

**The Continuing Redistribution of Fiscal Stress:
The Long Run Consequences
of Proposition 13**

Jeffrey I. Chapman © 1998

**Lincoln Institute of Land Policy
Working Paper**

The findings and conclusions of this paper are not subject to detailed review and do not necessarily reflect the official views and policies of the Lincoln Institute of Land Policy.

After printing your initial complimentary copy, please do not reproduce this paper in any form without the permission of the author.
Contact the author directly with all questions or requests for permission.

Lincoln Institute Product Code: WP98JC1

Abstract

The paper begins to examine some of the long-run implications of the passage of Proposition 13—a significant California property tax reduction initiative that passed in 1978. The particular focus is on fiscal stress and local government fiscal autonomy. The paper first advances definitions of stress and autonomy. It then derives some potential consequences for local autonomy if fiscal stress occurs.

The next sections of the paper describe the history of Proposition 13, including the pre-1978 economic and political environment, the initiative itself, and the increasing state dominance of the local fisc after the Proposition's passage. In particular, the series of state bail-outs and buy-outs are analyzed in terms of their impact on local fiscal autonomy. Also in this section is the identification of other fiscal constraints initiated by voters and the legislature. Finally, there is a discussion of recent state actions that shift a large portion of the property tax to school districts from local governments in order to generate more resources for the state.

The paper then describes how cities and counties attempted to maintain fiscal autonomy after these events. Some initial empirical work illustrates that counties have very little autonomy while cities seem to have at least some discretion in their revenue and expenditure patterns.

About the Author

Jeff Chapman is currently the Director of the School of Public Affairs at Arizona State University. He previously was Professor of Public Administration in the School of Policy, Planning and Development at the University of Southern California Sacramento Center. His area of interest is state and local public finance. He has written extensively about the effects of fiscal stress on local governments, with particular emphasis on the effects of stress on California jurisdictions. He has a doctorate in economics from the University of California, Berkeley; and a bachelor's degree from Occidental College.

Jeff Chapman
School of Public Affairs

This research was funded by the Lincoln Institute of Land Policy.

Mailing address: Jeff Chapman
 School of Public Affairs
 Arizona State University
 P.O. Box 870603
 Tempe, AZ 85287-0603
 Phone: (480) 965-1046
 Fax: (480) 965-9248

Contents

Introduction	1
Definitions of LGFA	1
The Determinants and Constraints of Local Government Fiscal Autonomy	3
Constraints on LGFA	4
The Importance of Local Government Fiscal Autonomy	6
When is Local Government Fiscal Autonomy Important	6
A Very Brief Look at the Experiences of Other Countries	8
Fiscal Stress and Local Government Autonomy	10
What is Fiscal Stress	10
Potential Consequences for Local Government Autonomy if Fiscal Stress Occurs	11
The History of Proposition 13	13
Pre 1977-78	13
Why Were Property Taxes So Difficult to Reform	16
Proposition 13	19
The Changing State-Local Fiscal Relationship After Proposition 13	20
The State's Initial Response—SB 154	20
AB 8—The Long Run Response	22
Other Fiscal Constraints Approved by Voters	25
How California Responded to Fiscal Stress	29
Some Additional Causes of Stress	29
The State's Responses	31
How Local Governments Attempted to Maintain Fiscal Autonomy	35
Fees and Assessment Districts	35
Entrepreneurial Activities	36
Other techniques	37

Did Jurisdictions Succeed in Maintaining Any Sort of Fiscal Autonomy?	40
Conclusions and the Potential for Future Research	50
Fiscal Autonomy Results	50
The Future of Fiscal Autonomy	51
Some Implications for the Political System	51
Some Necessary Further Analysis	52
Endnotes	54
References	61
<u>Figures, Tables, and Appendices</u>	
Figure 1: Chronology of Fiscal Events Mentioned in Text	67
Figure 2: Major Provisions of Proposition 98	68
Table 1: California Tax Data Prior to Proposition 13	69
Table 2: Percentage Allocation of General Property Taxes	70
Table 3: Revenue Sources for Counties, 1977-78 and 1993-94	71
Table 4: County Controllable and Non-Controllable Revenues	72
Table 5: County Revenue Comparison, 1977-78	73
Table 6: County Revenue Comparison, 1993-94	74
Table 7: Total City Revenues, 1977-78, and 1993-94	75
Table 8: Summary Data on Los Angeles County Cities	76
Table 9: Significance Levels for Revenue Variables	76
Table 10: Expenditures for Counties, 1977-78 and 1993-94	77
Table 11: Same County Expenditures, 1977-78	78
Table 12: Sample County Expenditures, 1993-94	79
Table 13: Expenditures for Cities, 1977-78 and 1993-94	80
Table 14: Summary on Los Angeles County Cities	81
Table 15: Significance Levels for Expenditure Variables	82
Appendix 1: City Revenues (including Enterprise) for Cities in LA County, 1977-78	84
Appendix 2: City Revenues—Los Angeles County 1993-94	89
Appendix 3: LA Cities' Expenditures with Enterprise included, 1977-78	94
Appendix 4: City Expenditures—Los Angeles County, 1993-94	100

The Continuing Redistribution of Fiscal Stress: The Long Run Consequences of Proposition 13

Introduction

In 1978, California voters passed Proposition 13—a major property tax cut. During the nearly twenty years that have passed since that action, the public finances of the state have become complex, arcane, intertwined and mysterious to the state’s residents. A good part of this complexity has been caused by the constant shifting of the fiscal stress among the cities, counties and the state that this proposition engendered. In many cases, the long run consequences of these activities have yet to be examined. This paper will examine one segment of these consequences: the relationship between the activities undertaken by the California state government in response to fiscal stress and the autonomy of California’s local governments. This relationship is a complex and multi-dimensional array of public policies, expenditures, and revenue flows. The relationship is still evolving, and it may be that a stable equilibrium is not yet in sight.

To begin, two key terms must be carefully delineated: local government fiscal autonomy (LGFA) and fiscal stress. The paper will then develop an overview of the historical relationships between these concepts in the context of recent Californian history.

Definitions of LGFA

One working definition of local government autonomy evolves from both Wolman and Goldsmith (1990, p.3) and Boyne (1996, p. 711). The former frame the definition in terms of urban politics, and ask if the “presence and activities of local governments have independent impacts on anything important.” They further define *important* to be the welfare of residents within the urban areas, and then examine the role that local governments have in affecting that welfare. The determinants of well-being are personal income (which is affected by the private economy, and national and local governments), public services, and other attributes.¹ Boyne augments this definition by explicitly including the power to innovate, experiment, and develop policies that can vary by jurisdiction. He argues that local governments should have enough autonomy to compete on service quality and quantity.²

Closely related to this working definition centered on political power is a concern about the fiscal ability of the local government to innovate, experiment, and compete. While not entirely tied to a revenue stream, a source of funds that is reliable, stable, and predictable would allow jurisdictions to devote their energies to increasing their citizens’ well being rather than constantly scurrying for more money.

However, there are also cases in which a lack of revenue could encourage efficiency,

entrepreneurship and risk-taking in order to increase community welfare. For these last possibilities to occur, the officials of the jurisdiction would have to have enough political courage to take often politically unpopular steps.

There is a difference between the local government autonomy of Wolman and Goldsmith and Boyne and local government fiscal autonomy. Local government autonomy is a far broader examination of the jurisdiction's politics, its ability to respond to changes in socio-economic characteristics of the population, and its ability to respond to relative changes in aggregate community preferences. LGFA is a narrower concept. LGFA is probably necessary, but certainly not sufficient, for the existence of local government autonomy. For this paper, it is the narrower concept that will be examined; once this is done, additional research can be implemented in the examination of LGA.

Cities often incorporate in order to control their development patterns. They believe that the use of various land use tools allows them to structure a community to reflect their tastes and preferences. To the extent that they can easily utilize these tools, they have land use autonomy. Logan and Molotch (1987, pp. 154-166) identify several land use tools that are used to implement aspects of LGFA: zoning, growth controls, mandating rigorous environmental impact reports, and tax increment financing are the principal activities. They argue that local power brokers use these tools not in the Wolman and Goldsmith context of improving the well-being of citizens, but rather to maximize the wealth of certain social classes in the jurisdiction. In this vein, Hamilton (1976) argues that the use of zoning can convert the property tax into a benefit charge for new residents. The property tax/zoning nexus is an implicit tool to maximize community wealth.

While it is possible for a local jurisdiction to have either fiscal autonomy or land use autonomy without the other, it is important to note their connection. In particular, land use controls can be used to augment fiscal autonomy in at least two ways. First, through the use of appropriate controls, the jurisdiction can raise additional revenues. For example, redevelopment finance can be used to stimulate commercial activities and thus increased sales taxes. Second, zoning can be used to prevent low-income residents from living in the jurisdiction, and thus there may be a reduced demand for some public services. Or, if a jurisdiction loses the ability to adjust taxes, it may push to increase its ability to control land use. This might be one explanation for the increase in the use of redevelopment financing that occurs when the ability to raise property taxes is decreased.

This paper will principally address local government fiscal autonomy. It will reference the importance of local land use autonomy only to the extent that it affects fiscal autonomy.

The Determinants and Constraints of Local Government Fiscal Autonomy³

The ability to command resources and the ability to spend those resources in ways that reflect citizen tastes and preferences are measures of local government fiscal autonomy. The greater these abilities, the greater the degree of local autonomy. There is local government revenue autonomy as well as local government expenditure autonomy. These variables are closely connected, but yet do not completely overlap. It is possible to have one type of autonomy without the other.

The ability to *gain* resources at the local level involves at least five components. These components are often interdependent and their existence reflects the interplay of local, state, and national political decisions.

1. The ability to determine what constitutes the revenue base.⁴

A locality should have some control over what is included in the revenue base. Although it is likely that the local jurisdiction will often voluntarily decide to mimic closely the definitions of the revenue base that surrounding jurisdictions utilize in order to prevent undesired flows of labor or capital, the local jurisdiction should still have the ability to define what should be the basis for raising revenues within its boundaries.⁵

2. The ability to change the revenue base.

A jurisdiction should be able to at least partially control increases or decreases in the revenue base. For example, a jurisdiction should be able to encourage economic development in particular areas and constrain certain types of economic development in other areas (thus affecting property tax and sales tax bases). These activities would allow jurisdictions to compete with one another for new economic development if they so desire.⁶

3. The ability to set tax rates.

A jurisdiction should have the ability to determine the tax rate that is applied to the tax base. Small jurisdictions, because of competition, are likely to copy the rate structure of surrounding jurisdictions in order to prevent deleterious flows of inputs or outputs. However, elected officials in jurisdictions with a large area (in California, for example, counties), should be able to charge whatever tax rate the electorate desires.

4. The ability to set prices for government services.

This is similar to the ability to set tax rates and refers to the ability to set user fees, charges, and assessments for services provided. There may be less mimicking in this arena since fees, charges, and assessments should be related to the costs of producing the

services. For a variety of reasons, these costs and thus charges would be expected to vary by jurisdiction.

5. The ability to issue debt.

The local government should be able to access capital markets to insure that appropriate infrastructure can be provided for orderly growth and development. The fact that this access might be precluded because of poor planning or risky projects is not of concern for autonomy; rather, political barriers that are erected without regard to the underlying economics should not exist.

The ability to *spend* resources in ways that reflect community tastes and preferences is the second determinant of local government fiscal autonomy. There are two requirements for this determinant.

1. The ability to determine initial expenditure patterns.

Following Tiebout (1956) (see below), there exists a set of local governments that offer a fixed bundle of services and revenue raising devices. This bundle should reflect the initial tastes and preferences of the citizens who originally founded the local government. If these expenditure patterns are mandated by other levels of government, there is less autonomy.

2. The ability to change expenditure patterns.

Local governments may wish to change expenditure patterns for two reasons. There may be an exogenous influence on revenues that forces a change in the revenue/expenditure bundle, which could lead to a change in expenditures. If this bundle changes, there is the possibility that current residents might reevaluate their location decisions and move (after comparing the transaction costs of moving to the reduction in utility they face by remaining in the jurisdiction). A second reason could be changing tastes and preferences of citizens within the community. For example, as residents become older, there may be a decreasing desire for schools. Citizens may wish to have the bundle changed rather than incur the transaction costs of moving. The ability of local governments to respond to these changing preferences is a measure of autonomy.

Constraints on LGFA

Gurr and King (1987, pp. 57-65) identify two types of constraints on local government autonomy: Type I, which examines local autonomy from the perspective of local economic and social forces, and Type II, which examines local autonomy from the perspective of interference by a super-ordinate level of government. In both cases, the ability to command resources and the ability to use those resources in ways that reflect

community desires determine the extent to which local government autonomy exists. There are specific conditions associated with each type of constraint.

Type I Constraints.

According to Gurr and King (p. 57), “The local state is autonomous to the extent that it can pursue its interests without being substantially constrained by local economic and social conditions.” They include within this definitional constraint, three types of conditions: revenue limits, local special interest group resistance to local government policies, and special interest group activities (either political or social) that attempt to reshape or thwart the implementation of local government policies. They note that the fiscal constraints on Type I local autonomy can be overcome, but at the cost of increased reliance on resources from higher levels of government. If increased state control occurs because of this increased state responsibility, there is likely to be a decrease in Type II autonomy.

This constraint implicitly assumes that citizen assent is needed for fiscal autonomy. However, this may not always be true. For example, it is possible for local governments to issue some types of debt without going to the voters for approval. In these cases, the issuing jurisdiction believes that voter approval would not occur. The question arises as to whether autonomy resides in government as an organization or government as a polity.⁷

Type II Constraints.

Gurr and King (p. 62) define a Type II constraint in terms of a local jurisdiction’s autonomy from a national state: “The local state is autonomous to the extent that it can pursue its interests without substantial interference by the national state.” In the United States, sub-state levels of government are not mentioned in the Constitution, and local government autonomy has traditionally been dependent upon the powers granted to it by the state in which it is located. According to Dillion’s Rule, “Cities are the creatures, mere political subdivisions of the state for the purpose of exercising a part of its powers. They may exert only such powers as are explicitly granted to them or such as may be necessarily implied from those granted.”⁸ In practice, however, many states have granted a large variety of powers and responsibilities to local government, including many options of discretion. Also included in a Type II constraint are those mandates that higher levels of government impose, regardless of the fiscal impact. Typical examples of these are environmental protection mandates or protection of disabled citizens from discrimination.

The Importance of Local Government Fiscal Autonomy

LGFA is important because competition is important. Competition is necessary for Pareto improvements; in the public sector this means that governments will be responsive to public preferences as they allocate resources among services and that they will produce those services at a minimum cost. As Boyne argues (p. 704), competition will compel public sector organizations to “do the right things” and to “do things right.”

There are three variables that affect the level of competition among governments: the structure of the governmental system, the level of local autonomy, and the extent of centralized funding (Boyne, p. 708). Structure essentially refers to the number of local governments and their hierarchical relationship to the central government; local autonomy refers to the ability of local governments to develop new and distinction ways of ensuring that services are provided; and the degree of centralization refers to the ability to shift costs to a higher level of government. Local autonomy thus becomes a necessary, but not sufficient, condition for competition. This paper emphasizes a broader definition of autonomy to include not only the ability to innovate but also to have control over enough resources to allow innovation to occur.

A second reason why LGFA is important is its relationship to the Tiebout model of the importance of local government as a way to ensure accurate revelation of preferences for public goods.⁹ Although Tiebout models have been somewhat controversial (see Sharp and Newton (1984) or Lowery, Lyons, and DeHoog (1995) for typical examples), there is a large amount of evidence that many of the implications of the Tiebout model are confirmed (Dowding, John and Biggs (1994), and Teske, Schneider, Mintrom, and Best (1993, 1995) are examples). Without the capacity for autonomy, local jurisdictions may not have the ability to differentiate themselves from one another, and thus the Tiebout sorting mechanisms will not work. At least some degree of autonomy is therefore a necessary (but not sufficient) condition for Tiebout.

A third reason why LGFA is important is that it allows local jurisdictions to undertake activities that move to maximize the value of that community. Kirlin (1996), following a broad stream of economics literature (see, for example, Sonstelie and Portney, 1978) argues that a function of local government is to make decisions in a variety of arenas that add value to place for each jurisdiction. In order to be able to make these decisions, the jurisdictions must have the political and fiscal autonomy necessary to allow them to travel different roads than other jurisdictions.

When is Local Government Fiscal Autonomy Important

On the surface, it may appear as if there is a conflict between LGFA and the Tiebout model. After all, Tiebout maintains that competitive jurisdictions offer a fixed bundle of goods, services, and revenue sources to mobile citizens who choose among the

jurisdictions. Given that these bundles must already exist, why is autonomy important? This paper argues that it is important in at least two time periods.

Essentially, Tiebout argues that the bundle of goods and services that is offered by a jurisdiction reflects the tastes and preferences of the citizens who live within the jurisdiction. Thus, the original citizens within a geographic area determine the original bundle. Implicit in this argument is the power of the newly formed government to reflect the tastes and preferences of these citizens. Autonomy is needed to reflect these original state desires of the citizens. If nothing else changes, then autonomy becomes less important since only like-minded citizens will be attracted to the jurisdiction and the bundle will not have to change (or at least its composition will not change).

However, if an exogenous event occurs that effects this bundle, then it may no longer reflect the tastes and preferences of the jurisdiction's citizens. This event may be of several types; for example, a new mandate for a specific type of service provision (e.g., the American Disabilities Act), an increase in an earmarked federal grant that skews service patterns (e.g., the crime prevention act which offered cities money for hiring police); a natural disaster (e.g. an earthquake that forces government to spend money for temporary shelters rather than for new parks), or a tax constraint that removes the option of increasing certain types of revenues (e.g., tax limitation measures such as Proposition 13). With this changed bundle, the current residents may become dissatisfied.

This dissatisfaction is expressed by citizen pressures on government to change back to the original bundle. To the extent that government has this ability, it is a manifestation of its autonomy. Governments with a high degree of autonomy have the ability to rearrange their affairs so the bundle appears similar to the earlier offerings that first attracted the citizens. However, governments with a low degree of autonomy do not have this ability. If the local government can return to the initial bundle, its citizens will become satisfied, and the Tiebout model works as before. If governments are unable to return, the citizens remain unhappy. In this case, some will move, some will attempt to change government through the voting process, and some will remain unhappy.

An additional confounding phenomenon is that the exogenous events that disturbed the initial bundle of services and revenues may also impact a jurisdiction's ability to respond to these changes. For example, tax limits will constrain a government's ability to modify its revenue composition; or changed property assessment rules might create financial barriers for citizens who desire to move.

Ultimately, there may be two conflicting forces that a formal change in LGFA might engender. With a decline in formal LGFA (for example an increase in formal state rules), revenue and expenditure patterns among the same type of local government should become more similar. However, to the extent that jurisdictions can find legal ways around the autonomy constraints, their revenue and expenditure patterns would differ, reflecting

not only the tastes and preferences of the citizens, but also the ability of local managers to find ways around the formal constraints. In this scenario, LGFA has been formally diminished, but in reality, it may not have changed.

A Very Brief Look at the Experiences of Other Countries.

Other countries have experimented with the central government reducing financial aid to local governments. The results have not always been anticipated.

Chile¹⁰

In Chile, the key decision-making powers concerning local budgets are still controlled by the central government. Local Chilean governments generate about one-half of their total revenues, mainly through business and property taxes and vehicle registration fees. However, these revenues are collected by the national government and then returned to the local level. Local governments never know whose property is in arrears; the central government can set the property tax rate at a fixed national level, and the central government has the ability to waive property taxes for a variety of reasons. Further, about one-fifth of local revenues are transfers from the National Ministries for Health and Education and are thus earmarked; and, about one-third of the revenues are directly earmarked from central ministries for special projects such as public works. The authors conclude that Chilean local governments have more financial resources than other Latin American countries, but actually have less local autonomy because of the earmarking (p. 129).¹¹

Norway¹²

In 1986, Norway attempted to cut the link between local spending decisions and the level of intergovernmental transfers from the central government. The goal was to decentralize fiscal choice to the local level and implicitly increase local government autonomy. The central government did this by replacing a large number of reimbursements and conditional grants with a few block grants. But within ten years after the initiation of the program, key elements have been reversed—new grants and regulations have undermined the reform's rationale because of their connection to expenditures.

The reform failed because local jurisdictions did not face hard and fixed budget constraints. The state repeatedly appropriated extra grants to the counties in order to prevent cutbacks in politically popular programs (usually health-related) or to stimulate specific activities. These activities encouraged the local government to continually expand its budget. As the local government began new projects, its fiscal capacity was continually exhausted and the local government learned that if it proposed cutbacks toward politically-sensitive activities, the central government would provide additional grants. The state adopted countermeasures. It introduced new earmarked grants as well as new spending regulations in order to force the local government to reduce overall spending and to adjust the budget mix closer to that desired by the state. The study concludes that both

organizational factors as well as the fiscal environment are crucial to any success in affecting local budget practices.

Israel¹³

A very different situation concerning LGFA appears to occur in Israel. In this country, local governments receive revenues from four sources: locally-generated revenues, money transferred from the central government (collected by central government agencies and distributed by formula or regulation), government grants, and loans for balancing the operating budget (provided mostly by banks under Treasury and Bank of Israel guidance) (p. 68). The self-generated income has fallen from about 80 percent of total revenue in the 1950s to 30 percent by the end of the 1970s. Yet, there is at least some claim that local government autonomy has not necessarily decreased.

The principal evidence for this claim is that many, if not all, of Israel's local governments operate in deficit. The deficit is consistently covered by rescue activities of the central government, which uses both authorized and non-authorized remedies to close the gap. In addition, there is a very clear connection between an increase in the operating deficit of all local governments (including Arab authorities) and the election year. Particular case studies give further credence to this claim. Haifa, a city with a labor mayor during a period of Likud central government, appeared to have as much budgetary freedom as other cities that had Likud governments (for example, Tel Aviv). Haifa was also able to camouflage enormous sums in their operating budget. In 1986 it reported a 17 million shekel deficit to the central government when it was actually running a 15.7 million shekel surplus. The authors indicate that this reveals the weak standing of the central government as a supervisor over local financial management. Haifa is not unique (pp. 73-74). Apparently, here is a country with local government heavily dependent on central government financing and yet, because of local government's ability to experience deficit budgets in general (with greater deficits in election periods), the local government sector seems to have significant autonomy.

Examining the relationship between non-U.S. fiscal federalism stimulates at least one insight. In some countries, local governments can be quite innovative in discovering ways of gaining and maintaining local autonomy, even with strong central governments. This can occur even if local governments receive a high percentage of their revenues from the central government. Political will (and daring) seem to be important variables. However, receiving a high percentage of revenues from the central government is not necessarily an indication of fiscal stress. The next section will discuss fiscal stress and its relationship to LGFA.

Fiscal Stress and Local Government Autonomy

What is Fiscal Stress?¹⁴

Unless there complete satiation of all goods and services provided by local government, citizens will have unsatisfied demands. Local government will attempt to satisfy these wants since elected officials want to be reelected and bureaucrats want to increase their scope of activity.¹⁵ In order to do so, local governments will have to do one or more of the following activities: raise more money through the tax system, raise additional fees and charges, obtain additional revenues from other governments, find and eliminate “waste” in a current service provision activity thereby freeing up resources, cut back other service levels, or become innovative and entrepreneurial in providing, financing, or distributing the good or service.

If local government is successful in meeting these citizen desires, they will satisfy this “want.”¹⁶ After a period of time, this satisfaction becomes ingrained as an argument in the citizen’s preference function and thus becomes a factor in the citizen’s determination of who to vote for in the next election. To the extent that this occurs, a want has been transformed into a need, both by the citizen who has come to expect the good or service, and the members of the local government (both the elected and the bureaucrats) who want to satisfy the citizen as well as maintain their jobs.

As long as there are no exogenous shocks to the system, and no changes in citizen tastes and preferences, this equilibrium can last. However, if there is a change in one of several variables, fiscal stress can occur if there are no offsetting changes in other variables. Some of these variables include changes in revenue flows, changes in citizen tastes and preferences, changes in demographic characteristics of the jurisdiction, or changes in responsibilities of the jurisdiction.

Fiscal stress occurs when revenues fall without a compensating decline in demand for government goods and services. By this time, these activities have become “needs” in the minds of many citizens, and they expect government to take care of these needs, regardless of the revenue flow. As shown in the Norway and Israel examples, local governments might appeal to the central government for funds in order to meet these needs. Revenues can fall because of voter initiatives concerning taxes or because of the economic cycle. In the latter case, a fall in revenues is likely to coincide with an increase in demand for government health and welfare services, thus exacerbating the stress.

