupled with redistricting.
 - Term limit reform should also have provisions that eliminate the closed Big 5 discussions and spend a greater amount of time getting buy-in and consensus building rather than waiting until the last minute to pass a budget.
 - Should coincide with the development of a more representative voting process on budget.
 - Real reform is needed to both change term lengths and term limits. A small tweak is not good enough.
- L. Term limits are expensive because they create more elections.
- M. Reform could weaken caucuses and allow Legislators spend time developing their own networks.
- N. There may be unintended consequences.
- O. Reforming term limits will not “solve the problem” and this reform is not urgent in comparison with other options. This effort is necessary but not sufficient.
- P. **The incumbent will have the advantage in financing a reelection campaign which makes it difficult to get new Legislators without term limits.** Term limits keeps things fresh in the Capitol and helps to ensure that bad Legislators are not in office for too long.
- Q. Perhaps peruse a hybrid term limit reform proposal. Have No term limits for Senators and Assembly Members, but have term limits for Leadership in both Houses and for the Governor.

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

Option: 9.3 – Institute open primaries

The ideological extremes in the state Legislature have impeded the accomplishment of the people's business, and a system of nonpartisan open primaries should be approved by the voters, such as SCA 4 ("Two Top Primaries Act") approved by the Legislature in February 2009 for the June 2010 ballot. Voters should be able to vote for any state or congressional candidate in the primary, regardless of the voter's party registration, and the top two vote getters, regardless of party, should compete in the general election.

THEMES

- A. Open primaries would minimize extreme "party-ism" and eventually more centrists would be elected. This would ultimately weaken party affiliation and party power in the Legislature.
- B. Open primaries would allow voters to vote for the candidate, and not for the party the candidate represents.
- C. Open primaries would open competition to a third party.
- D. There would be greater voter turnout.
- E. This would be an easier campaign to pass than a campaign to reform term limits.
- F. Pursuing this idea should not be a high priority for the Cities, Counties, Schools partnership. This reform will not fix the "broken government," and would not be as productive as other reforms, such as redistricting reform.
- G. The Democrat and Republican parties will oppose this idea.
- H. Open primaries will be more expensive.

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

Option: 9.4 – Increase legislative transparency

Public confidence in the Legislature has declined in part due to the fact it operates largely in secret. The Legislature should function under the same open meeting and open records requirements as local governments, and no legislation should be enacted without being first published and publicly available for at least 24 hours prior to action.

THEMES

- A. Decisions that are made on behalf of the public and concerning public interests, should be accessible and transparent to the public.
- B. This reform would decrease influence of caucuses and the “Big 5” group in the Legislature.
- C. Increasing transparency would strengthen accountability for Legislators and would improve public trust and confidence.
- D. This would create equity in the accountability and transparency standards of all elected officials. Other government agencies are subject to transparency laws except for the Legislature, and this would correct the disparity.
- E. The current transparency laws, such as the Brown Act, are a good place to start but are not perfect in their current form.
- F. The transparency law will need to be very clearly and carefully defined, so as to not create loop holes.
- G. The Legislature will oppose this idea.
- H. This idea should not be a priority. This reform will not fix the “broken government” and should just be one aspect of a larger reform package.

Local Government Summit on State Governance and Fiscal Reform
Summary of Breakout Session Discussions
August 2009

Option: 9.5 – Shorten legislative sessions and financially reward time in district

The legislative session should be shorted (e.g. 90-180 days per year) and legislators should receive a financial incentive to hold hearings and spend time in their districts meeting with constituents rather than in Sacramento.

- A. Legislators are representatives of their communities and should spend more time with the people they represent, than with other legislators where they are unduly influenced by party politics and lobbyists.
- B. This idea should not be a priority for the CCS Partnership. It is tangential and would not fix “broken government.”