But fiscal stress can also occur if citizens change their preferences for government activities. For example, if crime increases, citizens might demand more police and jails, causing an increase in desired expenditure levels. With a constant revenue flow, local governments will find it stressful to meet the increased demands.

The demographic characteristics of a community, as earlier argued, are important for Tieboutian analysis. The initial set of characteristics associated with the initial residents determine the bundle of services and mechanisms for paying for the services. These then attract residents with similar preferences. However, it is certainly feasible for the characteristics of a group of inhabitants to change and thus put pressure of the local government to respond to the change. For example, a baby boom could occur and thus increase demand for both schools and parks.

Finally, the responsibilities of the relevant government could also change. The state could mandate changes in certain types of services at the local level through a variety of means. For example, it could change the definition of an illegal activity which could then impose additional municipal jail costs.

In the four simple examples given above, stress occurs because of an exogenous change that has no offsetting change in either revenues received or expenditures demanded. As will be seen in the discussion below, local governments often adopt strategies to offset this change in order to alleviate the stress problems. Sometimes, however, these short-term strategies lead to long-term autonomy problems.

It is also clear that fiscal stress can occur slowly over a long period of time or can occur relatively quickly if a major exogenous shock occurs. A slowly worsening condition is often the result of changing preferences or demographic characteristics of the community, although fiscal mismanagement may also contribute to the stress. A quickly worsening condition would come about through an unanticipated change in the business cycle, a voter initiative, or a sudden change in support from a funding government. It is important to note that both long-run and short-run pressures can exist at the same time and be mutually reinforcing, thus worsening the stress. It also implies that the effects of stress must be examined in a long-run framework so that the subtleties of both the stress and the responses to it can be understood.

Potential Consequences for Local Government Autonomy if Fiscal Stress Occurs

There are at least four different implications for local government activities if fiscal stress becomes serious. These implications are entangled, and at times can be offsetting, so it is often difficult to fully interpret what is occurring. Part of this study will attempt to disentangle these activities.

1. There is likely to be less variation in both local government revenue and expenditure patterns compared to less stressful times. This would occur because local governments will have less revenues available to finance “non-core” services. This implies less autonomy and thus less Tieboutian competition for residents among local governments. In addition, local governments are likely to become more competitive in chasing revenues. This competition should also lead to less variability in the basic revenue

sources, although it might lead to more variability in the niche sources, for example, hotel taxes, that local governments attack.

2. There is likely to be more attempts at innovation by local jurisdictions in an attempt to deal with fiscal stress. It is to be expected that new ways of raising revenues will be developed, new ways of providing services will be attempted, and new management techniques will be implemented. These can be interpreted as ways of increasing fiscal autonomy, and thus would be an offset to the immediately preceding activity.

3. There may be more desperate moves undertaken by local governments to maintain local autonomy. They may skate to the edge of legality in the way they put together their budgets in an attempt to maintain service levels. Or, they may become so short-run entrepreneurial that they make poor long-run decisions.

4. It is likely that just about everyone in the system will become more confused in these attempts to remain autonomous and maintain service levels. Elected officials may not understand some of the arcane techniques utilized by administrators and financial advisors. Other administrators in the government may undertake activities that may not be comprehensible to those in the finance department. Local voters and local business may find the finance system difficult to understand, may see increased fees and charges because these are still legal, and may become angry at the way government works, thus engendering a tendency to vote for increased restrictions on government's ability to raise revenues. Ultimately, these increased transaction costs may lead to lower voter turnout except when tax limits are on the ballot.

The rest of this paper, in five sections, will examine the interdependent concepts of fiscal stress, the role of the state government in response to an exogenous increase in this stress, and local government autonomy through the conceit of examining California during the twenty years after the passage of Proposition 13.

The History of Proposition 13¹⁷

Proposition 13, the climax of California property tax reform, passed because of a variety of interdependent reasons. This paper argues that there is no direct causality between any single reason, but rather the passage reflected a confluence of events, both exogenous and endogenous to the political process of tax change.

Pre 1977-78

The California Public Economy

In 1965, the two major San Francisco newspapers reported on an investigation of assessment practices of county assessors. They reported that some assessors were receiving campaign contributions in return for adjusting property tax assessments that were significantly less than those business not making contributions (Levy, 1979, p. 68).

As the scandal developed, the state legislature recognized the opportunity for action, and by 1967, the issue of property tax reform had become politically important. In 1967, the legislature passed a type of property tax reform, the Petris-Knox Bill (AB 80), that required more accurate and uniform assessment.¹⁸ The California State Board of Equalization was given monitoring authority. This innocuous bill took away much of the discretionary power that assessors had utilized to smooth assessment growth. The immediate impact of Petris-Knox was to hurt households because, in the aggregate, many single-family dwellings had been assessed at a lower percentage of market value than business (except for those businesses that had made contributions to the assessors). For example, in the city-county of San Francisco, the average single-family dwelling was assessed at about 9 percent of market value with the average business being assessed at 35 percent. Because of Petris-Knox, many households saw increases in their tax bills while businesses saw declines (Levy and Zamolo, 1978, p. 5).

Table 1 (adapted from Oakland p. 390, 391, 408) illustrates the fiscal condition of California during the years immediately preceding the passage of Proposition 13. Column 1 indicates that California was above the national average in the collection of state and local taxes, and that the difference was growing (in both absolute magnitude and as a percentage) until the passage of Proposition 13. Column 2 shows the relatively stable share of total assessed value that was comprised of single-family residences. It was not until 1976-1977 that this share took an incremental jump. As will be seen below, this stability made decisions much more difficult for local government finances. Column 3 indicates that the burden of the property tax was again relatively stable in California (although considerably higher than the U.S. average), and, in fact, was about 10 percent lower in the year preceding the passage of the initiative than in 1971-72. Note, however, that this is in distinction to column 4, which indicates that the taxes on single-family dwellings as a percentage of personal income were rapidly increasing. The various dips in the tax trends can be explained by legislative response to citizen outcries.

The Initiative Response

This increasing tax burden led to citizen unrest. California is one of seventeen states that allows constitutional change through the initiative process. Although this process was seldom used in the past, it was to become popular beginning in the late 1960s.¹⁹ There was soon to be an initiative to attempt to offset the increases in assessment that was derived from Petris-Knox requirements. This initiative, which appeared on the November 1968 ballot, was sponsored by Philip Watson, the assessor of Los Angeles County.

If passed, the proposition would amend the state constitution to prohibit the financing of “people-related services” from property tax sources. Watson defined people-related services to be principally education and welfare. The property tax would be earmarked to fund only property related services, typically police, fire, and general government services. The property tax was to be limited to one percent of market value. The initiative did not identify what would be the source of funding for “people-services.”

In response, the legislature began a pattern that was to continue for the next decade. It waited until the last possible moment to craft a response, thereby requiring a supplemental mailing to voters and a supplemental ballot at the election. Their alternative was also a constitutional amendment which initiated a \$750 homeowner exemption and a 15 percent business inventory exemption. Because this was marketed as a “responsible” alternative, and because of the state’s favorable economic climate, (Levy, 1979) Watson’s initiative failed and the legislative alternative passed with 54 percent of the vote.

The next tax initiative, sponsored by the California Teachers Association (CTA), appeared on the June 1970 ballot. The CTA proposed increasing the state government’s share of educational and welfare expenditures, and increase homeowners’ exemptions to \$1,000. Although this initiative did not mention property taxes, the strong implication was that these taxes would be reduced. The League of Women Voters led the opposition, and the proposition gained only 28 percent of the vote.²⁰

The November 1972 ballot revealed the second Philip Watson initiative. This was even broader than his first initiative and would have restructured the entire tax system. It placed a limit on the local property tax, raised excise taxes on specific products, and shifted more of the expenditures on welfare and education to the state. While this initiative lost, it apparently stimulated the legislature into undertaking some reforms.

On the last day of the 1972 session, after the November election, the legislature passed SB 90, a major tax reform bill. This legislation expanded the homeowner exemption to \$1,750 and expanded the inventory exemption to 45 percent. This bill also gave a tax credit to renters and limited city, county, and special district tax rates to those in effect in either fiscal year 1970 or 1971, whichever was higher.²¹ It also placed a limit on the rate at which expenditures for school districts could increase. Finally, it established the rules

under which local governments could be reimbursed for the imposition of state mandates. SB 90 was to govern the state's tax structure until the passage of Proposition 13.

Finally, another initiative was presented to the electorate on the November 1973 ballot. This was a proposal from Governor Ronald Reagan. This initiative would have limited the growth in state expenditures to the growth in personal income. The proposition said little about property taxes, and there was concern that its passage would lead to a shift in expenditures from the state to local levels, and would thereby increase the property tax rate. This proposition was barely defeated, receiving about 46 percent of the popular vote. Five years later, Proposition 13, the Jarvis-Gann property tax limit initiative, passed.

An Aside on Housing Prices

Housing prices in California rose rapidly between 1973 and 1978.²² However, the 1967 Petris-Knox reform took most of the discretion away from county assessors, so these higher prices were very quickly translated into higher assessed values. Even with the capped property tax rates under SB 90, the new assessed value translated into an increased property tax payment. With mandated assessment at least every three years, it was not unusual for homeowners to discover 40 to 60 percent increases in their property tax bills.²³

A myriad of reasons have been advanced for the existence of the rapid rise of California housing prices (Chapman, 1981, pp. 85-89). These can be loosely grouped into demand side and supply side phenomena. Although many of these reasons make sense in the California context, many of them also existed in other states that did not experience these dramatic increases (Fischel, Chapter 6).

Demand for housing might have been affected by the demographic changes occurring during the 1970s. Population growth in California was greater than the U.S. average by about 1.5 percent per year. Concurrently, the average household size in California fell from 2.95 to 2.69 persons. This led to an increase in the number of households formed of about 18 percent. California was rapidly recovering from a significant 1973-1975 recession, led by rapid increases initially in the aerospace industry and later by increasing defense expenditures. In addition, the California life style of suburbanization and long commutes encouraged these new households to buy homes (where land was cheap) rather than rent. Further, as housing prices began to accelerate in the latter portion of the decade, speculation in housing may have also played a part in increasing housing demand.

There were also supply changes. In particular, the costs of financing construction increased and the price of land increased. Financing costs increased for two reasons—rising interest rates and a lengthening of the time to complete development. Interest rates rose because of the national inflationary trends, and also because new development in California became to be seen as generating only risky profits because of the increased

government regulations. This increased risk would be translated into increased interest charges to developers. Time to complete development increased principally because of increased regulations, inspections, and permit approval delays. One study estimated that the cost of an average home in California increased between 9.4 and 26.6 annually because of delays caused by the California Environmental Quality Act (Connerly and Associates, 1978, p. 11).

The price of land rose far faster than the costs of other housing components during this decade (Chapman, 1981, p. 86). Two complementary explanations exist. The first is that the U.S. inflation rate (which was averaging over 6 percent) affected land prices more than the prices of other inputs. The second is that local growth moratoriums and regulations, which were (and still are) widespread throughout the state also increased land prices.²⁴ Further, these growth controls and regulations were popularized during this period because of the strong support of the California Supreme Court. Aside from a weak victory in one case, governmental agencies did not win a single land use case before the California Supreme Court in 1966-77 unless the branch of government involved had taken a preservationist stand in its final action. Further, excluding some weak victories for development interests, neighborhoods and public interest groups never lost before the California Supreme Court during this same period (DiMento, et al. 1980, pp. 878-879).²⁵ Fischel argues that the reason that California housing prices rose faster than the national average was because of the strong support of land use regulations by the California Supreme Court. He argues that the transaction costs for development were significantly higher because of the California Supreme Court (Fischel, p. 253).

In addition to these demand and supply phenomena, there were additional effects in the housing market. In particular, during this time, lending institutions began to count all of the household income in determining whether the buyer could meet loan eligibility criteria, whereas in the past, these institutions would tend to discount the earnings of women. This tended to increase the amount of money that could be borrowed. Lenders in California also tend to use trust deeds as opposed to mortgages, which have several advantages for the lender. They allow the lender to recover property that is in default in 110 days, and then immediately sell the property, unencumbered, to any purchaser.²⁶ Unlike mortgages, under a trust deed, there is no right of redemption after foreclosure. Because of these reasons, it was possible for the home lending industry to take greater risks in lending money, and thus the financing of the higher priced homes was facilitated.

Why Were Property Taxes So Difficult to Reform?

The Role of the Courts

In two papers, Fischel (1989, 1994) argues that a series of California Supreme Court decisions, collectively known as the *Serrano* decisions, caused Proposition 13.²⁷ In the earlier article, he argues that local property tax wealth was divorced from school spending and thus crippled the Tiebout system; this converted most of the property tax into a

deadweight loss. Voters responded to this deadweight loss by supporting Proposition 13. This reasoning probably gives the voters too much credit for economic sophistication and a layperson's ability to understand power-equalization formulas. However, in the latter work, he refines his argument to include the inaction of the state legislature that occurred because of the necessity of funding equalization that *Serrano* caused. Since the legislature had recently passed AB 65, a very expensive school finance equalization bill, Fischel argues that they may have discovered that the state did not have enough money for property tax reform.

Legislative Paralysis and Then Complexity

In addition to the implicit constraints placed on property tax reform by the courts, the legislature became paralyzed by the magnitude of the necessary changes. Between 1975 and 1978, only two (out of at least 22 proposals) relatively small reforms were enacted: relief for low-income senior citizens and homeowner exemptions for welfare recipients. Major corrections to the property tax system failed to be enacted because the legislature did not know how much money would be available for financing reform and could not agree on the type of reform necessary. Some of the legislators wanted a pure property tax limit; others wanted any reform to be tied to the income of the recipients.

By January 1977, the legislature finally realized that some property tax reforms were necessary. They also realized that the incremental reforms of the past were not going to be sufficient. But, in their view, any major reform would have to be complex. Typical proposals included circuit breakers, split rolls, and complicated relief measures for local government. None passed, partially because of the complexity of the problem, and partially because of the conflict between those who wanted a reform tied to income and those who wanted a reform without regard to any demographic variable. In early 1978, after Jarvis-Gann had qualified, the legislature proposed an alternative that authorized a split roll, limited increases in the property tax to the GNP price deflator for state and local services, increased the state assumption of some of the local government health and welfare costs, set aside some future state revenues for tax-payer relief, and expanded renter, welfare-recipient, and senior citizen tax relief. This proposal required a constitutional amendment and so it appeared on the same ballot as Proposition 13 (as Proposition 8). It failed.

Why local governments didn't reduce tax rates

If housing prices values were rapidly increasing, the question arises as to why local governments were not cutting tax rates to compensate. Although there was some rate cutting (Chapman, 1981, p.90), it was quite small compared to the magnitude of the housing price increase. There were two explanations. One, based on a case study of Los Angeles, was that cities were changing their labor mix to one of higher priced labor (Chaiken and Walker, 1979).

The second reason relates back to Table 1, which shows that single family dwellings were

only about one-third of the property tax base for most jurisdictions. Since California is a single roll state, reducing the tax rate on the single family home would also lead to a reduction in the rate on all other types of property—much of which was not appreciating at anywhere near the single family dwelling appreciation. It is conceivable that too large a tax rate reduction could lead to a decline in total property tax receipts, even if the values of single family homes were rapidly increasing. Combined with an inflation rate of over seven percent during the later part of the 1970s, it is not difficult to understand why local governments were reluctant to cut the property tax rate in any dramatic style. In fact, if local governments wanted to provide cost of living increases for their employees, it would have been difficult to cut the rates at all.

What citizens really thought

By 1978, Californians had been subject to three campaigns against proposed tax cuts that were based on warnings that valuable government services would be cut if the initiative would pass. But by 1978, a majority of the electorate either discounted or embraced this potential outcome (Citrin, 1979, p. 118). At election time, not only those who advocated reduced government spending were disproportionately likely to support Proposition 13, there was also a high level of absolute support for the proposition among those who favored maintaining public expenditures at their current rate. In a survey taken immediately after the passage of Proposition 13, it was found that those who wanted spending cuts in only four or fewer areas (out of a possible 15 choices) made up 58 percent of the voters and half supported Proposition 13. And, among those who favored increasing spending in at least three areas, 47 percent voted in favor (Citrin, 1979, pp. 120-121).

It appears as if Proposition 13 passed because voters wanted to cut taxes rather than eliminate a wide range of government services. There was a relative satisfaction with the bundle of services being provided (See Table 4, Shapiro, *et al.* 1979, p. 5), with the majority wanting to increase or maintain the same level of expenditures except for environmental protection, public housing, welfare and administration.²⁸ The predominant view was that expenditures should be maintained at the same level—a conclusion consistent with the median voter model (Shapiro, 1979, p. 6). As Citrin concludes, “most people want something from government, but if not for nothing, they at least want it for less.” (Citrin, 1979, p. 121).

The role of the state surplus

One reason why voters might have perceived that it was safe to cut taxes and not worry about levels of service provision was the existence of the large surplus that the State was accumulating. This surplus grew for several reasons.

At that time, California had a relatively progressive tax structure (highest bracket was 11 percent and a tax code that was stricter than the federal code). The economy was rapidly growing and generating high income tax revenues. Sales tax revenues were also

increasing, because of the inflation that was occurring during the late seventies. The state consistently underestimated the revenue flow.

In addition, as property tax assessments rose, state funding for school districts fell because of the legislative formula that inversely related school districts property tax receipts to state aid. This led to the state overestimating its actual expenditures.

Finally, Governor Jerry Brown was extremely cautious in his estimates of the surplus so that he could maintain as much flexibility as possible when negotiating property tax reforms. At the same time, William Hamm, the new legislative analyst, was also conservative in his estimates, possibly because this was his first year in the position and he was following the retirement of Alan Post, a virtual icon in the State.

For these reasons, the surplus was a moving target. In January 1977, the estimated surplus for fiscal year 1977-78 was \$940 million, representing about 7.5 percent of revenues (Levy, 1979, p. 80). Eighteen months later, by June, 1978, the cumulative surplus was about \$5.9 billion—an increase of \$5 billion (Levy, 1979, p.80) (with the 1977-78 surplus being estimated at about \$3.7 billion (Governor's Budget, 1978-79, Schedule 4))²⁹ During this time, and especially in the six months before the June 1978 election, there were continual estimates and re-estimates of the surplus, with the magnitude consistently increasing. It is not surprising that the voters might have thought that they would be held harmless if Proposition 13 passed because the state would come and bail them out.

Proposition 13

In June, 1978, Proposition 13 passed by a 65-35 percent margin. Voter polls indicated that the electorate did not accept the opposition arguments, and most believed that the government could provide the same level of services with 10 percent less money and almost 50 percent believed that the same level of services could be provided with a 20 percent cut. Seventy-three percent of the voters believed that the state was inefficient, 64 percent believed it of the counties, 53 percent believed it of the cities, and 45 percent believed it of school districts (Lipson, 1980, pp. 6-7). Proposition 13 components included:

1. The maximum property tax rate would be one percent of the full cash value of the property. The property tax rate previously passed to pay for debt would be in addition.
2. The one percent tax was to be collected by the counties and apportioned according to law, to the districts within the counties.
3. The property tax base (full cash value) is the 1975-76 value of property. Property is reappraised only when purchased, newly constructed, or a change in ownership occurred between 1975 and 1978.
4. Increases in property value are limited to two percent or the consumer price index,

- whichever is less.
5. Any new state taxes must be passed by two-thirds of the state legislature.
 6. Any new special taxes imposed by cities, counties, or special districts must be approved by two-thirds of the voters.
 7. All new property taxes (at either the state or local levels) are prohibited.³⁰

Proposition 13 was upheld in *Amador Valley Joint Union High School Dist. v. State Bd. of Equal* [22 Cal. 3d 208 (1978)]. In upholding the initiative, the court explicitly rejected the argument that Proposition 13 violated the concept of home rule. Opponents argued that since the legislature would now have the power to allocate property tax revenues within the county, it might be biased in how this was done. The court concluded that nothing in Proposition 13 required this outcome. The court also concluded that nothing in Proposition 13 destroyed the taxation powers of local government (Smith, 1991, pp. 62-63).³¹

Proposition 13 was an approximately \$7 billion dollar property tax cut. Cities lost about \$800 million, counties lost about \$2.24 billion, schools lost about \$3.54 billion, and special districts lost about \$460 million. These losses led to a series of legislative activities that would fundamentally change the fiscal relationships between the state and its local governments.

The Changing State-Local Fiscal Relationship After Proposition 13

The State's Initial Response—SB 154

The state legislature had only about three weeks to solve the series of problems that Proposition 13 presented. In particular, the legislature needed to devise a property tax allocation formula; they needed to determine how the state could help local governments, and they needed to do something to respond to the electorate's desires to cut government spending. Governor Jerry Brown's administration proposed no increases in state public employees' salaries and no increases for recipients of Aid to Families with Dependent Children. But the bulk of the work was done by a joint conference committee consisting of the Republican and Democratic leadership of the Assembly and Senate. Given the time constraints, the resulting legislation was designed to be a stop-gap solution, with more permanent legislation to be written in the next year. The end result was SB 154 (Chapter 292, Statutes of 1978). Under this legislation (and including SB 2212, Chapter 332, Statutes of 1978, which helped special districts) the legislature provided for the allocation of the revenues collected under the one percent tax allowed by Proposition 13 and provided fiscal aid to local jurisdictions through a combination of "bail-out" (for cities) and "buy-out" (for counties) activities. This was to lead to a reduction in LGFA.

The legislature chose a relatively simple pro rata formula to allocate the property tax. The basis for the pro rata distribution was the average percentage of all property tax revenues

collected (exclusive of taxes levied for debt retirement) within the county which each local agency collected over the prior three fiscal years. For example, if a city had generated one percent of the total property tax revenues within its county over the past three years, then it would receive one percent of the now lesser amount collected. This simple formula was meant to maintain stability until a longer-term formula was established. However, it did have a significant land use implication that became apparent only after its enactment. In some cases it could be heavily biased against new land development, especially housing.

For example, suppose a jurisdiction had generated one percent of the county's property tax revenues over the past three years. If a new, \$1 million development were to be proposed for that jurisdiction, it would generate a total of an additional \$10,000 worth of property taxes (one percent of \$1 million). However, this jurisdiction would only receive one percent of the \$10,000, or \$100. If the costs of servicing the new development exceeded \$100 (ignoring any new sales tax revenues, etc. that the development would generate), it would not make fiscal sense for the development to be allowed. Further, the jurisdiction would receive the \$100 no matter where in the county that the development occurred.

The state chose two methods of assistance to local governments. It helped to "bailout" cities by providing block grants. It also "bought out" some specific services from county governments by assuming greater fiscal responsibility for the specific service, although the county government would continue to provide the service. Cities ultimately received block grants of about \$220 million, counties had the state buy out at least part of many health and welfare programs (about \$1 billion) and also received about \$430 million in block grants. School districts received the largest share of the state assistance, ultimately receiving about \$2.48 billion in state assumption of program costs for grades K-14. Finally, special districts received about \$190 million in block grants. In total, the state provided about \$4.4 billion in aid, principally found by drawing down the accumulated state surplus.³²

There were two implications of the bail-out/buy-out solution. Cities, because of the block grant nature of the bail-out, did not necessarily recognize a reduction in LGFA. Counties, on the other hand, did see a reduction in LGFA, because they lost General Fund property taxes which could be spent on nearly any county function while they were able to off-set part of this loss through ear-marked buy out revenues. The ear-marking implied a reduction. Secondly, this might be considered the start of a series of re-alignment measures which were ultimately to reach fruition in the early 90s, 15 years later.

Not all cities received bailout money under SB 154. Fifteen cities declined the money principally because of the strings attached.³³ Thirty-two cities were ineligible because they did not levy any property tax and so lost no property tax revenue. And, **fifty** cities received no state bailout because they had too large a surplus (Comptroller General,

1979).

Even though SB 154 was designed to last only a short time, it had several long-run effects. In particular, there was a shift in funding from the local property tax to the state income and sales tax, which led to an increased centralization of funding, and ultimately increased control over local activities. The state also forced local governments to tax at their full one percent, and thus differences among property tax rates throughout California were greatly minimized. Essentially, there is now one property tax rate for all California local governments.³⁴ In this bill, the state also established the base year for state aid to be the average of the three prior fiscal years. This base year remains unchanged to this day.

Finally, and perhaps most interestingly, the allocation formula was based on previous revenues received, not citizen preferences. Prior to Proposition 13, citizens would vote on the various property tax rates that they paid to the schools, cities, county and special district in which they resided. This pattern could have been used to establish an allocation decision rule that would have led to results that would probably have been quite different than those coming from the formula that was established by the legislature. The clear desire was to protect the jurisdiction's share of the revenues. There is no indication that this procedure was ever discussed or analyzed, and, now, the data do not exist to calculate the differences.

AB 8—The Long Run Response

With the benefit of a full year of deliberations and the advice of a blue-ribbon commission established by Governor Jerry Brown, the state legislature was able to enact in July 1979 a long term bail-out/buy-out bill, AB 8.³⁵ This bill was complicated, very inclusive, and riddled with major and minor concerns. It was 108 pages long and came with a 4-page index. Its central feature was the creation of a local property tax base which would allow local jurisdictions to realize growth in receipts from the property tax as assessed value increased. In order to do this, a portion of the property tax base was shifted from school districts to local government. Growth in the local government's base was then allocated on a situs basis. The state then increased its school district aid to make up for the districts' loss of property tax revenues (Assembly Local Government Committee, 1983, p. 7). To accomplish this, AB 8 consisted of four major elements (California State Senate, 1979).

1. A property tax allocation formula was designed for cities, counties, special districts and school districts. This first determined a new property tax base for each local government. This new base was determined by increasing the local government's share of the property tax by the SB 154 block grant (adjusted for various factors) and reducing the school districts' property tax share by the same amount.³⁶ Once this new base was calculated, it would be allowed to grow as new development occurred. The \$10,000 in tax revenues generated in the previous example would now go only to the jurisdictions in which the buildings were located. This effectively eliminated the anti-development bias of

SB 154. However, this situs allocation formula was an exceedingly complex nine-step model. In this formula, seemingly harmless errors were magnified over time. Within two years, the State Department of Finance was finding significant discrepancies between what the correct allocation should be and what it was (to the extent that schools were receiving less local revenues than they were entitled to, the state was expending more revenues to help them). By 1985, the State Controller was mandated to audit the counties' implementation of AB 8 (Senate Committee on Local Government, 1983, p. 26). By 1995-96, this AB 8 system was responsible for allocating among cities, counties, schools and other districts nearly \$19.5 billion of property taxes. Table 2 shows how the allocation of property tax revenues has changed over time, partially because of AB 8 and partially because of other changes in the allocation formula (State Board of Equalization, Table 15).³⁷

2. The second part of AB 8 concerned a variety of health and welfare provisions. The state made permanent the buy-out of SSI/SSP and Medi-Cal (California's version of Medicaid) that was started under SB 154. In addition, the state permanently assumed the entire cost of the Aid for the Adoption of Children program and the entire county share of the work incentive program. The state also partially bought out AFDC payments to families, AFDC administration, and foster care as well as a variety of other small programs. Finally, the state waived the counties' match for some community mental-health programs and for alcohol and drug-abuse programs.

3. The third part of AB 8 relates to educational financing. State aid was increased to offset the shift of the schools' property tax base to the other jurisdictions. This aid was adjusted so that high revenue districts received smaller inflation increases in their revenue limits, while poorer districts received larger inflation increases. The result of this adjusted increase in aid was that by 1983-84, 94 percent of the school districts were within a \$150-per-average-daily-attendance expenditure range, which brings the state closer to compliance with the *Serrano* decision.

4. The final part of AB 8 was a mechanism to cut state assistance if sufficient funds were not available for the continuation of state aid. This "deflator" mechanism allocated the amount of the shortfall. However, in later years when a shortfall occurred, the deflator was ignored (and ultimately eliminated) and the shortfall was allocated through the legislative process.

Ultimately, AB 8 did three things: it solidified the buy-out of some county functions by the state; it gave cities property tax money for local services through the property tax shift from school districts to local governments; and it provided for a major increase in the importance of state funding of education. AB 8 is a complex piece of legislation that has been continually adjusted over the last fifteen years. Parts of the original bill are still in effect; other parts have been amended or eliminated. As the Senate Committee on Local Government argued in 1987, "the AB 8 system appears inequitable to just about every tax

of local government (p.26).” Perhaps most importantly, even though AB 8 was entitled a long term solution, there was no formal long-run promise that this state aid would continue, although local governments acted as if this were to be a permanent shift. In the early 1990s, when the state shifted property tax revenues again, many local jurisdictions were shocked at the event.

Some AB 8 Implications

In analyzing local government fiscal autonomy, many of the major effects of Proposition 13 were those that come about through its implementation through AB 8. The equity effects of Proposition 13, which may be equally important in the long, have been seldom analyzed.³⁸ What AB 8 did was to both increase the importance of the role of the state in local decision making and to increase the interconnectedness of the public finance system. This is particularly true for counties and schools.

For counties, through the bailout and buyout mechanisms, the state’s ability to set regulations and standards was politically reinforced. The state had this power in the past; now, however, through the buyouts, it could set standards directly, and through the bailouts, it could set standards through the financing mechanisms. Local discretion concerning service levels was diminished. In addition, the levels of service to be provided were now much more closely related to the overall state economy as well as the state tax code. If the state economy grew, holding the tax system constant, state revenues would grow and there would be (at least theoretically) more revenues available to meet county problems. However, if the state decided to cut taxes, this could offset the ability to increase the revenue flow. From the counties’ perspective, these two components of the revenue equation were often beyond their control. Of course, without the property tax as a policy instrument, the counties realized little discretionary revenues.

Schools found themselves in somewhat the same situation. As the State allowed their property tax to be distributed to the cities, special districts and counties, it backfilled with state General Fund revenues. The state’s share of funding for elementary through community college schools rose from 35 percent in 1977-78 to 65 percent in 1989-90 (Ross, p. 636). This puts the schools in a situation similar to that of the counties—they became more dependent upon the state’s economy, and faced the possibility of seeing the state cut its support if it reduced tax rates.³⁹ It also led the California Teachers Association to refocus its lobbying activities from the local level to the state as the union recognized that the state would be able to increase both curricular and fiscal control over the districts. Within a few years, there was to be a statewide proposition that would mandate minimum levels of school support.

A third set of local agencies were indirectly affected—redevelopment agencies. Although the formation and activities of these agencies will be later described, it is important to recognize their interaction with school districts and state financing. As will be seen below, a redevelopment agency is financed by the increment in property tax revenues generated

by redevelopment. This increment is to be shared with the jurisdictions that overlap the redevelopment acreage. By far, the bulk of redevelopment projects in California are undertaken by cities. In this situation, if the local school district did not receive any of the redevelopment increment through some sort of sharing process, it could always count on that revenue being backfilled by the state, and the district would be held financially harmless. In effect, the city, through its redevelopment agency, would receive what might have gone to the school district. Indirectly, the state was subsidizing city redevelopment through this process, which mixed AB 8 financing of schools and the redevelopment law.

Other Fiscal Constraints Approved by Voters between Proposition 13 and the Present

Voters continued to change the state's public finance system. In particular, it can be argued that there were two education propositions and three state tax or expenditure propositions that were passed between Proposition 13 and the present, and that affected local government autonomy. In order to keep track of the many events occurring, Figure 1 is a time line that indicates when these five activities occurred and when the state's responses occurred. The following discussion, however, is oriented by category of intervention.

Education Propositions

Between 1964-65 and 1984-85, California's spending per average daily attendance was roughly equal to the U. S. average. Starting in about 1985, California's spending began to increase at a slower rate and it actually fell during the early 1990s.⁴⁰ Proposition 98, enacted in a 1988 voter-approved amendment to the Constitution (and which was later amended by Proposition 111 in 1990), established a minimum floor for funding K-14 schools. This funding constitutes about three-fourths of overall K-12 funding.⁴¹ It significantly affects state expenditure patterns and thus indirectly affects the state's fiscal relationships with other local entities. It is an arcane law, and it importantly complicates the understanding of state and local relationships.

The minimum funding levels are determined by one of three formulas.⁴² Figure 2, from the Legislative Analyst's Office (1997, p. PE-9), summarizes how Proposition 98 works and the three formulas. The largest amount of money determined by any formula is that which is allocated under the Proposition 98 guarantee. There are five major factors involved in the calculations: General Fund revenues, state population, personal income, local property taxes, and K-12 ADA. These factors change during the year and thus cause changes in the minimum guarantee. The Governor has to provide "settle-up money" to insure that any increase in the previous year's guarantee is funded. In 1988, about 40 percent of General Fund revenues were allocated under Proposition 98. The current minimum is about 34.5 percent of these revenues plus local property taxes (as allocated under AB 8). This lower minimum reflects the result of property tax shifts in 1992-93 and 1993-94, which increased discretionary state revenues at the expense of local government

aid.

Retrospectively, in many of the years since 1988, Proposition 98 has acted as more of a ceiling than a floor. The minimum is funded and then the state turns to other activities. Even funding this minimum has caused pain during the California recession, and multiple games (some of which were found to be illegal when litigation ensued) were played to ensure that the mandated floor would be reached. But because the allocation was formula driven, local school districts became passive recipients of state revenues. To recapitulate, schools now get funding from the AB 8 and Proposition 98 (in addition to other sources, such as federal funds, or local district entrepreneurial activities). There is very little evidence of any fiscal autonomy for school districts.

Other Tax and Expenditure Limits

Proposition 13 was not the end of the tax and expenditure limits for California.

Proposition 4, the Gann initiative, was overwhelmingly approved in November, 1979.⁴³

Proposition 4 limits overall government expenditures, but does not constrain any particular type, and allows more flexibility than Proposition 13. Proposition 4 has six major provisions:

1. Expenditure appropriations of state and local governments from tax sources are limited by formula. This formula was originally based on population changes and the lower of either the consumer price index or the growth in per capita personal income. Proposition 111 (which also changed Proposition 98) included a section that limited the growth of local government appropriations by allowing the growth in non-residential new construction to supplant the growth in per capita personal income.
2. The limitation can be temporarily adjusted by a majority vote of the relevant electorate.
3. Any tax surplus revenues must be returned to the electorate within two years.⁴⁴
4. Local governments must be reimbursed for new programs or higher levels of services if they are mandated by the state.
5. As long as fees and charges are not in excess of the cost of service provision, they are not limited.
6. Emergency provisions are available for debt service, emergencies, and for other miscellaneous changes in government or taxes.

Although originally Proposition 4 was feared for its constraining power, because of the rapid growth in the variables in the formulas, in recent times the constraint, for most jurisdictions, is not close to being binding. For example, the state is more than \$8.3 billion below its estimated Gann limit for 1997-98 (Governor's Budget, 1997, Schedule 12-A). More important is the provision that fees and charges can be used in an unlimited manner as long as they do not exceed the cost of providing services. This allows local governments to provide new services as long as they are fee based. This would become

important as these governments used this provision to justify additional development fees on the grounds that the fees were being used to fund new services. The provision also implicitly encourages local governments to maintain an accurate set of accounts. In particular, administrative overhead can be allocated to the new service, and depreciation of capital is allowable as a cost. Financial management techniques improved because of Proposition 4.

Because of the way that it was drafted, and the way that the courts have interpreted this drafting, Proposition 13 essentially divides taxes into general taxes and special taxes. The California Supreme Court has ruled that special taxes are those levied for a specific purpose rather than a levy to be placed in the General Fund.⁴⁵ It is the special tax that needs to gain the 2/3 voter approval before they can be enacted. Until December, 1995, cities and counties had the ability to raise general purpose revenues without voter approval and in fact, voters were prohibited from using their referendum power to overturn local taxes once the tax was adopted by local officials (Senate Committee on Local Government, December 1993, p. B-6).

In November, 1986, California voters approved Proposition 62, a statutory initiative that prohibited local governments from levying general taxes unless approved by a majority vote. The California Appellate Court ruled Proposition 62 to be unconstitutional in 1991. However, in December 1995, The California Supreme Court reversed the Appellate Court (to almost everyone's surprise) and upheld the validity of Proposition 62.⁴⁶ What was not clear was whether the decision was retroactive and whether it would apply to charter cities.

To clarify the charter city question and to insure that there were no unexpected loopholes, the Howard Jarvis Taxpayers Foundation sponsored Proposition 218, which was passed by voters in November 1996. This is a very complex initiative that applies to every local government in California—counties, cities, special districts, schools, community college districts, redevelopment agencies, and regional organizations. In the long run, the Legislative Analyst's Office estimates that it is unlikely that the measure could cause more than a five percent annual decrease in aggregate local government own-source revenues (Legislative Analyst's Office, 1996, p.8). However, there is both a great deal of variation as to how the effects will be distributed as well as a great deal of uncertainty as to how the initiative will be interpreted by both the legislature and the courts. It is highly likely that this measure will effect, in a serious way, local government autonomy.

Under Proposition 218, all new, and some recently imposed general taxes will have to be approved by the majority of voters in the community or the affected area. All new or increased assessments will have to be approved by the majority of property owners (and renters responsible for paying assessments) in the affected area. Votes will be weighted in proportion to assessment liability. Finally, property-related fees for any service other than water, sewer or refuse must be approved by either property owners in the affected area or

the electorate in the affected area (local government's choice). The majority of property owners or two-thirds of the electorate must approve, and the local government may weight ballots in proportion to fee liability.

Moody's analysis of the initiative identifies several areas of concern, some of which are in disagreement with the Legislative Analyst's interpretation. For example, Moody's argues that gas and electric fees are subject to voter reduction or repeal through the initiative process (Moody's, 1997, p. 3). The Legislative Analyst argues that gas and electric fees are not directly affected (p. 9). Moody's also identifies other important provisions of the measure:

- Fees placed on the property tax bill for services that are generally available to the public, such as libraries or fire protection, are outright banned.
- Certain taxes and assessments will have to be resubmitted to voters for reapproval or rolled back. Landscape and lighting assessments are likely to be in this category.
- The General Fund may have to subsidize enterprise operations if voters repeal or lower the existing fee structure.
-

One unanticipated consequence of Proposition 218 is the potential elimination of some incentive programs instituted by jurisdictions in order to keep businesses from leaving. If these incentive programs are based on higher taxes or fees on some customers to provide enough funds to lower the tax bill on other customers, they are illegal. For example, the City of Sacramento subsidizes some industrial companies by giving them a discount in their utility rates by charging non-industrial companies a higher utility rate. The city is now afraid that this is illegal. Sacramento is also concerned about a utility rebate that it gives some senior citizens (McCarthy and Graebner, 1997, pp. 1 and 23).

There are a host of unanswered questions concerning Proposition 218. The Legislative Analyst identifies 19 different questions that must be resolved by either the courts or the legislature before local governments can correctly begin implementation (Legislative Analyst, 1996, pp. 38-40). Since the initiative sets a July 1, 1997 deadline for local governments to conform, there will probably be some activities concerning Proposition 218 in the near future. Depending upon how these questions are resolved, the loss of revenue autonomy for local governments could be immense.

How California Responded to Fiscal Stress

In conjunction with the above voter initiatives and constraints, in the early 1990s, California was hit by a series of events, which caused the state to dramatically change the way it related to local governments.

Some Additional Causes of Stress

California was struck by a series of exogenous events in the late 1980s and early 1990s. These events exacerbated the fiscal stress imposed by the voters. In particular, natural disasters, military base closings, illegal immigration, and a major recession all forced the state to re-examine its fiscal relationships with local governments—usually to the detriment of the local government.

Drought, fires, and earthquakes imposed significant costs on California citizens during this period. The drought of 1987-1992 cost California farmers between \$3 and \$4 billion dollars. The property losses of the 1991 Oakland fire and the 1993 Southern California fires totaled about \$4.7 billion. The Loma Prieta quake of 1989 and the Northridge quake of 1994 together caused gross losses of about \$25 billion (Chapman, 1995, p. 105). While insurance and federal aid helped in alleviating many of the problems, the state was forced to spend additional money to help solve these problems and local governments saw short-run declines in at least part of their tax bases.

In 1988, defense outlays in California reached a peak of \$63 billion (in 1993 dollars). They are scheduled to decline to \$33 billion by 1997. Also in 1988, military bases began to be closed as the result of decisions made by BRAC (Base Realignment and Closure) I Commission. In 1988, California lost over 17,000 military and civilian jobs as seven bases were closed.⁴⁷ In 1991, BRAC II forced the loss of nearly 31,500 jobs as six bases were closed. BRAC III in 1993 closed nine additional bases and caused a net job loss of over 29,500. Finally, BRAC IV, in 1995, closed seven more bases and cost another 18,850 jobs. Altogether, California lost over 97,000 jobs, or nearly sixty percent of the total military job loss in the United States. As will be seen below, most of these job losses occurred during the early 1990s recession, and thus exacerbated the stress that the state was encountering.

Illegal immigration rose during the last half of the 1980s, reaching an estimated peak of over 200,000 entrants between April 1989 and April 1990. However, this surge may have moderated during the beginning of the 1990s, with immigration perhaps falling to less than 100,000 entrants in 1992-93 (Johnson, 1996, pp. 68-69). To further complicate matters, California's receipts from the national State Legalization Impact Assistant Grant program, a program implemented after the 1986 National Immigration Control and Reform Act granted amnesty to certain groups of illegal immigrants, were less than originally promised. By 1994, the cumulative deficit was over \$500 million.

Although California has never been totally immune to recessions, when the U.S. recession finally reached California in 1990, it was unexpectedly severe. In June 1990, employment would reach a high of 14.5 million; about three years later it would reach its trough at about 13.9 million. There were 729,000 unemployed in June 1990; in January of 1994, unemployment peaked at 1.6 million (State of California, Employment Development Department, 1994 p. 6). All sectors of the economy were affected, with aerospace,

construction, and retail trade being among the worst hit. The recession was statewide in scope, but the south coast region, which accounted for about 50 percent of all wage and salary jobs, realized 73 percent of the job loss (Commission on State Finance, 1993, chart 4). This recession dramatically affected the revenue flow to state and local governments and put pressure on their health and welfare expenditure patterns. Between 1990-91 and 1994-95, the State faced an aggregate budget deficit of about \$41.6 billion. It closed the deficit through a mixture of tax increases, expenditure cuts, smoke and mirror accounting changes, and shifting responsibilities to other governments. During these five years, expenditure shifts to local governments were about \$7.7 billion (in nominal terms).

There was also a change in political philosophy during this time. In June 1990, the Assembly Committee on Revenue and Taxation stated:

A basic principal of public finance provides that revenue structures should finance a given level of service demanded, **revenue structures do not determine the level of service required** (emphasis in original) (State of California, Assembly Revenue and Taxation Committee, 1990, p. 5).

Less than a year later, the Governor explicitly stated in his budget message:

Simply put, the state's revenue structure cannot sustain the level of public service commitments that have been made. (Governor's Budget Summary, 1991, p. 4)

With this change in philosophy from expenditures determining revenues to the reverse, coupled with the draconian cuts that had to be made, as well as the stresses arising from the natural disasters, military base closings, and illegal immigration, it was not surprising to observe that the state-local fiscal relationships would be changed.⁴⁸

The State's Responses

By the first third of the 1990s, the state-local financial interrelationship was showing the signs of stress. The AB 8 formula and even some of the sections of Proposition 13 had been continually adjusted and now were nearly incomprehensible to most legislators. By the beginning of the 1990 recession, the annual cost of local fiscal relief had exceeded \$9 billion (California Constitutional Revision Commission, 1996, p. 63). California was also under significant fiscal stress because of the above reasons. The state government attempted to manage these problems through a variety of means, most of which made the public finance system even more difficult to understand, and many of which affected local government fiscal autonomy. Three of these devices directly affected state-local relationships in a significant way.

Realignment

As part of the 1991-92 state budget solution, there was a realignment of responsibilities between the state and the counties. The counties would receive extra revenues and, in return, absorb extra responsibilities from the state. This formal realignment was a response to a series of *ad hoc* cost and revenue shifts from the state to counties during the 1980s, with the revenues not keeping up with the costs. Between 1984-85 and 1987-88, the costs of mandated state programs rose by 40 percent while county general purpose revenue rose by 26 percent (Legislative Analyst's Office, 1990, p. 326). These mandates were also largely unfunded by the state. There was an attempt to clarify this complex system in the 1991-92 state budget.

Realignment had three components: program transfers from the state to the counties; changes in some cost sharing ratios between the state and the counties; and an increase in the state sales tax and vehicle license fee that was earmarked for the transferred programs.

The transferred programs consisted of mental health programs (\$750 million), public health programs (\$506 million), indigent health programs (\$435 million), and local block grants (principally for juvenile justice) (\$52 million) (Legislative Analyst, 1992, p. 107). The assumption underlying these transfers was that counties should be able to provide levels of health care that vary among counties, depending upon county geographic and demographic differences.⁴⁹ The cost-sharing changes are nearly all in the social service area, and some are quite dramatic. For example, AFDC-Foster Care went from 95 percent state funded to 40 percent state funded, In-Home Supported Services went from 97 percent state funds to 65 percent state funds, and the state welfare-to-work program (GAIN) went from 100 percent state funded to 70 percent. The state did increase its share for AFDC-Family Group (from 89 percent to 95 percent) and for county administration (from 50 percent to 70 percent). The total increase in county expenditures was estimated to be slightly more than \$2.2 billion (Legislative Analyst's Office, 1992, p. 107).⁵⁰ The state did not give up its ability to set eligibility criteria for these programs, so county control was not unambiguously increased.

In order to cover these costs, the state raised its sales tax by 1/2 cent which was earmarked for re-alignment and engaged in a shift of vehicle license fees, so that ultimately the counties received revenues from these sources. The revenue stream was earmarked for specific programs, although in some cases, a ten percent annual transfer among certain programs was allowed (Legislative Analyst, 1992, p. 111). Originally, there was supposed to be enough money raised by these new revenue sources to cover the increased costs of the new programs (although some administrative savings were included in the calculations). However, there was an immediate shortfall of about \$150 million which was soon to grow to about \$229 million the next year (Keeslar, 1994).

Although the Legislative Analyst Office gave realignment generally acceptable reviews, it noted that realignment was still evolving and careful oversight was important (LAO, 1993, p. 112). Many of those engaged as service providers in realignment considered it a success. It did provide a steady stream of revenue to the counties, with at least a modicum of flexibility in its use. Some also claim that even if revenues are not as high as anticipated, county social services are still better off, because the state would have made far more severe cuts. Service levels may have also changed; for example, some mental health practitioners claim that the new found stability in revenues for their programs have allowed better use of resources. There has also been a decline in some of the more expensive interventions in the foster care programs (Chapman, 1995, p. 128). However, there has been no formal evaluation analysis of realignment.⁵¹

The Property Tax Shifts⁵²

The most recent state activity that potentially affected local government autonomy has been the change in the allocation formula for the property tax. This change began in 1992-93 and the formula was changed again in 1993-94. The net result of these changes was about a \$4 billion shift of property taxes away from cities, counties, special districts, and redevelopment agencies to schools. This increased the school's property tax revenues and thereby decreased the state's General Fund obligation to the schools. The replacement of property taxes for General Fund financing did not affect the overall level of school finance, but it did allow the state to help solve its budget gap problems because it reduced the level of Proposition 98 required expenditures.

The rationale for this shift can be traced back to AB 8. In that legislation, as discussed above, the state provided relief to local governments to offset most of the losses they would have incurred because of Proposition 13. In particular, the "bail-out" portion of AB 8 reduced county health and welfare program costs by increasing state aid for a variety of programs. In addition, AB 8 shifted some property taxes from schools to cities, counties, and special districts. The state replaced these lost revenues with General Fund revenues. The current value of the annual AB 8 bailout is now larger than \$6 billion. When these numbers are compared to the re-allocating tax shifts of 1992-93 (\$1.4 billion), 1993-94 (\$2.645 billion), 1995-96 (\$3.634 billion) and 1996-97 (\$3.4 billion), the state's argument

is understood—local government is still receiving a net bail-out from the state for Proposition 13.⁵³ Of course, local governments might argue that taking the money back because the state needed to solve its budget problems is, at the minimum, immoral. Local governments believed that the flow from the state would never end. It did.

This shift was not done simply. The state required the county auditors to deposit some of the property taxes that had previously gone to non-school local agencies into a new, county-wide fund for schools. This fund is called the “Educational Revenue Augmentation Fund (ERAF). Property taxes from ERAF are then distributed to schools. The allocation into this fund is done by various methodologies, but essentially reflects the AB 8 benefits that the agency receives. This gives rise to a wide variety in the distribution of the property tax shift.⁵⁴ For example, almost twenty percent of the cities recognized virtually no property tax shift in 1993-94 because these cities were formed after 1978 and so did not receive any AB 8 benefits. Conversely, many older cities lost significant amounts because of the large benefits they received under AB 8. Similar variance exists among the counties. The average county lost about 40 percent of its property taxes (\$50-70 per capita), yet some counties lost considerably more—Los Angeles lost about \$100 per capita.

Some mitigating measures were passed that helped local agencies deal with these shifts. Proposition 172 affected the sales tax revenues received by some of the local governments (see below). In addition, there were some increases in the vehicle license fee subventions to cities and counties and a mandate relief bill that allowed counties to reduce general assistance by about 25 percent if the county could prove that it was in “significant financial distress.”

The LAO has discovered that this property tax shift has negatively affected the behavior of local agencies in three ways. In some cases local agencies realized dramatic reductions in their discretionary funds. This has required reductions in a wide range of discretionary programs, including libraries, parks, health, social services, general assistance, property tax administration and community development. Second, counties are responsible for property tax administration, including reassessment, appeals, and ensuring that new properties and improvements are entered on the property tax roll. But, because they receive only about 22 percent of the tax proceeds, there is an incentive for them to disinvest in the property tax administration system. In the long run, this disinvestment could translate into lower collections (and thus higher state expenditures) as well as a distrust of the property tax system. Finally, cities and counties very carefully analyze the revenues generated by new developments. To the extent that these developments do not generate enough new sales and property tax revenues to cover the new expenditures, local agencies impose development fees or exactions on developers to ensure that the rest of the community is not fiscally burdened. Because this state shift has reduced city and county shares of the property taxes received from new developments, fees or other mitigation activities are more likely to occur.

Despite these negative effects as well as a variety of proposed legislation and recommendations, no change in the shift formula occurred in the 1997-98 budget process.

Proposition 172

The principal measure to augment local government revenue was passed by the Legislature (and ultimately by the voters in November 1993). This was Proposition 172. This measure continued the imposition of the one-half cent sales tax that had been allocated to cities and counties. This was the same one-half cent that was part of the 1991-92 state budget balancing mechanism and which was to sunset in July 1993. This one-half cent was continued by legislative action until November, at which time the voters approved the measure. Funds from this sales tax were allocated to each county based on its relative share of statewide taxable sales and then reallocated to cities and counties in proportion to the property tax transfers. In 1995-96, this half-cent sales tax raised about \$1.5 billion for counties and about \$90 million for cities, offsetting about one half of the on-going ERAF shift from cities and counties. There is a good deal of variation among counties in these replacement revenues—Sierra County has about 29.6 percent replaced while Alpine County has 99.9 percent replaced. Los Angeles County has about 39.8 percent replaced. This sales tax is earmarked for public safety, with an attached maintenance of effort requirement.⁵⁵ Because of the maintenance of effort provision, there is a reduction in local autonomy, especially for counties.

In addition to the loss of autonomy that occurred because of the maintenance of effort provision, there was also a more subtle loss for the counties. The counties lost General Fund property tax revenues, which were partially replaced by ear-marked public safety revenues. This substitution further constrained the ability of the counties to allocate freely their revenues.

The 1997-98 state budget generated the most recent state action concerning the fiscal stress on local governments. This was the Trial Court Consolidation Plan (AB 233). Under this action, the state will assume \$274 million in county trial court costs, beginning in 1998-99. County costs will be capped and the state will fund any future growth in the costs of the program. Also, in 1998-99, the state will assume the full court costs in the twenty smallest counties (about \$10.7 million and cities will be able to keep all fine and penalty revenues collected within their jurisdictions, while counties will be able to keep any increases in fine and penalty revenues. The total costs to the state General Fund for this city-county relief in 1998-99 are estimated to be about \$350 million, beginning in 1998-99 (LAO, October, 1997, pp. 55-57).⁵⁶

How Local Governments Attempted to Maintain Fiscal Autonomy

The above analysis indicates that from at least 1977-78 to the present, local governments were continually under pressure to find sources of revenues that were not ad valorem property tax based. To the extent that they were successful, they would have enough funds to ensure that their expenditure patterns could change if voters desires changed. A general equilibrium Tiebout analysis would argue that if the revenue patterns change, the bundle of revenues and services offered by a jurisdiction is likely to change, and thus expenditure patterns should change.

California local governments utilize a variety of methods to keep claim on revenues. Because counties are more constrained by state laws than cities, cities are more likely to engage in these techniques.⁵⁷ Further, at least for the urban counties, the city revenue base was usually larger than the county revenue base, so even if the county could engage in innovative activities, their success in absolute dollars would not be large.⁵⁸ Most of the following discussion refers to city activities, with some of the following data being incomplete or anecdotal. But at least some insight into the activities of local governments can be achieved.

Fees and Assessment Districts

Prior to Proposition 218, local agency fees did not require local approval, but could not exceed the estimated reasonable cost of the facility or service being provided, or else they would be considered special taxes. Local agencies could increase fees by adopting a resolution or passing an ordinance. Certain procedural steps must be followed, including holding public meetings after public notification. Local governments could levy standby charges for water and sewer services on any developments that were either connected or could be connected to the local water and/or sewer infrastructure. Cities, counties and school districts can still impose developer fees, not subject to voter approval, but subject to state caps, which vary by residential and commercial/industrial development.⁵⁹ As can be seen in the subsequent section, fees and charges have increased for cities and counties.

Proposition 218 introduced a new term into the lexicon of taxation—a “property-related fee,” defined as fees imposed as an incident of property ownership. The drafters of the proposition have indicated that their intent was to include most fees commonly collected on monthly bills to property owners, for example, those for water delivery, garbage service, sewer service and storm water management fees. However, others argue that fees that vary by level of use, for example, fees for metered water usage, are non-property related fees because they vary by use rather than ownership (Legislative Analyst Office, December 1996, pp. 18-19). This turns out to be an important question, since non-property related fees are not restricted. If fees are property related, a vote will be needed with a majority of prop-erty owners or two-thirds of the electorate in the affected area necessary for enactment.⁶⁰

Benefit assessments do not appear to be particularly important as a direct revenue source for cities and county although for special districts they tend to be more important.⁶¹ Since special districts can be utilized to offset some of the fiscal stress faced by other local governments, assessments ought to be discussed. State law contains 20 benefit assessment laws that are available to provide public facilities and services. Since the passage of Proposition 13, laws have been enacted to broaden the nature and scope of assessments to include more agencies, and offer additional facilities and services, such as park maintenance, graffiti abatement and habitat maintenance. Benefit assessments need public notice and, depending upon the particular Act, may also need an election. Almost all of the laws require local agencies to abandon benefit assessment proposals if a majority of the landowners protest the proposal (Senate Committee on Local Government, 1993, pp. 15-16). Assessments are also regulated by Proposition 218. An existing assessment is exempt from Proposition 218 constraints if it was previously approved by voters (or by all of the property owners) when the assessment was created, all of the assessment proceeds are pledged to bond repayment, or all the assessment proceeds are used to pay for sidewalks, streets, sewers, water, flood control, drainage systems, or vector control. About 50 percent of existing assessments are likely to be exempt (Legislative Analyst's Office, 1996, p. 23). All new assessments must be approved by a majority vote of the property owners in the affected area, weighted in proportion to assessment liability.⁶²

Entrepreneurial Activities

“Entrepreneurship” became a much-talked about concept during this time. With the publication of the Kirlin and Kirlin seminal volume in 1982, it became legitimate for California administrators to call themselves entrepreneurs and to either continue their patterns of modified risk taking or to begin to act in a more aggressive manner toward increasing their jurisdiction's revenue flow. Some examples of public entrepreneurship follow.

Taking a profit position in development.

At least one jurisdiction in California became a partner with a private developer in building a shopping mall. The city receives a different revenue stream for different levels of profitability. In exchange for this revenue stream, the city helped change some of the zoning restrictions and provided some of the infrastructure.

Direct tax subsidies.

In these cases, direct tax abatements or lowered tax rates were utilized to attract or keep business.⁶³ In some cases, rates or levies were actually raised by a small amount on a broad base of existing business in order to subsidize a new start-up business or to keep an established large employer from leaving in the hope of continuing economic growth. Jurisdictions were betting that the economic growth that this technique stimulated (or at least maintained) would offset the loss in tax revenues. As earlier noted, some of this

activity may now be illegal under Proposition 218.

Sophisticated analysis and development agreements.

After Proposition 13, any new potential development would generate far fewer property tax dollars. Now, new development would have to be examined far more carefully in order to ensure that there will be little or no fiscal drain on the jurisdiction, and, in many cases, development for revenue sake was the order of the day. This “fiscalization” of land use (Misczynski, 1986) forced local administrators to become far more savvy in negotiating development agreements and sophisticated contracts, at least some of which were both arcane and buried in minutes of local jurisdiction legislative meetings.

But some cautions

Sometimes these entrepreneurial activities may have been carried too far. For example, Orange County may have stretched the limit when the county’s treasurer invested in sophisticated and complex derivative products in order to generate a major revenue flow (Chapman 1996). In another case, a city undertook a major stadium remodeling in order to (successfully) attract a professional football team. However, the city’s estimates of the sales revenue appears to be falling far short of reality, and there is at least some possibility that General Fund revenues will have to be used to service the debt. These situations are the type that generate headlines. In reality, the extremes are far rarer than the newspapers would like.

Other Techniques

There are two other techniques that local governments have utilized in their attempts to remain fiscally autonomous. Each of these deserves a slightly longer discussion.

New Types of Debt

The passage of Proposition 13 necessitated the development of new ways of financing infrastructure. In particular, two new techniques have been utilized in order for both the state and local governments to finance capital improvements and public works: Mello-Roos debt and Certificates of Participation (COP).⁶⁴ In the decade between 1985 and 1995, about \$28 billion of General Obligation bonds were issued by California state and local government as compared to about \$40 billion of COPs, and about \$6 billion of Mello-Roos Certificates (CDAC, September 1996 p. 8, November 1996 p. 50 and September 1997 p. 7). While these new types of financing are very useful to government, they are not easily understood (or sometimes not even noticed) by the general public and might be contributing to a distrust of government.

The Certificate of Participation (COP) (and its close cousin the Public Lease Revenue Bond) does not need a vote of the general public, but can be initiated and passed by a legislative body at either the state or local level. Technically, a COP is not a debt instrument, (and therefore does not count against any legal limitations on the amount of

debt to be issued) but rather a promise to the holders of the certificate that they will receive a share of the revenue stream that is to be produced by a particular asset. This asset is often, but not always, one that is purchased or constructed using the proceeds of the COP. Technically, the COP is issued by a non-profit body that is established by the legislative body. The legislative body usually agrees to rent the asset from the non-profit. This rental stream generates the funding flow that is shared among the holders of the certificate. The money that is used to pay the rent for the asset may come from the general fund, although there are many ways of finding the money. One that is popular is the use of a revenue stream of another asset of the jurisdiction. COPs can become quite complex and are not well known by the public, but because of their ease of issue are becoming exceeding popular at all levels of government in the state.⁶⁵

Mello-Roos debt (named after the two legislators who carried the legislation in 1982) is used to finance infrastructure or services in a community service area. This area, which is usually undeveloped, can be irregularly shaped and may be drawn with “holes” to exclude particular sections (usually those excluded sections are developed). Two-thirds of the inhabitants of the area or landowners representing two-thirds of the land of the area (in which the number of votes are distributed by the amount of land owned) can vote to issue debt for capital improvements in the area. Once the debt is issued, there is a lien against the property in the community service area. If the property is initially undeveloped, as it is subdivided, each individual homeowner is responsible for the payment of a share of the debt. Initially, this share did not have to be disclosed when the property was bought, but legislation has been enacted to force disclosure.

Although the amount of issuance of this type of debt is not close to the level of magnitude of the GO and COP issuance, operationally, Mello-Roos debt has replaced at least some of the property tax that the homeowner might have faced prior to Proposition 13 (the part that related to General Obligation financing). Since Mello-Roos debt is more expensive than GO debt because of its higher risk, the payment by the homeowner is higher than what would have been faced prior to Proposition 13. The responsibility for the debt service is also more concentrated since the base is solely the property that is being developed rather than the entire jurisdiction. Anecdotally, there are stories of homeowners making Mello-Roos payments that are larger than their property tax payments.

Redevelopment

Beginning in the late 1940s, California became the first state to utilize the technique of tax increment financing as a development tool. Under this process, a local jurisdiction first forms a redevelopment agency (this ability is an inherent power under the California Constitution). This agency then declares a section of the jurisdiction to be “blighted”. Any increase in the property tax receipts (the property tax increment) that occurs after this designation is shared by the redevelopment agency and overlapping jurisdictions.⁶⁶ The goal of the city (by far, redevelopment agencies are principally formed by cities) is to ensure that redevelopment does occur and thus the increment will be generated. In order

for this occur, debt is issued by the redevelopment agency, with the proceeds of the issuance going to improve the blighted area.

After Proposition 13, many cities may have attempted to use tax increment financing to alleviate some of the fiscal pressures that the initiative caused. Although the initial predictions concerning the efficacy of the technique were negative (after all, any property value increment would only generate a maximum of a one percent tax increment) (Merrill Lynch, 1979), the dire predictions were not realized. Rather, tax increment financing rapidly grew: the number of agencies grew, the size of the increment grew, and the expenditures of the agencies also grew. The increment per agency appeared to peak during the 1991-94 period—the time of the significant state fiscal stress and the property tax shift.⁶⁷

The growth occurred for at least four reasons. Jurisdictions discovered that blight could be a loosely defined concept, that redevelopment could be used to entice business that generated large sales taxes, that the financing technique could be used for infrastructure finance to attract these businesses, and that redevelopment activities could be used as a weapon in competition for new businesses.⁶⁸

Blight had never been explicitly defined in state law until 1993. Instead, statute defined characteristics of blight, which were capable of being given broad interpretation, allowing nearly any parcel of land to be termed “blighted” (Senate Committee on Housing and Land Use, November 1995, p. 3). This allowed local officials to utilize redevelopment powers nearly anywhere they desired, including vacant land.

Since in California one percent of the sales tax transactions returns to the jurisdiction in which the sale occurred, there are incentives for the local governments to attempt to attract businesses that generate a large flow of sales tax revenues. Particularly desirable are car dealerships, malls, and “big box” development, Wal-Marts or Price Clubs. The emphasis on commercial development benefited both the city and the agency—property values would increase rapidly when commercial property redevelopment occurred and thus the bonds would be more secure and the city would gain additional sales tax revenues. New housing was often not encouraged because of its lower revenue flow.

Redevelopment debt to finance infrastructure does not need voter approval. In fact, residents are often unaware of the magnitude of the debt issued or the size of the increment, although tax collectors sometimes insert a statement into the property tax bill that describes the size of the increment. Although there are no easily available data that directly measure the physical size of the capital financing done by redevelopment agencies, projects greater than 100 acres now constitute about 80 percent of the total projects (California State Controller, 1995). Because of their size, these projects are likely to include vacant land and therefore imply a need for new infrastructure.

Finally, redevelopment activities were used as a weapon in the interjurisdictional fight for economic growth. Companies were encouraged to relocate with the promised benefits of new infrastructure and cheap land to be provided by the redevelopment agency. For example, Sacramento enticed the computer maker Packard Bell to relocate from a southern California jurisdiction partially through the use of tax increment funded infrastructure improvements. This could quickly become a negative sum game, simply because of the transaction costs involved.

Redevelopment is also involved in the discussion of revenue shifts among jurisdictions. After the dust settled from the state-local property tax shift of the early 1990s, schools received about 52 cents out of every property tax dollar collected. If the area that the redevelopment agency declared blighted was not blighted, than about 52 cents out of the property tax increment would have gone to the schools. To the extent that it did not go to the schools, but to the redevelopment agency, the state would back-fill the school districts to bring them to their Serrano-mandated levels. Of course, if the area were truly blighted, there would have been no increment, and state support would still be necessary.

In any case, in 1995-96, there were 399 active redevelopment agencies in the state, with their projects generating slightly more than a \$1.4 billion increment (California State Controller, 1996). Note that if the area was not blighted, but treated by the redevelopment agency as blighted, there is an approximate \$700 million state redevelopment program that is transparent to the citizens.

Did Jurisdictions Succeed in Maintaining Any Sort of Fiscal Autonomy?

Understanding the California public finance system after Proposition 13 can be a complex task. It is now time to address the question of whether local jurisdictions have fiscal autonomy after these changes. This next section will be a crude analysis attempting to answer this question.⁶⁹

Some Analysis—Revenues

The results of all of this state activity on the revenue side of local budgets vary by level of government. Of the two types of governments that this paper focuses upon, counties were clearly affected more than cities, at least in terms of their revenue patterns. However, as will be seen, there is a good deal of variability within each category.

Counties

Counties have multiple roles in California. They are the administrative arm of the state, being responsible for public assistance, public protection and health. Counties are also responsible for delivering local services and providing local facilities to their unincorporated communities, including law enforcement, waste collection, and roads and parks. At times counties contract with cities or other local agencies to provide some of these services. Finally, counties perform countywide activities such as assessing and

collecting property taxes and operating jails. This dual role often puts counties in fiscal stress, since so many of their activities are mandated by the state, but without complete state funding.

Aggregate Analysis

Table 3 illustrates two conclusions. The first is that there has been a dramatic shift in the sources of revenues for counties. Property taxes as a percentage of revenues has fallen by more than half. However, this has been more than compensated for by the increase in state aid. Further, the decrease in importance of federal aid has been offset by the increase in importance of “other revenues,” a potpourri of several small sources.⁷⁰ An examination of the real, per capita, revenues substantiates this first conclusion.⁷¹ Real, per capita, property taxes have fallen by more than 50 percent, while real, per capita, state aid has risen by about 75 percent. Federal aid has fallen by about \$45 per capita, while other revenues have risen by about \$35 per capita. The net result of these switches is that real revenues per capita, at the aggregate level, were about \$23 higher in 1977-78 than in 1993-94.

But this is only part of the story. Table 4 reclassifies these revenues into controllable and non-controllable. Here, the shift is dramatic. In 1977-78, about half of the revenues were controllable and half were not. In 1993-94, because of the movement of the property tax into the non-controllable revenue category, only about 20 percent of revenues were controllable. The basic criteria for this division are whether the county (and later city) had any substantial control over setting the tax rate or fee or any control over defining or changing the base.

It should be recognized that this is a very simple schematic. Certainly, some of the state and federal funds come from programs that have elements of discretion contained within them. Placing them entirely into uncontrollable is a bias in the analysis. Further, as earlier argued, through development incentives, counties might be able to enlarge their property tax base, so that there are also elements of controllability in this essentially non-controllable tax. Conversely, sales tax revenue (a very small percentage of county taxes) is controlled by the county only through zoning. County-by-county analysis would be needed in order to fully untangle revenue raising strategies.

As a first cut, in the aggregate, counties are receiving about as 2.7 percent less money in real, per capita terms, compared to prior to the tax limit movement’s beginning; in addition, far less of this revenue is under their control.

Some additional disaggregation

It is worthwhile to examine a small group of counties to determine if the state pattern follows to the county level. Five Southern California counties were chosen for this

analysis.⁷² These are all relatively urban counties, containing about half of the state's population. Future analysis should include rural counties.

Tables 5 and 6 show the basic data. Essentially, much of these findings are consistent with the state aggregates. Most importantly, the averages are about the same, although there are some tentative, but interesting movements toward or away from the average, depending upon the revenue source. In particular, these five counties seem to be moving closer to the state average in the importance of the property tax and other revenues while moving farther from the state average in other taxes, federal aid, and charges. There is little difference in the importance of state aid. Thus, there seems to be a slight movement away from the state average in revenue sources that the state doesn't control, and a slight movement towards the average in the property tax—a source that the state does control.

An examination of the standard deviations and coefficient of variations indicate that for all but the property tax and other revenue categories, there is a decline in the amount of variation between counties for any particular revenue source. However, for property taxes and other revenues, there seems to be increases in both the standard deviation and the coefficient of variation between 1977-78 and 1993-94.⁷³

Only for Los Angeles County is average real revenue above the state average for both years. However, the standard deviation and coefficient of variation among these counties have generally fallen over the period, both by a substantial amount, with the 1993-94 values being less than half of the 1977-78 values. The only variables where there seems to be more dispersion are property taxes and other revenues. This most likely indicates that the state, which has assumed the dominant finance role and whose aid has a low coefficient of variation, tends to smooth out differences among county revenue patterns.

Not all of the five counties are moving in the same direction with respect to real, per capita, revenues. Los Angeles and Ventura counties have seen a decline in real, per capita revenues. For both of these counties, the declines are large—Los Angeles went (in 1993-94 dollars) from \$1,018 per capita revenues to \$863; Ventura went from nearly \$820 per capita to \$628. The per capita revenues of the other three counties increased. In the base year, only Los Angeles was above the state average; Orange, Riverside, San Bernadino, and Ventura counties were below the average. By 1993-94, Los Angeles and San Bernadino were above the average, while Orange, Riverside and Ventura were below the average. Thus, San Bernadino (which is less dependent on the property tax) and Ventura (which is more dependent on the property tax) switched places.

Although there is clearly less fiscal autonomy in 1993-94, it does not necessarily imply that counties have lost total control of their revenues. With the exception of Los Angeles County (which still is above the state average), the relative ranking of the other four counties has entirely shifted—there is not one county in the same relative position in 1993-94 as in 1977-78. It might be very tentatively concluded that while Proposition 13

and the state response narrowed the variation among counties, it did not entirely eliminate the revenue side of the model as an important variable.

Cities

Aggregate Analysis

The city is the other unit of government that is analyzed in this paper. Cities are a powerful component of government in California, reflecting the strong belief of the 1879 California Constitutional Convention to protect cities home rule capabilities (Sokolow and Detwiler, 1996, p.9). California cities focus on ensuring the provision of local services and facilities, with the provision either directly undertaken by the city or contracted for with the county or other agencies.

Table 7 is a first cut comparison between the sources of city revenues in 1977-78 and 1993-94.⁷⁴ Similar to the counties, property tax was a crucial element of local revenue in 1977-78. By 1993-94, it had dropped behind all but sales taxes in its importance. But this must be examined in a total revenue context. There were major shifts in importance in all of the revenue sources, with major declines in importance for property taxes, sales taxes, and intergovernmental revenues (IGR) compensated by major increases in service charges and other revenues.⁷⁵ It is interesting to note that service charges (including revenues from enterprise funds) were the single most important source of revenue in both of these time periods. By 1993-94, over 68 percent of city revenues came from service charges and other revenues, much of which are under the control of the city. Considering that other revenues include at least some enterprise contributions, it is reasonable to conclude that city residents are paying for a substantial portion of their services through the price system.

It is also possible to conclude that in the aggregate, cities are receiving more revenues in real per capita terms in 1993-94 than in 1977-78. There is about a nine percent increase in real, per capita, terms. Even though the state now controls the property tax, it is difficult to conclude that local revenue autonomy has dramatically disappeared from the cities since 1977-78, at least at the aggregate level.

Some City Disaggregation

Table 8 provides the basic data for cities in Los Angeles County.⁷⁶ Their revenue patterns loosely follow those of the state, although there are a few interesting differences. In particular, in the earlier period, these cities received a greater proportion of sales tax revenue than the state average and a considerably less than average amount of service charge revenues. In the later period, these Los Angeles County cities received a greater amount of revenue from sales taxes with a far below state average received from service charges. In both periods, these cities received more than the state average from property

taxes.

Examining the coefficients of variation for this group of cities indicates that there has been change in the variability of the revenue source between the two periods. With the exception of service charges in 1977-78, all of the coefficients of variation are less than one. This implies that there was a fairly substantial bunching around the mean for each of these revenues. There was no distinct pattern of changes between 1977-78 and 1993-94; coefficients of variation increased for two categories and decreased for three. The only major change that occurred was for service charges, which registered a fall of nearly thirty percent. The decline in service charge variability might be explained by reasoning that cities learn from each other and that no one city is going to get too far ahead or too far behind when it comes to designing and implementing service charges. As this source becomes more important, cities would be taking more care to insure that they are not too different from their neighbors.

Overall, the case for the loss of revenue autonomy is weak when cities are examined. They have more than covered their property tax losses through increases in service charges and other revenues. Coefficients of variation are either increasing or decreasing, depending on the revenue source, indicating that there is no consistent trend for city revenues to become identical in importance among cities.

Some Statistical Analysis

Table 9 reports results from a closer examination of the five county sample and the cities in Los Angeles County comparing the two time periods.⁷⁷ For the counties, there was a significant decline in the importance of property taxes and a significant increase in the importance of state funding. These are completely expected and are consistent with the previous analysis. What is somewhat surprising is that none of the other revenues demonstrated any significant changes between the two time periods.⁷⁸ They changed in importance, but not in a statistical significance sense.

There may be multiple explanations for this. First, there is a high likelihood of sample bias—it is a very small sample, the counties are all urbanized and in Southern California. Secondly, the majority of the county revenues come from the two variables that showed significant changes; the other variables may appear to be too trivial for the counties to use political capital to control (and, of course, the federal funds are not easily controlled by the county). Thirdly, at the county level, enterprise revenues are not included in the analysis. Perhaps they significantly changed. Finally, there may be constraints placed on the other taxes, charges, and other revenues that might make them less amenable to change

The statistical results are quite different for cities. Every single variable demonstrated a

significant change: property taxes, sales taxes, and intergovernmental revenues all significantly fell; service charges and other revenues significantly increased (remember that enterprise revenues are included in service charges for both time periods). The only unexpected finding is that, unlike counties, cities have become less dependent on intergovernmental fiscal aid. This confirms the previous supposition that, at least from the revenue side, cities have maintained, or perhaps even increased their fiscal autonomy since the passage of Proposition 13. And, as a potential by-product, to the extent that cities are using pricing techniques, rather than general taxes, to support services, there is probably an increase in economic efficiency.

Some Analysis—Expenditures

Real, per capita, revenues showed a mixed pattern for cities and counties, with some increasing and some decreasing. But real, per capita, expenditures went up for both of these types of jurisdictions. This may be why the perception of fiscal stress has increased—real revenue increases may not have always matched real expenditure increases. This next section will analyze these increases.

*Counties—Aggregate Analysis*⁷⁹

Table 10 indicates that real per capita expenditures by counties increased by about \$9 between 1977-78 and 1993-94. However, this increase has masked some shifting within the budget. In particular, there has been a dramatic decline in expenditures for general government—in real terms, these per capita expenditures have fallen by more than half, moving from comprising 19 percent of the budget to 9 percent. The only additional category to show a decline has been the “other” expenditures, which have fallen by a little over \$10 per capita and from 8 to 6 percent of the budget.

Offsetting these declines have been increases in protection and health and sanitation. Protection expenditures have increased by about \$64 per capita, with a corresponding increase from 19 to 27 percent of the county budget. Health and sanitation expenditures have increased by about \$29 per capita and from 14 to 17 percent of the budget.⁸⁰ Perhaps most interesting is that public assistance has only increased by about \$8 per capita and has only marginally changed as a percentage of the budget. This probably represents the continued pressure to reduce welfare expenditures that comes from the state.

There has clearly been a reallocation of revenue from general government and other to protection and health and sanitation. This might be interpreted as representing the Proposition 13 and shifting state aid squeeze effects on the county bureaucracy. County government might now be only be responding to needs in its core, and therefore slicing the bureaucracy might be its only option. But it should be remembered that this decline in general government can easily be translated into slower permit processing, poor tax collection and administration, or weak responses to regulatory needs. Finally, there is no indication that the underlying needs for these services have been directly translated into

these new expenditure patterns.

Counties—Disaggregate

Tables 11 and 12 show the expenditure patterns for the sample of five southern California counties. These tables cannot be directly compared to the state averages because capital expenditures have been separated from the operating expenditures.⁸¹ However, since capital turned out to be such a small percentage of the total, in a crude fashion, some comparisons can be made.

What is perhaps unusual is generally how close the five-county expenditure patterns were to the state average in both years. In 1977-78, these counties were perhaps slightly more interested in general government and slightly less interested in public protection than the statewide average, but even these differences were relatively small. The counties followed the trends—they lowered their general government expenditure and increased their protection expenditures. It is also interesting to note that they cut their capital expenditures in half—by 1993-94, the counties were spending only about two percent of their budget on capital.

With some exceptions, there is generally very little variation among these counties in their budgetary patterns. With the exception of capital and other in 1993-94, the coefficient of variation is always less than .5. Even for the total per capita calculations, there is a very low coefficient of variation for both time periods. Counties just don't vary much in their expenditure patterns. This implies that counties may not be relevant for Tiebout decision making, the constraints that they faced on their expenditure autonomy did not change over the time period even though their revenue structure changed, or that they are all followers of one another. The general trend seems to show an increasing coefficient in 1993-94—for all but protection, the coefficient is higher in the later years. Future research should perform these calculations for all of the counties and for the most recent years.

These five counties do vary from the state in one important way. Remember that in real per capita terms, total county expenditures have increased by about \$9. This five county sample was spending considerably more than the state average in 1977-78. But their real expenditures per capita fell during this time period. Further, while their real total expenditures/population was above the state average in 1977, the average actually fell below the state average by 1993-94. Combined with the revenue data, this illustrates why counties feel a lack of control over their fiscal abilities.

*Cities—Aggregate*⁸²

There are several striking findings that can be seen in Table 13. Perhaps the most obvious is that in real, per capita, terms, cities are spending more now than in 1977-78—about \$310 per person.⁸³ However, this increase masks a variety of component changes and non-

changes. Expenditures on general government have fallen both in real per capita terms and in percent of total expenditures. Real, per capita, expenditures on libraries, parks and recreation have also fallen, although not as dramatically, although as a percentage of the budget, they have fallen by about one-third.. Expenditures on police, in real, per capita terms have increased, although as a percent of budget expenditures, they remain virtually constant. It may be that the stretching and squeezing that is often heard concerning the fiscal stress of the public sector comes from these activities. The largest growth is in the public utilities/enterprise and other expenditure activities of cities.⁸⁴

The public utility/enterprise set of activities is an interesting group to be growing. It may be that the public prefers city expenditures on these infrastructure activities; it may be that there are earmarked funds for at least some of the activities (for example, gas tax money for roads and sales tax money for transportation systems), which encourages cities to divert additional resources to these activities; or it may be because so many of these activities also generate revenue, they just grew without conscious decision making.⁸⁵ Additional work is necessary to disentangle some of these threads.

Finally, the myriad of “other” expenditures has only slightly increased as a percent of the budget over the sixteen years, although in real per capita terms, it has increased by about \$120. What this might be indicating is that cities are adding expenditure categories in a variety of areas which may benefit very specific interest groups. From a micro perspective, these increases may be difficult for the public to discern; however, they do apparently accumulate to a large sum. They are not hidden, but they are not the focus of much public attention.

Cities—Disaggregate Data

As the expenditure patterns for the cities in Los Angeles County are being examined (see Table 14), it is important to recognize that these categories differ from those used in the aggregate analysis.⁸⁶ In particular, the category of capital expenditure has now been included while the non-capital expenses of the public utilities/enterprise activities have been included in the other expenditure category. Future work is necessary if the public utility disaggregation is deemed necessary.

Although there are clearly unusual cities, with the exception of capital outlays in 1977-78, the coefficient of variation is always less than one, and usually less than .5. This implies that there is little variation among cities in these expenditure categories. In the context of the Tiebout model, this may imply that there are only shades of differences among cities rather than striking differences. However, this statistic is increasing for the general government and police categories. Thus, there is more variation in 1993-94 than in 1977-78 for these two categories. For capital, this statistic has fallen, while for other expenditures, it has remained approximately the same.

Compared to the statewide averages, cities in Los Angeles County allocated a greater proportion of their budgets to general government and police in both 1977-78 and 1993-94. For general government, the difference is fairly dramatic—in both time periods, L. A. County cities are allocating almost twice as much as the overall city average. Following the general trend, however, the allocation has fallen substantially over time. While the state-wide aggregate city allocation for police is about the same for the two time periods, for cities in Los Angeles County, it has risen from being about 2.5 percent greater than the state average to over eight percent above the average. One possible explanation for this is the Los Angeles Rodney King riots of 1992 might have influenced police allocations in the next fiscal year.

In both years, cities in L. A. County spent about ten percent of their budget on capital expenditures, although this is the category with the largest coefficient of variation, implying that the range among cities in capital expenditures is larger than the other expenditure categories. This seems to be relatively consistent, and might be interpreted as an acknowledgment that cities are aware of infrastructure needs and finance those needs. Of course, there may be earmarked grants that allow for the financing of some of these capital outlays. Finally, the category of other expenditures increased in importance by about five percent between the two time periods, but continues to have a small coefficient of variation. This could imply that cities are spending more of their budget on a multitude of different projects, perhaps responding to special interest group pressures to expand beyond core services. Again, here is an area in which more work needs to be done.

Some Statistical Analysis

Table 15 is the expenditure version of Table 9. It examines whether there has been a significant change in expenditure patterns between 1977-78 and 1993-94. Again, it is recognized that there are potential biases in the results—the counties are all in southern California, the cities are all in Los Angeles County. Obviously, more detailed work should be done. However, these results are illuminating for this working paper.

For the counties, as Table 9 indicated, two of the revenue sources were statistically different between the time periods. It should thus be expected that if counties were fiscally autonomous, there should be some changes in their expenditure patterns.⁸⁷ However, only general government expenditures seem to differ significantly as a percentage of the budget; the rest show no significant changes. In fact, health, public assistance and other show virtually no change at all in importance. Since these are the bulk of county expenditures, it does appear as if there is little fiscal autonomy for this unit of local government in California.

The results are quite different for Los Angeles County cities. For them, all of their revenues showed significant changes. When their expenditures are examined, the percentage of the budget spent on general government police and other significantly

change. Only the percent spent on capital shows no significant change. It is possible to conclude that cities changed their expenditure patterns over the time period. Whether this change occurred because of social changes or because of revenue source changes, the important conclusion is that cities were able to change patterns. This is at least partial evidence for some fiscal autonomy for cities.

Follow up studies for rural counties and cities outside of Los Angeles are necessary before any of these conclusions can be considered robust. However, the implications for fiscal autonomy seem to be consistent. Counties don't have it; cities do.

Conclusions and the Potential for Future Research

Fiscal Autonomy Results

This incomplete data analysis tentatively indicates that either in the aggregate, or for the five specific counties that were examined, counties have neither revenue nor expenditure autonomy. Their revenue and expenditure patterns show little change over time that was not mandated by the state government or by voters. They seem to show little ability to discover new ways of raising revenues and little discretion in their expenditure patterns. They did not change much over time, nor are their per capita results dramatically different. It can be strongly argued, that based on this sample, they are not a good unit of analysis for Tieboutian movement.

On the other hand, cities seem to have developed the ability to retain their autonomy. There are clear movements on both the revenue and expenditure patterns of cities. Further, they have moved towards the use of user charges and economic efficiency may well have increased because of this.⁸⁸ Again, in real per capita terms, there does not appear to be major changes since the pre-Proposition 13 era. Generally, cities do seem to differ and have the ability to change over time. They should be the principle unit for analysis in testing the Tiebout model.

A second conclusion is that it is simplistic to hold Proposition 13 responsible for all of the problems that California faces. Proposition 13 is a clear constraint. However, the legislative and initiative responses to the implementation of Proposition 13 should bear much of the responsibility for the arcane world of California public finance. A useful rule of thumb is that constraints imposed by initiatives (such as Proposition 13) or implementation strategies developed by the legislature (such as AB 8) will only challenge very bright people to find ways around the constraints. Ultimately, as additional laws are implemented to reign in the end-runs, the system will become paralyzed, and will be changed.

Examining expenditure and revenue patterns as well as changes in real per capita expenditures and revenues may be missing an important point. The environment has dramatically changed since 1977-78. Increases in gang activity, the role of immigration, the decline of the defense industry, schools with 30 to 40 different languages spoken in the classrooms, increasing mandates from both the national government and the state government, and a host of other socio-demographic changes make even disaggregate comparisons not terribly useful and may lead to a focus on trivial matters. It may be that one reason the initiative is so popular in California is that attention is spent on small numbers rather than big problems. Fiscal autonomy at the local level is a big problem, but the focus tends to be more on narrowly defined revenue and expenditure patterns rather than on the ability of cities and counties to respond to this changing environment.

The Future of Fiscal Autonomy

It is worthwhile to speculate briefly on the fiscal culture of California and its implications for local fiscal autonomy. There are three potentially important items that are on the fiscal agenda of the legislature. Each of them will have some impact on local government finance.

The first is addressing the unanswered questions of Proposition 218. As earlier noted, there are many gray areas in the initiative, and how the legislature (and courts) address them will crucially affect local government. In particular, such problems as what is included in the definition of a property-related fee, how does a “special benefit” differ from a “general” benefit, and how is debt and the revenue stream pledged to finance the debt affected by the proposition. Until these are answered, the near term fiscal forecast must be murky. There is a good deal of down-side risk for local governments in the process of determining how Proposition 218 will be completely implemented. Is highly likely that local governments will find themselves more constrained after the next legislative session.

While the questions of 218 must be addressed by the legislature (or else the courts will address the issues), the other two developments are probably not likely to occur in the near future. The first is a re-examination of the California Redevelopment Law. There are many who question whether the law is being appropriately used—the one year examination of redevelopment activities after the 1994 reform was somewhat negative (Legislative Analyst, 1996). There has been increased concern about the housing requirement in redevelopment and whether it is being taken seriously. Since redevelopment is so large in California, the redevelopment law is always subject to legislative hearings. If redevelopment law is changed, it is likely to be made more restrictive, and local governments will have less discretion over how the tax increment is utilized.

Finally, once again there appears to be a committee forming to analyze the relationship of state and local finance. This issue has been studied at least three times both within and outside of the legislature.⁸⁹ There are many privately funded analyses of the interlocking constraints (including this analysis). In the most recent budget cycle, a new committee was established to study these problems and the Governor signed the legislation. It remains to be seen whether this will be taken seriously—most of the commissions have deadlocked because of special interest intractability or legislative special interests.

Some Implications for the Political System

Increasing pressure on the ability of jurisdictions to respond to the changing world has at least two implications for the way politics is practiced.⁹⁰ In the past, when the populace did not like the way an elected official voted in making a policy decision, they would wait

and then vote against the official in the next election. There was at least some patience in the short run. Now, elected officials face more constraints. At the county level, in particular, they have little control over revenues or expenditures. Voting against them is still an option, but the people feel alienated and want more control over officials who have little control. There is a movement to more formal controls—term limits are popular at the state level, and Proposition 218 (as was Proposition 62) is designed to take flexibility out of the hands of the politician. Voters will then complain that politicians do not respond and will become further alienated. Politicians will be frustrated, and quality individuals will no longer look to political life as an honorable calling. This is not a sanguine future.

A second political problem relates to the forming of the set of rules necessary to make decisions. In California, to pass a state budget or to pass a special tax (as well as to issue General Obligation debt) takes a two-thirds vote. This gives a powerful veto to a distinct minority. Proposition 13 partially came about because of legislative paralysis tied to a two-thirds vote rule. Proposition 218 in conjunction with Proposition 13, makes it extraordinarily difficult for jurisdictions to raise taxes to respond to changing citizen desires. With these tax constraints, for government to move into other areas will require the loosening of mandates and the elimination of programs that have had time to develop their own constituency. Expenditure autonomy implies the freedom to cut some programs as time changes.

Some Necessary Further Analysis

This has been a start toward investigating the interactions of fiscal stress, state responses to voter initiatives, and potentially changing local government fiscal autonomy. There are several next steps that should be taken as long run projects.

1. More theoretical development needs to be done. In particular, more work needs to be undertaken that would incorporate Oates' Decentralization Theorem (Oates, 1972, p. 35) and Coasian bargains into the analysis. A theoretical incorporation of intergovernmental autonomy discussions with these two elements could yield a robust model for analysis of the appropriate role of the different governments in society. For California, there could be an immediate application if any of these commissions on the appropriate role of government is ever taken seriously.

2. Associated with the formal modeling, but yet apart, would be an examination of the state's role in micro-managing local government. The fiscal system now is highly centralized, with the state only grudgingly giving up some power to localities. The state's justification for this centralization is that local governments tend to be overly parochial and would tend to be narrow in their vision of services. There is a potential equity/efficiency trade-off in this examination, which will be seen in action as California counties attempt to deal with welfare reform.

3. Far more empirical work needs to be undertaken. In this study, because of time and budget constraints, only a small, and probably biased sample of counties and cities were examined. To gain any sort of sophisticated insight, this work needs to be expanded. In particular, more jurisdictions need to be analyzed, both in terms of more cities and counties, but also incorporating studies of schools and special districts. It would also be useful to examine some additional states to see if the model is transferable. Equity concerns also need to be studied.

4. In addition to the more detailed and broader survey of finances, a third set of data could be usefully collected and analyzed. This data would be based on a survey of city managers and county administrative officers. The goal of this survey would be to examine the degree of sophistication used in their jobs and how they have been able to accomplish their goals in this life of constraints. How they define local government autonomy would be a useful check on the model. This survey might be possibly extended to elected officials.

Tieboutian theory argues that local government fiscal autonomy is necessary for movement towards an efficient equilibrium within a region. More work is necessary to see if this necessary condition is met.

Endnotes

- ¹ In more detail, Wolman and Goldsmith define welfare (or well-being) in a very broad sense, including monetary and non-monetary income, physical environments, social networks, interpersonal relationships, access to friends, and the workplace, participation in public activities, relationships to existing institutions, physical health and self-esteem. Aggregate community welfare is defined as the sum of individual welfare. They further argue that the community welfare is also a function of the distribution of this well-being, as well as the extent to which the actual distribution deviates from community expectations of the distribution should be.
- ² Boyne also raises the issue of the polar case of perfect competition among jurisdictions. In this case, local policy makers would have little autonomy since policies would be entirely determined by the demands of households and businesses. However, he rejects this scenario as unlikely (p. 712). Note that this might be a long run/short run phenomenon. In the long run, communities respond to preferences while in the short run they offer fixed Tieboutian bundles.
- ³ It is possible, but very difficult, to have local government autonomy without local government fiscal autonomy. This paper concentrates on local government fiscal autonomy.
- ⁴ The terminology of “revenue base” rather than “tax base” is utilized in order to include services that are financed by fees and charges, such as enterprise activities. In the following discussion of California, note that many of the tax bases (and rates) are set by the state, while many of the fees are under the control of the local jurisdiction. Further, since November, 1996, changes in either are now subject to voter approval.
- ⁵ John Shannon uses a convoy analogy to illustrate that a jurisdiction will not get too far ahead or too far behind other jurisdictions in terms of tax and expenditure levels. (Shannon, 1991)
- ⁶ Although if the competition involves a shift in economic activity rather than new economic activity, it is a negative sum game.
- ⁷ Al Sokolow is responsible for raising this point.
- ⁸ This quote is from Judge John F. Dillon in *Atkins v. Kansas* [1903] 191 US 182. Dillion’s rule was upheld in *City of Trenton v. New Jersey* [1923] 262 US 192. Gurr and King, p. 64.
- ⁹ For an extensive analysis of Tiebout, see Dowding, John and Biggs (1994).
- ¹⁰ This section is taken from Scarpaci and Irarrazaval (1994).
- ¹¹ Sometimes what looks like power to control expenditures is not what it seems. The authors describe the convoluted techniques necessary to install a traffic signal. First, the Ministry of Transportation requires local governments to do a feasibility study on the need for the traffic light. The report is then sent to the Ministry where it can easily sit for six months. In the end, the local government must still pay for and maintain the light (p. 129).
- ¹² This section is from Carlsen (1995).
- ¹³ This section is from Kalchheim and Rozevitch (1990).
- ¹⁴ Among the first discussions of fiscal stress is the collection of essays in Levine and Rubin (1980).

-
- ¹⁵ See Boyne for a survey of just a portion of this literature. Note that these behavioral assumptions are not crucial for the development of the argument to follow.
- ¹⁶ A “want” can also be a reduction in taxes.
- ¹⁷ For more detail on the various aspects of this history, see Chapman (1981), Fischel (1995), and Kirlin (1982).
- ¹⁸ Formally, Petris-Knox required that all property must be assessed at 25 percent of market value within three years and that this ratio be stable over time.
- ¹⁹ To qualify an initiative takes the signatures of 8 percent of the voters in the last general election.
- ²⁰ It was also in 1970 that Howard Jarvis failed to get enough signatures to qualify his tax limitation initiative.
- ²¹ This quickly became irrelevant, because property values began to increase at such a rapid rate, that there was little pressure to raise the rate. Also, the rate could be over-ridden by a two-thirds vote for debt finance.
- ²² For example, the average price of a home in Southern California in October, 1973 was \$35,800 (about \$1,100 less than the national average). By April, 1978, the average-priced home was worth about \$83,200—about \$26,200 above the national average, translating into a growth rate of about 20 percent per year (King and Kemp, 1978). Homes in the San Francisco region were appreciating at about 13 percent per year (Levy and Zamolo). By 1994, the average price of a home sold in California was \$185,050 (Department of Finance, 1995, Table I-11) compared to the national average of \$109,800 (Department of Commerce, 1995, Table 1218) .
- ²³ Housing prices continued to rise after Proposition 13. But, the causality runs: Higher housing prices leads to Proposition 13, not vice versa.
- ²⁴ Fischel, Chapter 6, documents this relationship.
- ²⁵ See also Fischel, pp. 226-227.
- ²⁶ Trust deeds require no legal judgment to foreclose if the property is in default.
- ²⁷ These cases determined that the system of school finance that existed in California at that time was unconstitutional.
- ²⁸ Citrin’s probit results are consistent with these conclusions. (Citrin, 1979, p. 127)
- ²⁹ The actual budget surplus for 1977-78 was \$4.8 billion (Governor’s Budget, 1980-81). The accumulated surplus was larger.
- ³⁰ There have been numerous changes to Prop 13 over the last twenty years.
- ³¹ The U.S. Supreme Court was later to uphold Proposition 13 in 1992, when it was attacked on the basis of whether an acquisition-value tax system violates the Equal Protection Clause of the Constitution. The

Supreme Court in *Nordlinger v. Hahn*, U.S. Cal. 1992, 112 S.Ct. 2326, 505 U.S. 1, 120 L.Ed.2d 1, ruled 8-1 that it did not. For more on this, see O'Sullivan, Sexton, and Sheffrin, 1995.

³² For more detail, see Assembly Local Government Committee, 1983 and Senate Commission, 1991.

³³ There were some strings tied to the state aid. employee salary increases were initially constrained, portions of local surpluses had too be used to replace state aid, the same level of police and fire protection had to be provided, and certain specific health programs could not be disproportionately cut (Chapman, 1981, p. 98).

³⁴ Any remaining differences occur because of previous municipal debt commitments.

³⁵ Chapter 282 of the 1979 statutes.

³⁶ The actual new base for years following 1979-80 is as follows:

Cities receive 82.91 percent of the 1978-79 block grant to be added to the previously received property tax.

Counties calculate the sum (whether positive or negative) of the 1978-79 block grant plus a specific amount specified in AB 8 representing the reduction in state buyout of AFDC costs minus a new state grant for county health services. This total is added to the 1978-79 property tax amount.

Special Districts: 95.24 percent of the 1978-79 block grant is added to their property taxes received.

School districts: The total of the amount of property taxes added for all of the local governments within the county is then subtracted from the 1978-79 school property tax, with the reduction allocation among school districts within the county being in proportion to the school districts' 1978-79 property tax (Senate Local Government Committee, 1979, pp. 2-4).

³⁷ Remember that this allocation was not dependent on the property tax rate, which was essentially one percent for all jurisdictions.

³⁸ The major inequity associated with the proposition originates from the acquisition-based property valuation methodology. In the current California world, two identical houses, receiving identical services, might pay very different property tax levies depending upon when they were bought and the rate of inflation in housing prices.

³⁹ It might be argued that California schools did suffer from this loss of local control. In 1977-78, California was ranked 18th in the United States in per pupil spending. By 1994-95, it was ranked 42. In 1977-78, California spent 5.7 percent more per pupil than the national average, in 1994-95, California spent 20 percent less than the average. (Ross, 1997, p. 643).

⁴⁰ California's school expenditures per ADA began to increase in 1995-96, but as earlier noted, are lower by about \$ 1,000 per student than the U. S. average (Legislative Analyst's Office, 1997, E-8)

⁴¹ Proposition 98 also supports direct educational services provided by state special education schools and the California Youth Authority.

⁴² Proposition 111 added formulas 2 and 3.

⁴³ Paul Gann was one of the cosponsors of Proposition 13. Howard Jarvis was the other.

-
- ⁴⁴ This was changed by Proposition 111. Now, one half of the surplus must go to schools while one-half is returned to the voters.
- ⁴⁵ *City and County of San Francisco v. Farrell*, 1982.
- ⁴⁶ *Santa Clara County Local Transportation Authority v. Guardino*.
- ⁴⁷ These data are from the Governor's Office of Planning and Research, unpublished spreadsheets, dated 9/25/96. All job loss data refer to direct job losses—there are no estimated multiplier effects and thus these numbers are quite conservative.
- ⁴⁸ There were other pressures that affected California public finance, notably the growth in the number of state prisoners from under 30,000 in 1982 to around 150,000 in 1997.
- ⁴⁹ There are conditions in the realignment legislation that prevent wild variation in these health services provided.
- ⁵⁰ The state's share for California Children's Service fell from 75 percent to 50 percent.
- ⁵¹ Realignment also demonstrates how convoluted the state's public finance system has become. Remember that Proposition 98 required that K-14 education receive a specified proportion of the state's General Fund revenues. This meant that a special fund had to be established to ensure that the new sales and vehicle license revenues would correctly flow to the local government rather than be siphoned off to education. The budget became even more difficult to follow.
- ⁵² The data from this section comes from Legislative Analyst's Office, 1996.
- ⁵³ In 1992-93, counties lost \$585 million and cities lost \$240 million. The rest came from redevelopment and special districts. By 1995-96, counties were losing \$2.616 billion and cities were losing \$571 million, with the rest coming from special districts. (Legislative Analyst's Office, 1996, p. 5).
- ⁵⁴ Data disaggregated to local government does not exist since the state does not require counties to report ERAF contributions (or Proposition 172 receipts (see below)). (Legislative Analyst's Office, June 18, 1997, pp. 10-11).
- ⁵⁵ Proposition 172 did not have an attached maintenance of effort requirement and in its first year, about \$800 million out of the \$1.46 billion raised went into public safety. The maintenance of effort provision was quickly added. Note that Proposition 1722 was advertised as a public safety measure, not an ERAF mitigation effort.
- ⁵⁶ The capped amount for the counties will be about \$605 million. The state will also increase several different trial court fees to help fund this aid. The goal is to equalize county contributions to trial court funding by requiring the state to pay at least 58 percent of each county's trial court operations (Liebert, 1997, p. 3).
- ⁵⁷ Under section 7285.5 of the Revenue and Tax Code of California, counties do have the ability to increase the sales tax by 1/2 percent to fund some activities. However, this subject to voter approval, and, aside from some transit funding, it has been seldom used.

-
- ⁵⁸ San Francisco is both a city and a county. The State Controller does not include San Francisco revenue and expenditure data with other counties. Sacramento County is also an anomaly in that its unincorporated area is more populous than its incorporated area.
- ⁵⁹ Currently these educational development fees are \$1.86 per square foot for residential and \$1.25 per square foot for commercial and industrial properties.
- ⁶⁰ Ballots may be weighted in proportion to fee liability. This is for all property related fees, not just new fees.
- ⁶¹ Special districts can be utilized to avoid some of the legal fiscal constraints faced by cities and counties. According to the State Controller, there are 4,874 special districts in California (1997, Appendix B). This is an incredibly unstudied area of local government.
- ⁶² Closely related to assessment districts are “Business Improvement Districts.” These are organized by the property owners in a specific area and a charge is assessed against all of the parcels of property (not on an ad valorem basis). Typically, they are used for clean up or additional public safety purposes. There are no aggregate data for these districts for California, although they seem to be increasing.
- ⁶³ It should be remembered that much of the activity in this area was zero sum for the state. As cities or counties gave away revenues in the hope of attracting business (and thereby gaining revenues through other ways), the businesses they were attempting to attract could be existing businesses from other areas of the state.
- ⁶⁴ For more detail on these complex instruments, see Horler, 1987.
- ⁶⁵ Until recently, COPs could be passed on the consent calendar.
- ⁶⁶ Until 1994, the sharing of the increment was negotiated among the redevelopment agency, the city (which actually was the redevelopment agency in most jurisdictions), the county, and schools. Currently, counties are receiving less than ten percent of the tax increment and schools are receiving less than three percent. Redevelopment agencies are receiving about 85 percent. It should be noted that schools were not under a great deal of financial pressure to bargain carefully, since the state would backfill any redevelopment losses (Chapman, forthcoming).
- ⁶⁷ This peak was about \$1.9 million (in 1978 dollars) per agency. Because of the close connection between redevelopment and the public revenues that redevelopment projects engender, Fred Silva, former fiscal advisor to the President of the Senate, refers to this linkage as the modern analog of the military-industrial complex as the redevelopment-industrial complex.
- ⁶⁸ All of these reasons were limited in a reform measure that took effect in 1994.
- ⁶⁹ In September, 1997, the California Budget Project published their results from a similar project (Ross, 1997). The results presented in this paper are somewhat different for two reasons: This paper follows the Controller’s format and treats San Francisco as a city; the California Budget Project leaves San Francisco out of the analysis because it is both a city and a county; and, this paper uses the national price deflator for state and local government expenditures; the California Budget Project uses the California Department of Finance CPI-Urban areas deflator. What is disconcerting is that the results differ substantially because of these two differing assumptions. The Budget Project consistently concludes that in real per capita terms, cities and counties are worse off now than prior to the passage of Proposition 13. As will be seen below, the conclusions of this paper are more mixed.

-
- ⁷⁰ Other revenues consist of licenses and permits, fines, interest revenues, and miscellaneous revenues.
- ⁷¹ Numbers are in 1993-94 dollars.
- ⁷² The 1993-94 data are from Chapman, 1996.
- ⁷³ Note that these are the two revenue sources that are approaching the state average.
- ⁷⁴ Several adjustments were made to the basic Controller data in order to enable comparisons between these two years. This was necessary because the Controller's Reports changed format in 1980-81. In particular, nine different enterprise funds revenues and expenditures were added to 1977-78. See Table 13 notes for details.
- ⁷⁵ Other revenues include such items as franchise taxes, licenses and permits, interest earnings, sales of property.
- ⁷⁶ See appendices 1 and 2 for individual cities.
- ⁷⁷ There were 80 cities in 1977-78; 89 cities in 1993-94.
- ⁷⁸ 5 percent significance level.
- ⁷⁹ As before, San Francisco is included in the city description. Further, the category "Transfers Out" was not identified in the 1977-78 Controller's Reports and thus it is included in the "other" category for 1993-94. There were no enterprise activities included in either 1977-78 or 1993-94.
- ⁸⁰ Sanitation is a very small part of this category—almost all of these expenditures are for health items.
- ⁸¹ Future research can be foreseen in this area.
- ⁸² Remember that adjustments were made for the 1977-78 fiscal year in terms of adding in the enterprise activities to the cities. These activities were already included in the 1993-94 data.
- ⁸³ Remember that revenues increased by about \$92 per capita.
- ⁸⁴ Other city expenditures cover a wide range of activities, including weed abatement, mental health, etc. Although real per capita expenditures have increased, this category, as a percentage of the budget, has remained about the same.
- ⁸⁵ There is a potential bias in these calculations. For 1993-94, all capital expenditures are included in the data. It is not clear if capital expenditures for water, gas and electricity are included for 1977-78—the Controller's report does not distinguish. However, in 1993-94, capital outlays for water, gas, and electricity were only about one percent of total city expenditures, so hopefully, the bias is not too large.
- ⁸⁶ See appendices 3 and 4 for disaggregate city data.
- ⁸⁷ Expenditure patterns should also change as socio-demographic variables change. It is reasonable to expect that these variables changed between 1977-78 and 1993-94.
- ⁸⁸ Although equity has probably decreased.

⁸⁹ The California Budget Project, the California Constitutional Reform Commission, and a California Government Consensus Project.

⁹⁰ To say that this next section is a partial equilibrium analysis is a rather dramatic understatement. Political decision makers face a multitude of problems, ranging from funding their next campaign to being term limited. This section is examining only a very narrow slice of their lives.

References

- Boyne, George A. (1996). "Competition and Local Government: A Public Choice Perspective," *Urban Studies*, Vol. 33, Nos 4-5, 703-721.
- California Constitutional Revision Commission. (1996). *Final Report and Recommendations to the Governor and the Legislature*. Sacramento.
- California Debt Advisory Commission. (1996). *Debt Line*. Sacramento. September.
- . (1996). *Debt Line*. Sacramento. November.
- . (1997). *Debt Line*. Sacramento. September.
- California State Board of Equalization. (Misc. Years). *Annual Report*. Sacramento
- California State Controller. 1996. *Financial Transactions Concerning Redevelopment Agencies of California: Annual Report*. Sacramento, CA: State of California.
- California State Legislature, Senate Committee of Housing and Land Use and Senate Select Committee on Redevelopment. (1995). *Redevelopment and Blight*. (November). Sacramento, CA: California State Legislature.
- Carlsen, Fredrik (1995), "Why is Central Regulation of Local Spending Decisions So Pervasive? Evidence from a Case Study." *Public Budgeting and Finance*, Vol. 15, No. 1 (Spring). pp. 43-57.
- Chaiken, Jan M. and Warren E. Walker (1979). "Growth in Municipal Expenditures: A Case Study of Los Angeles," RAND Report N-1200-RC, Santa Monica: The RAND Corporation.
- Chapman, Jeffrey I. (1981). *Proposition 13 and Land Use*. Lexington, MA: Lexington Books.
- . (1991). "The Impacts of Proposition 13 on Urban Development and Land Use," in Frederick D. Stocker (ed.), *Proposition 13: A Ten-Year Retrospective*, Cambridge, MA: Lincoln Institute of Land Policy, pp. 15-50.
- . (1996a). "The Challenge of Entrepreneurship: An Orange County Case Study," *Municipal Finance Journal*, Summer, 1996.
- . (1996b). "The Public Sector of Southern California: the \$48 Billion Gorilla," Los Angeles: University of Southern California, Southern California Studies Center.

———. (forthcoming). “Property Tax Increment Financing and Fiscal Stress: The California Genesis,” in Craig Johnson and Joyce Man (eds.) *Tax Increment Finance and Economic Development: Uses, Structures and Impact*. New York: SUNY Press.

Citrin, Jack. (1979). “Do People Want Something for Nothing: Public Opinion on Taxes and Government Spending,” *National Tax Journal* Vol. XXXII, No. 2 Supplement (June), pp. 113-129.

Comptroller General. Governmental Accounting Office. (1979). *Proposition 13-How California Governments Coped with a \$6 Billion Revenue Loss*. (GAO-79-88). (September 28).

Connerly and Associates (1978). *The Housing Crunch*. Sacramento, CA: California Building Industry Association.

DiMento, Joseph F. (1980). “Land Development and Environmental Control in the California Supreme Court: The Deferential, the Preservationist, and the Preservationist Erratic Eras,” *UCLA Law Review*, Vol. 27, April-June, Number 4-5, pp. 859-1066.

Dowding, Keith, Peter John, and Stephen Biggs (1994). “Tiebout: A Survey of the Empirical Literature,” *Urban Studies*, Vol. 31, Nos. 4/5, 767-797.

Fischel, William (1995). *Regulatory Takings*. Cambridge, MA: Harvard University Press.

Governor’s Budget Summary, 1991-92. (1991). Sacramento, CA: State Department of Finance.

Governor’s Budget Summary, 1997-98. Sacramento, CA: Department of Finance.

Gurr, Ted Robert and Desmond S. King. (1987). *The State and the City*. University of Chicago Press, Chicago.

Hamilton, Bruce W. (1976). “Capitalization of Interjurisdictional Differences in Local Tax Prices,” *American Economic Review*, Vol. 66 (December). pp. 743-753.

Horler, Virginia. (1987). *Guide to Public Debt Financing in California*: San Francisco: Packard Press.

Kalchheim, Chaim and Shimon Rozevitch (1990). “Deficits in Local Government Budgets in Israel: A Reflection of Political Cycles and an Expression of Local Autonomy,” *Public Budgeting and Finance*, Vol. 10, No. 1, (Spring), pp. 67-76.

- Keeslar, Karen Coker. (1994). "Realignment Data Project Report #1," (March 6).
- King, Norman R and Roger L. Kemp, (1978). "Proposition 13: The Taxpayers' Revolt." *Management Information Service*, Vol. 10. Chicago: International City Managers Association.
- Kirlin, John J. (1982). *The Political Economy of Fiscal Limits*. Lexington, MA: Lexington Books.
- . (1996). "What Governments Must Do Well: Creating Value for Society," *Journal of Public Administration Research and Theory*, Vol. 6, No. 1 (January), pp. 161-185.
- Kirlin, John J. and Anne M. and Kirlin. (1982). *Public Choices-Private Resources: Financing Capital Infrastructure for California's Growth Through Public-Private Bargaining*. Sacramento: Cal-Tax Foundation.
- Legislative Analyst's Office. (1990). *The 1990-91 Budget: Perspectives and Issues*. Sacramento, CA.
- . (1992). *The 1992-93 Budget: Perspectives and Issues*. Sacramento, CA.
- . (1993). *The 1993-94 Budget: Perspectives and Issues*. Sacramento, CA.
- . (1994). "Redevelopment After Reform: A Preliminary Look." (December 29). Sacramento, CA.
- . (1996). "Reversing the Property Tax Shifts," (April 2). Sacramento, CA.
- . (1996) "Understanding Proposition 218," (December). Sacramento, CA.
- . (1997). *Analysis of the 1997-98 Budget Bill*. (February). Sacramento, CA.
- . (1997). "ERAF and the 1997-98 State Budget. (June 18). Sacramento, CA.
- . (1997). *California's Spending Plan, 1997-98*. (October). Sacramento, CA.
- Levine, Charles H. and Irene Rubin (eds.) (1980). *Fiscal Stress and Public Policy*. Beverly Hills, CA: Sage Publications.
- Levy, Frank (1979), "On Understanding Proposition 13," *Public Interest* (Summer), pp. 66-89.
- Levy, Frank and Paul Zamolo (1978), "The Preconditions of Proposition 13," Urban

Institute Working Paper No. 1105-01, (October).

Liebert, Drew. (1997), "Concurrence in Senate Amendments," AB 233 Analysis, September 12.

Logan, John R. and Harvey L. Molotch (1987). *Urban Fortunes: The Political Economy of Place*. University of California Press, Berkeley.

Lowery, David, W.E. Lyons, and Ruth Hoogland DeHoog (1995), "The Empirical Evidence for Citizen Information and a Local Market for Public Goods," *American Political Science Review*, Vol. 89, No. 3 (September), pp. 705-707.

McCarthy, Mike and Lynn Graebner. (1997). "County subsidy of industrial utility rates violates Proposition 218," *Sacramento Business Journal*. Vol. 14, No. 8. (May 12), pp. 1 and 23.

Merrill Lynch Pierce Fenner & Smith. (1979). *California's Tax Increment Bonds: Victims of Proposition 13*. New York: Merrill Lynch Pierce Fenner & Smith, Inc.

Miszynski, Dean J. (1986). "The Fiscalization of Land Use," in John J. Kirlin and Donald R. Winkler (eds.), *California Policy Choices, Vol. 3*. Sacramento: University of Southern California.

Moody's Investors Service. (1997). "Credit Implications of California's Proposition 218," *Perspective on Municipal Issues*. (January 7).

Oakland, William H. (1979), "Proposition XIII—Genesis and Consequences," *National Tax Journal* Vol. XXXII, No. 2 (Supplement), (June), 387-409.

Oates, Wallace E. (1972). *Fiscal Federalism*. New York: Harcourt Brace Jovanovich, Inc.

Ross, Jean. (1997), "Proposition 13: Its Impact on California and Implications For State and Local Finance," *State Tax Notes*, Vol. 13, No. 10 (September 8), pp. 635-644.

Sonstelie, Jon C. and Paul R. Portney. (1978). "Profit Maximizing Communities and the Theory of Local Public Expenditures," *Journal of Urban Economics*, Vol. 5. pp. 263-277.

Scarpaci, Joseph L. and Ignacio Irarrazaval (1994), "Decentralizing a Centralized State: Local Government Finance in Chile Within the Latin American Context," *Public Budgeting and Finance*, Vol. 14, No. 4. (Winter), pp. 120-136.

Shannon, John (1991), "Federalism's Invisible Regulators: Interjurisdictional Competition," in Daphne Kenyon and John Kincaid (eds.) *Competition Among States and*

Local Governments. Urban Institute Press, Washington D.C. pp. 117-125.

Shapiro, Perry, David Puryear and John Ross. (1979). "Tax and Expenditure Limitation in Retrospect and in Prospect," *National Tax Journal*, Vol. XXXII, No. 2 Supplement (June), pp. 1-10.

Sharpe, L.J. and K. Newton (1984). *Does Politics Matter? The Determinants of Public Policy*. Clarendon Press, Oxford.

State of California, Assembly Revenue and Taxation Committee. (1990). *Bridging the Budget Funding Gap* (June 11).

State of California, Commission on State Finance. (1993). *Quarterly General Fund Forecast* (January).

State of California, Department of Finance. (1995). *California Statistical Abstract*.

State of California, Employment Development Department (1994). "Labor Market Conditions in California" (February 4).

State of California, Senate Committee on Local Government. (1993). *Public Revenues, Public Awareness*. (December 7).

Teske, Paul, Mark Schneider, Michael Mintrom, and Samuel Best. (1993), "Establishing the Micro Foundations of a Macro Theory: Information, Movers, and the Competitive Local Market for Public Goods," *American Political Science Review*, Vol. 87, No. 3 (September) pp. 702-713.

———. (1995) "Response," *American Political Science Review*, Vol. 89, No. 3 (September), pp. 707-709.

Tiebout, Charles M. (1956). "A Pure Theory of Local Expenditures," *The Journal of Political Economy*, Vol. LXIV, No. 5 (October), 416-424.

United States Department of Commerce. (1995). *Statistical Abstract of the United States*. Washington, D.C: U.S. Government Printing Office.

Wolman, Harold and Michael Goldsmith (1990). "Local Autonomy as a Meaningful Analytic Concept: Comparing Local Government in the United States and the United Kingdom," *Urban Affairs Quarterly*, Vol. 26, No. 1, (September) 3-27.

Figure 1: Chronology of Fiscal Events Mentioned in Text

1978	Passage of Proposition 13; Passage of SB 154
1979	Passage of AB 8; Passage of Proposition 4 (Gann Act)
1982	First Certificate of Participation issued; Passage of Mello-Roos Act
1986	Passage of Proposition 62 (tax limit); Initial held unconstitutional
1988	Passage of Proposition 98
1988-93	Major droughts, earthquakes and fires affect California
1988	Peak of defense expenditures in California; Decline begins
1990	Passage of Proposition 111; Peak of illegal immigration
1991-92	Realignment of functions and revenues among state and local governments
1992-93 and 1993-94	Property tax shift for education
1993	Trough of unemployment from recession; Passage of Proposition 172 (sales tax); Redevelopment reform—blight formally denied
1995	Proposition 62 upheld by California Supreme Court
1996	Passage of Proposition 218 (tax limitation strengthening Proposition 62)
1997	Trial Court financing reform

Figure 2: Major Provisions of Proposition 98

Proposition 98 guarantees K-14 school districts an annual amount of funding equal to the greater of:

- a specified percent of the state's General Fund revenues (called Test 1)
- the amount provided in the prior year, adjusted for growth in students and inflation (either Test 2 or Test 3)

This guaranteed amount is calculated by the following four-step formula.

Step 1: Compute Test 1

Test 1: Calculate 34.5 percent of the state General Fund and add local property taxes

Step 2: Compare Inflation Factors

Compare the annual change in:

Per capita *personal income*

to

per capital General Fund revenues plus 0.5 percent.

The lower of these factors determines which "Test" is compared to Test 1

Step 3: Calculate Either Test 2 or Test 3

If the per capita personal income change is lower, calculate Test 2

Test 2: Proposition 98 amount provided in prior year (combined state aid and local property taxes) adjusted for change in K-12 ADA and annual change in per capita personal income. Subtract current-year property taxes to yield the General Fund amount under Test 2.

If the per capita *General Fund* revenue change is lower, calculate Test 3.

Test 3: Same as Test 2, except that the inflation factor used is the annual change in per capital General Fund revenues plus 0.5 percent.

Step 4: Compare Test 1 to Either Test 2 or Test 3

The higher General Fund amount is the "Test" in effect for that year and is the minimum guaranteed by Proposition 98.

Other Major Funding Provisions:

Suspension

Proposition 98 includes a provision allowing the state to suspend the minimum funding level for one year through urgency legislation other than the budget bill.

Restoration ("Maintenance Factor")

Proposition 98 includes a provision to restore prior-year funding reductions (which arose because of either suspension or Test 3). The dollar amount that needs to be restored is referred to as the maintenance factor.

Source: Legislative Analyst, 1997, E-9

Table 1: California Tax Data Prior to Proposition 13

Year	CA minus US: State and Local Taxes as Percent of Personal Income	CA Property Tax as Percent of Personal Income	CA Single-Family Residence share of Total Net Assessed Value	Property Taxes on Single Family Dwelling as Percent of Personal Income
1970-71	2.07	6.75	33.5	2.24
1971-72	2.52	7.11	33.7	2.37
1972-73	2.20	7.02	34.0	2.35
1973-74	1.85	6.28	31.6	1.88
1974-75	2.59	6.27	32.9	1.98
1975-76	2.72	6.41	35.2	2.16
1976-77	3.40	6.56	39.5	2.48
1977-78	3.85	6.44	41.0	2.53

Source: Adapted from Tables 1, 2 and 3 (Oakland, 1979)

Table 2: Percentage Allocation of General Property Taxes

Year	Cities	Counties	Schools	Other
1977-78	10	30	53	7
1978-79	9	26	54	11
1979-80	13	32	39	16
1980-81	13	33	39	15
1981-82	13	33	38	16
1982-83	13	33	38	16
1983-84	13	33	37	17
1984-85	13	33	37	17
1985-86	13	33	37	17
1986-87	13	33	36	18
1987-88	13	33	36	18
1988-89	13	33	36	18
1989-90	13	33	36	18
1990-91	13	33	35	19
1991-92	13	33	35	19
1992-93	12	30	41	19
1993-94	11	21	51	17
1994-95	11	19	52	19
1995-96	11	19	52	18

Table 3: Revenue Sources for Counties, 1977-78 and 1993-94

	1977-78 Revenues	1977-78 Revenues in 1993-94 Dollars	Real, per capita	Percent	1993-94 Dollars	Per Capita	Percent
Property tax	\$2,763,059,057	\$5,951,629,209	\$279	33.15%	\$3,942,607,912	\$126	15.41%
Other Tax	\$270,204,084	\$582,019,597	\$27	3.24%	\$669,497,377	\$21	2.62%
State Funds	\$1,986,821,266	\$4,279,613,007	\$201	23.83%	\$10,762,672,202	\$344	42.05%
Federal Funds	\$2,208,215,124	\$4,756,495,377	\$223	26.49%	\$5,552,710,334	\$178	21.70%
Charges	\$718,758,296	\$1,548,205,370	\$73	8.62%	\$2,360,970,678	\$76	9.23%
Other Revenues	\$388,923,266	\$837,740,715	\$39	4.67%	\$2,304,520,422	\$74	9.00%
Total	\$8,335,981,093	\$17,955,703,274	\$842	100.00%	\$25,592,978,925	\$819	100.00%

Table 4: County Controllable and Non-Controllable Revenues

Controllable Revenues					
1977-78			1993-94		
	Percent of Revenues			Percent of Revenues	
Property Tax	33.15				
Other Taxes	3.24		Other Taxes	2.62	
Charges	8.62		Charges	9.23	
Other Revenues	4.67		Other Revenues	9.00	
Total	49.68		Total	20.85	

Non-Controllable Revenues					
1977-78			1993-94		
	Percent of Revenues			Percent of Revenues	
State Funds	23.83		State Funds	42.05	
Federal Funds	26.49		Federal Funds	21.70	
			Property Tax	15.41	
Total	50.32		Total	79.16	

Note: There are no enterprise accounts included in either year

Note: Other revenues include licenses, fines, interest revenue, miscellaneous revenues, and other

Table 5: County Revenue Comparison, 1977-78
(in thousands)

County	Los Angeles	Orange	Riverside	San Bernadino	Ventura	Average	Stand. Dev.	Coef. of Variation
Prop Tax	\$1,170,191	\$139,106	\$60,826	\$76,131	\$52,293			
% Prop Tax	35.16%	35.32%	29.46%	28.45%	28.95%	31.47%	3.46%	.11
Other Tax	\$36,891	\$10,694	\$8,787	\$12,012	\$3,944			
% Other Tax	1.11%	2.70%	4.26%	4.49%	2.18%	2.95%	1.42%	.48
State Funds	\$754,685	\$95,698	\$58,332	\$74,207	\$33,605			
% State Funds	22.68%	24.15%	28.26%	27.74%	18.6%	24.29%	3.95%	.16
Federal Funds	\$744,794	\$65,359	\$57,186	\$68,975	\$62,627			
% Federal Funds	22.38%	16.5%	27.7%	25.78%	34.72%	25.42%	6.72%	.26
Charges	\$331,670	\$43,264	\$8,941	\$19,053	\$20,934			
% Charges	11.47%	10.92%	4.33%	7.12%	11.59%	9.09%	3.23%	.36
Other	\$239,879	\$41,206	\$12,372	\$17,179	\$7,138			
% Other	7.21%	10.4%	5.99%	6.42%	3.95%	6.8%	2.35%	.35
Total	\$3,328,110	\$396,109	\$206,444	\$267,558	\$180,641			
1977-78 Revenue in 1993-94 Dollars (per capita)	\$1,017.97	\$471.84	\$748.53	\$761.51	\$819.67	\$763.90	\$195.71	.26

Table 6: Country Revenue Comparisons, 1993-94

County	Los Angeles	Orange	Riverside	San Bernadino	Ventura	Average	Standard Deviation	Coef. of Variation.
Prop Tax	\$1,293,364,808	\$239,114,888	\$223,784,598	\$137,721,767	\$82,806,083			
% Prop Tax	16.22	13.29	20.68	10.40	18.61	15.84	4.10	0.26
Other Tax	\$119,554,793	\$20,149,741	\$22,030,435	\$17,442,575	\$7,988,933			
% Other Tax	1.50	1.12	2.04	1.32	1.80	1.55	0.37	0.24
State Funds	\$3,465,684,388	\$700,229,166	\$425,481,768	\$575,304,012	\$179,566,928			
%State Fund	43.46	38.93	39.32	43.46	40.35	41.10	2.22	0.05
Federal Fund	\$1,859,398,958	\$271,097,190	\$209,876,431	\$337,654,940	\$70,812,657			
%Fed Fund	23.32	15.07	19.40	25.51	15.91	19.84	4.55	0.23
Charges	\$720,067,700	\$202,204,311	\$129,796,837	\$166,729,707	\$60,926,068			
%Charges	9.03	11.24	12.00	12.60	13.69	11.71	1.75	0.15
Other	\$515,470,471	\$366,018,880	\$71,105,735	\$88,781,970	\$42,948,860			
%Other	6.46	20.35	6.57	6.71	9.65	9.95	5.96	0.60
Total	\$7,973,541,118	\$1,798,814,176	\$1,082,075,804	\$1,323,634,971	\$445,049,529			
Total Rev/Pop	\$863.82	\$692.78	\$797.14	\$831.54	\$628.45	\$762.75	\$98.82	\$0.13

Table 7: Total City Revenues, 1977-78 and 1993-94
(in thousands)

	1977-78		1993-94		
Prop Tax	\$1,303,571	16.07%		\$2,610,000	9.10%
Sales Tax	\$914,990	11.28%		\$2,503,747	8.73%
IGR	\$1,977,598	24.38%		\$3,917,995	13.66%
SerChrg	\$2,646,462	32.63%		\$11,574,221	40.35%
Other	\$1,267,292	15.63%		\$8,076,043	28.16%
Total	\$8,109,913	100.00%		\$28,682,006	100.00%
Population	17,199,753			25,893,758	
per capita	\$471.51				
93-94 Dollars (per capita)	\$1,015.61			\$1,107.68	

Note: Follows Controller's format for 1977-78: San Francisco is included in cities

Note: 77/78 revenues x (102.85/47.75) = 93/94 revenues (State and local government consumption deflator)

Table 8: Summary Data on Los Angeles County Cities
(Revenues)

		Average	Standard Deviation	Range	Coefficient of Variation
1977-78					
	% Property Tax	18.05	12.36	61.33-0.00	0.68
	% Sales Tax	18.1	12.93	72.27-0.16	0.71
	% Inter. Gov. Rev.	31.06	15.41	75.72-1.00	0.5
	% Enterprise + Serv. Charge	16.66	17.76	85.26-0.13	1.07
	% Other	16.13	7.55	33.28-3.82	0.47
1993-94					
	% Property Tax	9.28	7.17	25.29-0.00	0.77
	% Sales Tax	14.59	9.56	46.29-0.06	0.66
	% Inter. Gov. Rev.	17.44	10.08	42.19-0.11	0.58
	% Enterprise + Serv. Charge	22.88	17.38	61.10-2.83	0.76
	% Other	35.81	13.06	71.76-8.68	0.36

Source: Appendices

Table 9: Significance Levels for Revenue Variables

Variable	t	Variable	z
County		City	
Property Tax	6.52*	Property Tax	5.55**
Other Tax	2.13	Sales Tax	3.51**
State Funds	8.30*	Inter. Gov. Revenues	6.71**
Federal Funds	1.54	Enterprise and Service Charges	3.30**
Charges	1.60	Other	12.15**
Other	1.10		

d.f for t statistic = 8

* Significant at 5% level

** Significant at 1% level

Table 10: Expenditures for Counties, 1977-78 and 1993-94

	1977-78 Dollars	1993-94 Dollars	Real, Per Capita	Percent	1993-94 Expenditures	Per Capita	Percent
General	\$1,515,568,928	\$3,264,535,471	\$153.05	0.19	\$2,270,071,829	\$72.66	0.09
Protection	\$1,559,401,162	\$3,358,950,103	\$157.48	0.19	\$6,918,771,710	\$221.46	0.27
Health and Sanitation	\$1,122,459,711	\$2,417,778,217	\$113.35	0.14	\$4,439,438,860	\$142.10	0.17
Public Assistance	\$3,247,721,017	\$6,995,591,071	\$327.97	0.40	\$10,489,448,165	\$335.75	0.41
Other	\$638,822,990	\$1,376,024,720	\$64.51	0.08	\$1,666,816,551	\$53.35	0.06
Total	\$8,083,973,808	\$17,412,879,582	\$816.36	1.00	\$25,784,547,115	\$825.33	1.00

Table 11: Sample County Expenditures, 1977-78

County	General	% Gen	Protection	% Pro	Health	% Health	Public Assisted	% Pub. Ass't
Los Angeles	\$702,493,423	21.86%	\$458,445,908	14.26%	\$505,246,054	15.72%	\$1,331,245,556	41.42%
Orange	\$63,733,522	16.33%	\$119,400,201	30.59%	\$47,881,552	12.27%	\$116,787,923	29.92%
Riverside	\$34,143,960	17.09%	\$46,722,673	23.39%	\$19,029,060	9.53%	\$78,426,270	39.26%
San Bernadino	\$31,687,807	11.55%	\$59,861,071	21.81%	\$26,647,549	9.71%	\$117,245,123	42.72%
Ventura	\$17,588,169	11.23%	\$36,554,332	23.35%	\$26,508,951	16.93%	\$56,331,433	35.98%
Total	\$849,646,881	20.06%	\$720,984,185	17.02%	\$625,313,166	14.77%	\$1,700,036,305	40.14%
Average		15.61%		22.68%		12.83%		37.86%
Standard Deviation		4.40%		5.81%		3.40%		5.12%
Coefficient of Var		0.28		0.26		0.26		0.14

County	Other	% Other	Capital	% Cap	Total	County Population	Total Expd/ Population	Total Expd/ Pop in 93-94 Dollars
Los Angeles	\$156,774,638	4.88%	\$59,670,858	1.86%	\$3,213,876,437	7041980	\$456.39	\$983.06
Orange	\$32,106,542	8.22%	\$10,467,851	2.68%	\$390,377,591	1420386	\$274.84	\$592.00
Riverside	\$15,090,822	7.56%	\$6,324,003	3.17%	\$199,736,788	459074	\$435.09	\$937.18
San Bernadino	\$25,438,628	9.27%	\$13,575,876	4.95%	\$274,456,054	684072	\$401.21	\$864.20
Ventura	\$11,399,231	7.28%	\$8,186,846	5.23%	\$156,568,879	376430	\$415.93	\$895.92
Total	\$240,809,861	5.69%	\$98,225,434	2.32%	\$4,235,015,749	9981942	\$424.27	\$913.87
Average		7.44%		3.58%				\$854.47
Standard Deviation		1.62%		1.46%				\$153.36
Coefficient of Var		0.22		0.41				0.18

Note: All Capital in Capital column

Table 12: Sample County Expenditures

County	General	%Gen	Protection	% Pro	Health	% Health	Pub. Assist.	%PA
LOS ANGELES	\$462,389,543	5.12%	\$2,197,554,832	24.36%	\$1,999,625,090	22.16%	\$3,642,054,332	40.37%
ORANGE	\$139,563,023	8.79%	\$599,492,728	37.77%	\$225,370,069	14.20%	\$517,202,623	32.58%
RIVERSIDE	\$71,577,927	6.39%	\$334,864,752	29.90%	\$130,253,809	11.63%	\$391,507,154	34.95%
SAN BERNADINO	\$105,408,524	8.49%	\$276,005,042	22.24%	\$118,001,026	9.51%	\$637,810,219	51.38%
VENTURA	\$77,244,678	16.29%	\$168,001,090	35.43%	\$62,295,218	13.14%	\$126,126,519	26.60%
TOTAL	\$856,183,695	6.37%	\$3,575,918,444	26.60%	\$2,535,545,212	18.86%	\$5,314,700,847	39.53%
Average		9.02%		29.94%		14.13%		37.18%
Standard Deviation		4.34%		6.74%		0.05		9.35%
Coefficient of Variation		0.48		22.53%		0.34		0.25

County	Capital	% Cap	Other	% Other	County Pop	Total Exp	Total Exp/Pop
LOS ANGELES	\$46,653,065	0.52%	\$674,302,705	7.47%	9,230,599	\$9,022,579,567	\$977.46
ORANGE	\$44,589,039	2.81%	\$61,168,451	3.85%	2,596,511	\$1,587,385,933	\$611.35
RIVERSIDE	\$20,964,487	1.87%	\$170,900,800	15.26%	1,357,443	\$1,120,068,929	\$825.13
SAN BERNADINO	\$37,637,807	3.03%	\$66,395,984	5.35%	1,591,780	\$1,241,258,602	\$779.79
VENTURA	\$5,494,378	1.16%	\$35,064,731	7.39%	708,168	\$474,226,614	\$669.65
TOTAL	\$155,338,776	1.16%	\$1,007,832,671	7.50%	15,484,501	\$13,445,519,645	\$868.32
Average		1.88%		7.87%			\$772.68
Standard Deviation		1.07%		4.40%			\$217.66
Coefficient of Variation		0.57		0.56			0.28

Table 13: Expenditures for Cities, 1977-78 and 1993-94

	1977-78 Dollars	1993-94 Dollars	Real, Per Capita	Percent	1993-94 Expenditures	Per Capita	Percent
General Government	\$872,620,175	\$1,879,623,863	\$109.28	13.68%	\$2,230,406,167	\$86.14	7.77%
Police	\$956,284,336	\$2,059,836,460	\$119.76	15.00%	\$4,452,323,986	\$171.95	15.51%
Libraries, Parks and Recreation	\$624,138,722	\$1,344,394,807	\$78.16	9.79%	\$1,757,263,800	\$67.86	6.12%
Water, Electricity and Gas	\$1,456,132,154	\$3,136,508,660	\$182.36	22.84%	\$5,619,415,871	\$217.02	19.57%
Other City Enterprises	\$437,655,745	\$942,710,475	\$54.81	6.86%	\$4,968,088,187	\$191.86	17.30%
Other	\$2,029,793,075	\$4,372,174,284	\$254.20	31.83%	\$9,686,068,630	\$374.07	33.73%
Total	\$6,376,624,210	\$13,735,248,548	\$798.57	100.00%	\$28,713,566,641	\$1,108.90	100.00%
Population	17,199,753				25,893,758		

Note: All Data includes San Francisco; 1977-78 data from Tables 3 and 5, Controller’s Report. 1993-94 data from Table 7 Controller’s report.

Note: For both years, the other city owned enterprises are as follows: airports, transportation systems, sewers, harbors, parking, cemeteries, hospitals. These were separately added in for 1977-78, but were already included in various categories for 1993-94.

Table 14: Summary Data on Los Angeles County Cities

		Average	Standard Deviation	Range	Coefficient of Variation
1977-78					
	% Gen. Gov't	24.55	12.14	77.56-4.15	0.49
	% Police	17.47	6.43	36.14-2.89	0.37
	% Capital	10.61	11.25	72.87-0.61	1.06
	% Other	47.38	15.41	92.35-9.50	0.33
1993-94					
	% Gen. Gov't	13.38	8.01	35.25-3.25	0.60
	% Police	23.97	9.62	44.09-2.31	0.40
	% Capital	9.99	8.93	49.75-0	0.89
	% Other	52.66	13.04	80.86-18.87	0.25

Source: Appendices

Table 15: Significance Levels for Expenditure Variables

Variable	t	Variable	z
County		City	
General Government	2.38*	General Government	6.98**
Protection	1.82	Police	5.20**
Health	.49	Capital	.39
Public Assistance	.143	Other	3.16**
Other	.35		
Capital	2.10		

d.f for t statistic = 8

- * Significant at 5% level
- ** Significant at 1% level

Appendix 1: City Revenues (including Enterprise) for Cities in LA County 1977-78

LA County	Property Tax	%PT	Sales Tax	%ST	Inter. Rev	%IGR	Serv. Chrg
Alhambra	\$2,765,446	12.91%	\$2,868,986	13.390%	\$7,453,556	34.787%	\$1,361,507
Arcadia	\$1,909,466	7.15%	\$2,943,737	11.026%	\$2,401,010	8.993%	\$459,480
Artesia	\$373,338	16.04%	\$48,983	2.105%	\$986,983	42.411%	\$123,552
Avalon	\$322,458	13.65%	\$147,989	6.266%	\$296,665	12.561%	\$104,948
Azuza	\$1,245,136	8.74%	\$1,140,290	8.003%	\$1,980,165	13.897%	\$586,061
Baldwin Park	\$1,254,687	11.83%	\$971,030	9.153%	\$7,429,982	70.037%	\$105,737
Bell	\$362,077	9.47%	\$760,108	19.877%	\$1,817,421	47.526%	\$507,794
Bellflower	\$779	0.01%	\$2,169,542	28.865%	\$3,818,018	50.798%	\$206,321
Bell Gardens	\$689,173	13.95%	\$655,286	13.263%	\$3,171,996	64.199%	\$6,366
Beverly Hills	\$7,409,063	23.50%	\$5,431,428	17.225%	\$1,869,189	5.928%	\$937,596
Bradbury	\$118,747	53.88%	\$346	0.157%	\$50,267	22.807%	\$14,164
Burbank	\$6,915,183	8.61%	\$4,559,173	5.677%	\$11,175,019	13.914%	\$4,807,351
Carson	\$4,360,907	19.06%	\$5,250,270	22.946%	\$9,739,730	42.568%	\$434,555
Cerritos	\$1,620,691	11.25%	\$4,100,163	28.451%	\$2,882,912	20.004%	\$1,203,065
Claremont	\$1,967,620	30.09%	\$502,919	7.691%	\$1,880,911	28.765%	\$922,990
Commerce	\$0	0.00%	\$8,563,242	72.271%	\$2,028,577	17.121%	\$140,464
Compton	\$2,990,660	12.78%	\$1,889,604	8.073%	\$12,941,843	55.291%	\$1,473,586
Covina	\$1,634,566	17.36%	\$2,600,958	27.616%	\$2,141,826	22.741%	\$1,011,263
Cudahy	\$213,710	12.10%	\$350,448	19.840%	\$914,313	51.762%	\$44,316
Culver City	\$2,336,511	12.33%	\$5,013,780	26.460%	\$3,678,169	19.411%	\$2,019,960
Downey	\$3,024,153	14.60%	\$5,112,953	24.677%	\$6,522,793	31.481%	\$1,316,229
Duarte	\$385,144	11.22%	\$265,233	7.729%	\$1,918,510	55.907%	\$366,734
El Monte	\$2,707,888	17.06%	\$3,862,791	24.343%	\$7,446,319	46.926%	\$96,744
El Segundo	\$780,861	5.52%	\$7,389,983	52.285%	\$1,622,088	11.476%	\$205,206
Gardena	\$1,940,741	13.47%	\$3,270,057	22.692%	\$3,461,401	24.020%	\$391,335

LA County	Property Tax	%PT	Sales Tax	%ST	Inter. Rev	%IGR	Serv. Chrg
Glendale	\$6,031,255	6.09%	\$7,745,010	7.818%	\$12,065,306	12.180%	\$7,777,718
Glendora	\$1,415,100	17.00%	\$1,294,169	15.546%	\$2,409,324	28.941%	\$692,390
Hawaiian Gardens	\$230,389	7.66%	\$326,575	10.865%	\$2,276,166	75.724%	\$3,972
Hawthorne	\$1,949,105	12.84%	\$2,899,330	19.100%	\$4,680,899	30.836%	\$2,247,238
Hermosa Beach	\$2,108,836	40.59%	\$566,628	10.906%	\$1,045,204	20.118%	\$347,190
Hidden Hills	\$213,375	61.33%	\$3,103	0.892%	\$55,003	15.810%	\$60,973
Huntington Park	\$1,455,855	15.80%	\$1,763,940	19.138%	\$3,836,069	41.620%	\$352,515
Industry	\$1,287,379	12.53%	\$5,596,281	54.476%	\$1,779,693	17.324%	\$42,172
Inglewood	\$3,876,254	11.07%	\$3,528,886	10.081%	\$9,641,592	27.544%	\$5,005,465
Irwindale	\$314,504	14.32%	\$846,468	38.530%	\$132,480	6.030%	\$4,531
La Canada	\$1,101,723	32.94%	\$519,672	15.538%	\$1,458,336	43.604%	\$7,403
Lakewood	\$3,185,997	21.71%	\$2,786,490	18.990%	\$4,936,249	33.640%	\$1,405,777
La Mirada	\$1,316,244	20.72%	\$1,580,639	24.883%	\$1,977,932	31.138%	\$642,614
Lancaster	\$0	0.00%	\$710,040	38.515%	\$1,017,811	55.210%	\$12,755
La Puente	\$474,141	13.56%	\$903,096	25.827%	\$1,546,205	44.219%	\$5,583
La Verne	\$1,273,232	18.35%	\$460,337	6.634%	\$1,155,272	16.649%	\$597,971
Lawndale	\$531,154	14.92%	\$909,103	25.541%	\$1,494,213	41.980%	\$18,226
Lomita	\$464,391	17.41%	\$479,664	17.987%	\$1,082,724	40.601%	\$57,210
Long Beach	\$31,143,650	12.63%	\$13,331,128	5.405%	\$46,780,607	18.968%	\$18,816,010
Los Angeles	\$306,622,092	18.42%	\$132,400,667	7.955%	\$406,371,229	24.415%	\$66,536,266
Lynwood	\$1,309,966	18.94%	\$1,268,929	18.348%	\$2,450,978	35.441%	\$380,112
Manhattan Beach	\$2,783,852	26.13%	\$1,114,264	10.461%	\$2,077,745	19.506%	\$1,069,075
Maywood	\$252,119	10.81%	\$336,027	14.403%	\$1,359,951	58.290%	\$19,957
Monrovia	\$1,962,811	22.80%	\$1,390,600	16.152%	\$2,539,827	29.500%	\$802,170
Montebello	\$2,580,068	18.04%	\$2,717,757	19.006%	\$3,483,223	24.360%	\$1,836,286
Monterey Park	\$3,067,133	27.72%	\$1,617,281	14.617%	\$3,030,357	27.388%	\$770,611
Norwalk	\$1,684,243	13.08%	\$2,532,524	19.667%	\$6,030,699	46.833%	\$11,923

LA County	Property Tax	%PT	Sales Tax	%ST	Inter. Rev	%IGR	Serv. Chrg
Palmdale	\$178,704	7.40%	\$550,250	22.790%	\$931,899	38.597%	\$496,494
Palos Verdes Estates	\$1,163,976	42.13%	\$93,094	3.369%	\$610,100	22.080%	\$302,026
Paramount	\$1,051,255	13.36%	\$2,063,261	26.220%	\$3,926,052	49.893%	\$40,035
Pasadena	\$9,075,705	7.39%	\$6,724,461	5.478%	\$16,428,563	13.383%	\$5,372,913
Pico Rivera	\$1,370,082	12.35%	\$1,802,016	16.244%	\$5,273,223	47.535%	\$446,306
Pomona	\$5,228,133	17.09%	\$4,971,314	16.248%	\$10,626,886	34.732%	\$2,337,594
Rancho Palos Verdes	\$2,038,979	37.56%	\$176,485	3.251%	\$1,948,971	35.905%	\$99,766
Redondo Beach	\$4,249,163	18.10%	\$2,334,190	9.944%	\$7,645,692	32.572%	\$1,460,210
Rolling Hills	\$279,475	45.64%	\$4,343	0.709%	\$101,089	16.508%	\$71,615
Rolling Hills Estates	\$472,068	21.39%	\$518,577	23.501%	\$406,373	18.416%	\$137,385
Rosemead	\$899,099	17.34%	\$1,236,410	23.843%	\$1,940,267	37.415%	\$301,985
San Dimas	\$1,511,327	28.22%	\$386,067	7.209%	\$1,395,483	26.058%	\$451,362
San Fernando	\$887,788	16.79%	\$970,355	18.349%	\$1,567,664	29.643%	\$522,514
San Gabriel	\$1,231,230	23.41%	\$1,551,761	29.502%	\$1,741,535	33.110%	\$73,168
San Marino	\$1,995,075	59.54%	\$189,820	5.664%	\$647,560	19.324%	\$58,215
Santa Fe Springs	\$1,035,751	8.59%	\$4,897,081	40.637%	\$2,760,037	22.903%	\$501,413
Santa Monica	\$5,320,732	12.33%	\$7,568,108	17.541%	\$7,704,372	17.857%	\$2,605,506
Sierra Madre	\$709,582	30.76%	\$108,192	4.690%	\$614,668	26.643%	\$221,154
Signal Hill	\$640,657	14.46%	\$1,760,486	39.729%	\$706,812	15.951%	\$174,680
South El Monte	\$632,786	15.05%	\$1,700,818	40.460%	\$1,408,930	33.516%	\$23,309
South Gate	\$553,764	4.51%	\$2,155,162	17.551%	\$5,072,562	41.309%	\$1,376,174
South Pasadena	\$2,260,007	39.50%	\$541,114	9.457%	\$1,160,394	20.280%	\$495,701
Temple City	\$147,237	5.52%	\$644,558	24.174%	\$1,350,445	50.648%	\$22,641
Torrance	\$7,548,205	15.44%	\$9,982,554	20.414%	\$12,112,038	24.769%	\$2,847,032
Vernon	\$1,663,543	2.93%	\$3,963,648	6.986%	\$567,875	1.001%	\$50,360
Walnut	\$594,748	32.84%	\$49,981	2.759%	\$465,895	25.722%	\$171,256

LA County	Property Tax	%PT	Sales Tax	%ST	Inter. Rev	%IGR	Serv. Chrg
West Covina	\$3,576,664	18.53%	\$3,486,126	18.064%	\$7,566,433	39.207%	\$1,679,087
Whittier	\$1,822,580	12.11%	\$3,925,758	26.083%	\$3,958,437	26.300%	\$1,197,149
Total	\$484,102,188		\$323,853,897		\$726,985,012		\$151,908,487
Standard Deviation	\$471,433	12.36%		12.93%		15.41%	
Average		18.05%		18.10%		31.06%	
Coefficient of Variation		0.68		0.71		0.50	

Enterprise Rev	Enter + SC	%Enter + SC	Other	%Other	Total Rev	Total Rev (including Enter)	LA County
\$145,053	\$1,506,560	7.03%	\$6,831,621	31.88%	\$21,281,116	\$21,426,169	Alhambra
\$16,310,409	\$16,769,889	62.81%	\$2,674,639	10.02%	\$10,388,332	\$26,698,741	Arcadia
\$0	\$123,552	5.31%	\$794,324	34.13%	\$2,327,180	\$2,327,180	Artesia
\$1,150,025	\$1,254,973	53.14%	\$339,764	14.39%	\$1,211,824	\$2,361,849	Avalon
\$8,235,710	\$8,821,771	61.91%	\$1,061,526	7.45%	\$6,013,178	\$14,248,888	Azuza
\$0	\$105,737	1.00%	\$847,229	7.99%	\$10,608,665	\$10,608,665	Baldwin Park
\$0	\$507,794	13.28%	\$376,652	9.85%	\$3,824,052	\$3,824,052	Bell
\$67,123	\$273,444	3.64%	\$1,254,318	16.69%	\$7,448,978	\$7,516,101	Bellflower
\$0	\$6,366	0.13%	\$418,029	8.46%	\$4,940,850	\$4,940,850	Bell Gardens
\$6,831,425	\$7,769,021	24.64%	\$9,053,702	28.71%	\$24,700,978	\$31,532,403	Beverly Hills
\$0	\$14,164	6.43%	\$36,881	16.73%	\$220,405	\$220,405	Bradbury
\$41,450,064	\$46,257,415	57.60%	\$11,405,699	14.20%	\$38,862,425	\$80,312,489	Burbank
\$0	\$434,555	1.90%	\$3,095,178	13.53%	\$22,880,640	\$22,880,640	Carson
\$1,870,923	\$3,073,988	21.33%	\$2,733,807	18.97%	\$12,540,638	\$14,411,561	Cerritos
\$8,126	\$931,116	14.24%	\$1,256,430	19.21%	\$6,530,870	\$6,538,996	Claremont
\$72,619	\$213,083	1.80%	\$1,043,849	8.81%	\$11,776,132	\$11,848,751	Commerce
\$1,244,241	\$2,717,827	11.61%	\$2,866,852	12.25%	\$22,162,545	\$23,406,786	Compton
\$1,187,108	\$2,198,371	23.34%	\$842,551	8.95%	\$8,231,164	\$9,418,272	Covina

Enterprise Rev	Enter + SC	%Enter + SC	Other	%Other	Total Rev	Total Rev (including Enter)	LA County
\$0	\$44,316	2.51%	\$243,605	13.79%	\$1,766,392	\$1,766,392	Cudahy
\$922,683	\$2,942,643	15.53%	\$4,977,502	26.27%	\$18,025,922	\$18,948,605	Culver City
\$1,571,004	\$2,887,233	13.93%	\$3,172,319	15.31%	\$19,148,447	\$20,719,451	Downey
\$0	\$366,734	10.69%	\$496,003	14.45%	\$3,431,624	\$3,431,624	Duarte
\$321,900	\$418,644	2.64%	\$1,432,454	9.03%	\$15,546,196	\$15,868,096	El Monte
\$2,160,216	\$2,365,422	16.74%	\$1,975,664	13.98%	\$11,973,802	\$14,134,018	El Segundo
\$551,271	\$942,606	6.54%	\$4,795,727	33.28%	\$13,859,261	\$14,410,532	Gardena
\$52,907,223	\$60,684,941	61.26%	\$12,533,653	12.65%	\$46,152,942	\$99,060,165	Glendale
\$1,575,585	\$2,267,975	27.24%	\$938,406	11.27%	\$6,749,389	\$8,324,974	Glendora
\$0	\$3,972	0.13%	\$168,765	5.61%	\$3,005,867	\$3,005,867	Hawaiian Gardens
\$1,577,246	\$3,824,484	25.19%	\$1,826,233	12.03%	\$13,602,805	\$15,180,051	Hawthorne
\$0	\$347,190	6.68%	\$1,127,540	21.70%	\$5,195,398	\$5,195,398	Hermosa Beach
\$0	\$60,973	17.53%	\$15,444	4.44%	\$347,898	\$347,898	Hidden Hills
\$577,209	\$929,724	10.09%	\$1,231,190	13.36%	\$8,639,569	\$9,216,778	Huntington Park
\$0	\$42,172	0.41%	\$1,567,384	15.26%	\$10,272,909	\$10,272,909	Industry
\$4,587,018	\$9,592,483	27.40%	\$8,365,003	23.90%	\$30,417,200	\$35,004,218	Inglewood
\$0	\$4,531	0.21%	\$898,899	40.92%	\$2,196,882	\$2,196,882	Irwindale
\$0	\$7,403	0.22%	\$257,380	7.70%	\$3,344,514	\$3,344,514	La Canada
\$557,871	\$1,963,648	13.38%	\$1,801,336	12.28%	\$14,115,849	\$14,673,720	Lakewood
\$0	\$642,614	10.12%	\$834,767	13.14%	\$6,352,196	\$6,352,196	La Mirada
\$0	\$12,755	0.69%	\$102,927	5.58%	\$1,843,533	\$1,843,533	Lancaster
\$0	\$5,583	0.16%	\$567,668	16.23%	\$3,496,693	\$3,496,693	La Puente
\$1,327,577	\$1,925,548	27.75%	\$2,124,740	30.62%	\$5,611,552	\$6,939,129	La Verne
\$0	\$18,226	0.51%	\$606,653	17.04%	\$3,559,349	\$3,559,349	Lawndale
\$0	\$57,210	2.15%	\$582,780	21.85%	\$2,666,769	\$2,666,769	Lomita
\$87,615,480	\$106,431,490	43.15%	\$48,939,393	19.84%	\$159,010,788	\$246,626,268	Long Beach
\$447,292,814	\$513,829,080	30.87%	\$305,182,919	18.34%	\$1,217,113,173	\$1,664,405,987	Los Angeles

Enterprise Rev	Enter + SC	%Enter + SC	Other	%Other	Total Rev	Total Rev (including Enter)	LA County
\$651,441	\$1,031,553	14.92%	\$854,289	12.35%	\$6,264,274	\$6,915,715	Lynwood
\$1,818,833	\$2,887,908	27.11%	\$1,788,255	16.79%	\$8,833,191	\$10,652,024	Manhattan Beach
\$0	\$19,957	0.86%	\$365,036	15.65%	\$2,333,090	\$2,333,090	Maywood
\$1,006,623	\$1,808,793	21.01%	\$907,651	10.54%	\$7,603,059	\$8,609,682	Monrovia
\$2,388,948	\$4,225,234	29.55%	\$1,292,929	9.04%	\$11,910,263	\$14,299,211	Montebello
\$1,312,760	\$2,083,371	18.83%	\$1,266,370	11.45%	\$9,751,752	\$11,064,512	Monterey Park
\$482,143	\$494,066	3.84%	\$2,135,513	16.58%	\$12,394,902	\$12,877,045	Norwalk
\$0	\$496,494	20.56%	\$257,087	10.65%	\$2,414,434	\$2,414,434	Palmdale
\$0	\$302,026	10.93%	\$593,896	21.49%	\$2,763,092	\$2,763,092	Palos Verdes Estates
\$0	\$40,035	0.51%	\$788,396	10.02%	\$7,868,999	\$7,868,999	Paramount
\$73,184,342	\$78,557,255	64.00%	\$11,968,013	9.75%	\$49,569,655	\$122,753,997	Pasadena
\$881,711	\$1,328,017	11.97%	\$1,319,931	11.90%	\$10,211,558	\$11,093,269	Pico Rivera
\$3,077,154	\$5,414,748	17.70%	\$4,355,777	14.24%	\$27,519,704	\$30,596,858	Pomona
\$0	\$99,766	1.84%	\$1,163,890	21.44%	\$5,428,091	\$5,428,091	Rancho Palos Verdes
\$2,763,365	\$4,223,575	17.99%	\$5,020,755	21.39%	\$20,710,010	\$23,473,375	Redondo Beach
\$0	\$71,615	11.69%	\$155,845	25.45%	\$612,367	\$612,367	Rolling Hills
\$0	\$137,385	6.23%	\$672,223	30.46%	\$2,206,626	\$2,206,626	Rolling Hills Estates
\$0	\$301,985	5.82%	\$807,977	15.58%	\$5,185,738	\$5,185,738	Rosemead
\$0	\$451,362	8.43%	\$1,610,955	30.08%	\$5,355,194	\$5,355,194	San Dimas
\$529,230	\$1,051,744	19.89%	\$810,904	15.33%	\$4,759,225	\$5,288,455	San Fernando
\$0	\$73,168	1.39%	\$662,082	12.59%	\$5,259,776	\$5,259,776	San Gabriel
\$0	\$58,215	1.74%	\$460,415	13.74%	\$3,351,085	\$3,351,085	San Marino
\$1,084,358	\$1,585,771	13.16%	\$1,772,157	14.71%	\$10,966,439	\$12,050,797	Santa Fe Springs
\$10,553,992	\$13,159,498	30.50%	\$9,391,523	21.77%	\$32,590,241	\$43,144,233	Santa Monica
\$423,930	\$645,084	27.96%	\$229,525	9.95%	\$1,883,121	\$2,307,051	Sierra Madre
\$522,995	\$697,675	15.74%	\$625,651	14.12%	\$3,908,286	\$4,431,281	Signal Hill
\$0	\$23,309	0.55%	\$437,889	10.42%	\$4,203,732	\$4,203,732	South El Monte

Enterprise Rev	Enter + SC	%Enter + SC	Other	%Other	Total Rev	Total Rev (including Enter)	LA County
\$1,361,379	\$2,737,553	22.29%	\$1,760,410	14.34%	\$10,918,072	\$12,279,451	South Gate
\$732,020	\$1,227,721	21.46%	\$532,717	9.31%	\$4,989,933	\$5,721,953	South Pasadena
\$0	\$22,641	0.85%	\$501,436	18.81%	\$2,666,317	\$2,666,317	Temple City
\$5,477,139	\$8,324,171	17.02%	\$10,933,889	22.36%	\$43,423,718	\$48,900,857	Torrance
\$48,326,970	\$48,377,330	85.26%	\$2,165,867	3.82%	\$8,411,293	\$56,738,263	Vernon
\$0	\$171,256	9.46%	\$529,363	29.23%	\$1,811,243	\$1,811,243	Walnut
\$600,755	\$2,279,842	11.81%	\$2,389,669	12.38%	\$18,697,979	\$19,298,734	West Covina
\$1,053,098	\$2,250,247	14.95%	\$3,093,970	20.56%	\$13,997,894	\$15,050,992	Whittier
\$0	\$151,908,487	6.86%	\$527,321,660	23.82%	\$2,214,171,244	\$2,214,171,244	Total
\$0		17.76%		7.55%		\$185,893,609	Standard Deviation
\$0		16.66%		16.13%		\$38,181,529	Average
\$0		1.07		0.47		4.87	Coefficient of Variation

Appendix 2: City Revenues—Los Angeles County, 1993-1994

LA County	Property Tax	%PT	Sales Tax	%ST	Inter. Rev	%IGR	Service Charge	%SC	Other	%Oth	Total Revenues
Agoura Hills	1,314,090	20.17	1,913,860	29.37	1,225,734	18.81	411,495	6.32	1,650,667	25.3 ₃	6,515,846
Alhambra	4,140,000	8.26	7,071,556	14.10	7,097,962	14.15	15,723,175	31.35	16,113,198	32.1 ₃	50,145,891
Arcadia	3,666,589	10.59	5,391,202	15.57	3,669,851	10.60	8,840,433	25.53	13,059,021	37.7 ₁	34,627,096
Artesia	305,137	5.72	1,353,110	25.35	1,029,888	19.30	588,942	11.03	2,060,474	38.6 ₀	5,337,551
Avalon	212,218	2.72	1,085,297	13.91	431,582	5.53	4,578,810	58.67	1,495,814	19.1 ₇	7,803,721
Azuza	1,717,067	3.42	2,180,120	4.34	6,708,799	13.36	30,211,443	60.17	9,389,404	18.7 ₀	50,206,833
Baldwin Park	1,420,895	4.64	2,181,707	7.12	5,834,230	19.03	15,698,538	51.22	5,515,411	17.9 ₉	30,650,781
Bell	1,248,610	10.47	1,452,268	12.18	2,713,373	22.75	1,607,185	13.48	4,905,306	41.1 ₃	11,926,742
Bellflower	946,841	5.40	4,142,141	23.61	3,907,627	22.28	3,183,422	18.15	5,362,257	30.5 ₇	17,542,288
Bell Gardens	486,103	2.42	1,272,710	6.32	2,717,656	13.50	1,811,227	9.00	13,836,371	68.7 ₆	20,124,067
Beverly Hills	16,118,519	14.81	11,573,108	10.64	3,552,254	3.26	34,621,550	31.82	42,936,420	39.4 ₆	108,801,851
Bradbury	84,439	16.18	3,311	0.63	53,074	10.17	58,161	11.14	322,980	61.8 ₈	521,965
Burbank	12,263,871	5.24	14,001,562	5.98	22,759,655	9.73	142,963,392	61.10	41,979,208	17.9 ₄	233,967,688
Calabassas	954,926	8.00	1,363,487	11.42	4,745,123	39.74	1,374,421	11.51	3,501,976	29.3 ₃	11,939,933
Carson	2,320,222	5.38	12,667,421	29.39	8,331,805	19.33	5,169,109	11.99	14,619,486	33.9 ₁	43,108,043
Cerritos	948,961	1.73	15,868,399	28.96	2,753,747	5.03	18,451,825	33.67	16,776,246	30.6 ₁	54,799,178
Claremont	2,283,083	10.93	2,144,366	10.27	2,370,077	11.35	4,733,806	22.67	9,349,165	44.7 ₇	20,880,497
Commerce	883,499	2.40	9,693,555	26.39	1,173,219	3.19	3,242,428	8.83	21,744,785	59.1 ₉	36,737,486
Compton	11,935,684	15.61	3,435,225	4.49	16,770,057	21.93	12,404,652	16.22	31,921,125	41.7 ₅	76,466,743
Covina	2,627,962	11.14	5,447,836	23.09	3,047,809	12.92	7,019,523	29.76	5,446,191	23.0 ₉	23,589,321

LA County	Property Tax	%PT	Sales Tax	%ST	Inter. Rev	%IGR	Service Charge	%SC	Other	%Oth	Total Revenues
Cudahy	0	0.00	770,954	16.73	1,944,575	42.19	283,225	6.14	1,610,433	34.94	4,609,187
Culver City	2,107,886	2.96	10,989,706	15.41	5,427,303	7.61	18,178,625	25.49	34,603,796	48.53	71,307,316
Diamond Bar	1,861,236	14.59	2,102,507	16.48	4,451,055	34.89	789,874	6.19	3,552,045	27.84	12,756,717
Downey	5,453,622	9.92	8,488,814	15.45	7,641,736	13.91	13,506,182	24.58	19,861,235	36.14	54,951,589
Duarte	433,313	5.05	1,749,066	20.37	1,782,984	20.76	720,560	8.39	3,902,518	45.44	8,588,441
El Monte	8,935,726	19.72	8,463,934	18.68	10,308,033	22.74	3,872,313	8.54	13,741,045	30.32	45,321,051
El Segundo	3,578,965	8.07	2,952,986	6.66	1,468,854	3.31	13,848,981	31.23	22,495,963	50.73	44,345,749
Gardena	3,190,747	11.33	5,464,961	19.41	5,931,948	21.06	3,398,128	12.07	10,175,970	36.13	28,161,754
Glendale	10,870,597	4.08	18,236,359	6.84	35,871,101	13.45	162,149,780	60.80	39,567,877	14.84	266,695,714
Glendora	2,482,125	11.24	2,890,143	13.08	3,422,722	15.49	8,384,737	37.96	4,909,483	22.23	22,089,210
Hawaiian Gardens	5,388	0.12	684,458	14.77	1,520,602	32.80	992,362	21.41	1,432,829	30.91	4,635,639
Hawthorne	2,601,145	5.59	599,144	1.29	15,261,159	32.79	12,809,946	27.52	15,269,063	32.81	46,540,457
Hermosa Beach	3,311,858	23.77	1,374,990	9.87	1,330,853	9.55	1,276,870	9.16	6,637,557	47.64	13,932,128
Hidden Hills	281,896	17.52	13,218	0.82	113,784	7.07	45,565	2.83	1,154,880	71.76	1,609,343
Huntington Park	2,577,686	10.91	1,334,306	5.65	6,267,711	26.53	5,571,921	23.59	7,871,836	33.32	23,623,460
Industry	7,639,456	12.66	19,029,155	31.53	67,707	0.11	25,831,768	42.81	7,777,739	12.89	60,345,825
Inglewood	8,486,153	7.74	7,149,117	6.52	31,724,690	28.94	17,718,551	16.16	44,549,457	40.64	109,627,968
Irwindale	95,015	1.01	2,384,858	25.31	187,611	1.99	1,061,224	11.26	5,695,053	60.43	9,423,761
La Canada	875,509	20.45	1,367,012	31.94	1,124,418	26.27	257,734	6.02	655,929	15.32	4,280,602
La Habra Heights	529,446	20.05	22,324	0.85	417,170	15.79	216,725	8.21	1,455,546	55.11	2,641,211
Lakewood	1,082,695	3.39	6,473,730	20.26	6,591,055	20.63	9,399,526	29.42	8,400,507	26.29	31,947,513
LaMirada	1,883,649	11.24	4,242,617	25.33	2,835,074	16.92	2,648,692	15.81	5,141,504	30.69	16,751,536

LA County	Property Tax	%PT	Sales Tax	%ST	Inter. Rev	%IGR	Service Charge	%SC	Other	%Oth	Total Revenues
Lancaster	1,700,928	3.40	8,750,447	17.51	9,450,034	18.91	2,183,634	4.37	27,887,950	55.81	49,972,993
LaPuente	0	0.00	1,593,452	23.73	2,770,890	41.27	286,393	4.27	2,063,738	30.74	6,714,473
LaVerne	2,214,695	9.98	1,990,337	8.97	2,297,361	10.36	7,243,248	32.66	8,435,013	38.03	22,180,654
Lawndale	34	0.00	461,112	7.25	2,332,807	36.70	156,411	2.46	3,406,625	53.59	6,356,989
Lomita	661,224	8.46	1,004,828	12.86	1,824,794	23.36	2,582,319	33.06	1,738,948	22.26	7,812,113
Long Beach	42,104,556	5.06	23,852,060	2.86	61,732,085	7.41	483,588,861	58.08	221,297,811	26.58	832,575,373
Los Angeles	499,492,300	7.05	257,685,777	3.64	659,840,755	9.32	3,762,787,867	53.13	1,902,353,726	26.86	7,082,160,425
Lynwood	2,480,496	8.91	1,593,702	5.72	4,421,931	15.88	10,710,462	38.47	8,637,590	31.02	27,844,181
Malibu	1,658,109	12.94	1,321,262	10.31	5,248,342	40.95	522,629	4.08	4,065,566	31.72	12,815,908
Manhattan Beach	5,582,020	16.84	4,639,275	13.99	2,503,083	7.55	10,814,606	32.62	9,613,615	29.00	33,152,599
Maywood	868,564	14.80	729,296	12.43	1,601,867	27.30	232,689	3.97	2,435,059	41.50	5,867,475
Monrovia	4,580,709	16.06	4,648,765	16.30	3,510,121	12.31	9,635,704	33.79	6,143,082	21.54	28,518,381
Montebello	4,914,573	10.07	6,814,958	13.96	7,865,662	16.12	11,017,755	22.57	18,194,008	37.28	48,806,956
Monterey Park	5,755,243	16.19	3,772,247	10.61	5,263,063	14.80	10,842,883	30.49	9,925,322	27.91	35,558,758
Norwalk	1,112,850	2.63	5,202,524	12.31	8,426,500	19.94	11,613,229	27.48	15,904,034	37.63	42,259,137
Palmdale	1,862,056	4.93	6,851,914	18.12	6,725,139	17.79	4,269,937	11.29	18,096,446	47.87	37,805,492
Palos Verdes	2,169,900	21.45	171,052	1.69	990,047	9.79	591,543	5.85	6,191,756	61.22	10,114,298
Paramount	500,142	1.51	4,066,271	12.24	7,491,474	22.54	6,981,876	21.01	14,190,533	42.70	33,230,296
Pasadena	18,291,580	5.68	19,990,751	6.20	37,321,574	11.58	166,879,412	51.79	79,739,281	24.75	322,222,598
Pico Rivera	0	0.00	3,509,857	14.57	7,987,200	33.17	6,682,640	27.75	5,902,824	24.51	24,082,521
Pomona	8,270,927	9.19	7,989,506	8.88	18,013,766	20.02	23,668,750	26.31	32,034,923	35.60	89,977,872
Rancho Palos Verdes	1,727,844	15.20	884,846	7.78	3,385,571	29.78	873,884	7.69	4,495,105	39.54	11,367,250

LA County	Property Tax	%PT	Sales Tax	%ST	Inter. Rev	%IGR	Service Charge	%SC	Other	%Oth	Total Revenues
Redondo Beach	8,122,753	12.38	6,524,432	9.95	14,682,404	22.38	14,395,563	21.94	21,875,620	33.35	65,600,772
Rolling Hills	209,967	16.57	721	0.06	70,820	5.59	652,172	51.46	333,615	26.32	1,267,295
Rolling Hills Estates	0	0.00	1,343,918	21.80	510,583	8.28	551,953	8.95	3,757,918	60.96	6,164,372
Rosemead	0	0.00	2,704,229	19.13	5,047,479	35.70	523,714	3.70	5,862,598	41.47	14,138,020
San Dimas	1,651,680	13.63	2,323,377	19.17	2,308,385	19.05	1,035,243	8.54	4,800,181	39.61	12,118,866
San Fernando	1,669,143	10.12	3,708,178	22.48	2,236,792	13.56	5,053,977	30.64	3,826,224	23.20	16,494,314
San Gabriel	3,752,143	25.29	2,857,727	19.26	2,627,600	17.71	1,130,388	7.62	4,466,610	30.11	14,834,468
San Marino	3,763,275	37.29	349,727	3.47	995,737	9.87	258,900	2.57	4,723,293	46.81	10,090,932
Santa Clarita	3,948,416	7.46	11,717,583	22.13	18,482,256	34.90	2,288,820	4.32	16,518,578	31.19	52,955,653
Santa Fe Springs	1,203,164	3.31	16,393,787	45.05	2,395,586	6.58	8,663,463	23.81	7,731,189	21.25	36,387,189
Santa Monica	12,574,300	6.70	15,792,289	8.42	19,075,505	10.16	65,684,640	35.00	74,538,502	39.72	187,665,236
Sierra Madre	1,157,240	17.89	155,886	2.41	735,064	11.36	2,687,972	41.54	1,733,873	26.80	6,470,035
Signal Hill	182,481	1.40	6,042,422	46.29	1,080,516	8.28	2,703,463	20.71	3,044,210	23.32	13,053,092
South El Monte	0	0.00	3,012,652	37.47	1,820,310	22.64	221,092	2.75	2,987,129	37.15	8,041,183
Southgate	1,178,931	2.70	4,667,885	10.71	11,163,398	25.60	17,224,680	39.51	9,363,700	21.48	43,598,594
South Pasadena	3,278,084	21.25	1,235,822	8.01	2,254,869	14.62	4,132,105	26.79	4,525,331	29.34	15,426,211
Temple City	0	0.00	1,451,567	17.33	2,622,781	31.31	223,762	2.67	4,079,146	48.69	8,377,256
Torrance	13,671,731	9.95	26,062,574	18.97	13,893,974	10.11	33,669,827	24.51	50,076,650	36.45	137,374,756
Vernon	1,891,745	1.80	3,698,806	3.53	2,058,811	1.96	88,169,228	84.03	9,105,372	8.68	104,923,962
Walnut	482,205	5.39	885,603	9.91	1,866,678	20.88	713,233	7.98	4,992,734	55.84	8,940,453
West Covina	4,454,814	8.85	7,612,233	15.12	6,583,218	13.07	8,724,432	17.33	22,978,510	45.63	50,353,207
West Hollywood	4,863,002	14.07	5,329,583	15.41	2,911,674	8.42	4,818,772	13.94	16,651,480	48.16	34,574,511

LA County	Property Tax	%PT	Sales Tax	%ST	Inter. Rev	%IGR	Service Charge	%SC	Other	%Oth	Total Revenues
Westlake Village	718,083	18.05	984,285	24.74	431,781	10.85	194,878	4.90	1,649,014	41.45	3,978,041
Whittier	2,439,893	5.59	6,638,179	15.22	6,035,834	13.84	15,720,736	36.04	12,788,698	29.32	43,623,340
Total of Cities	811,324,629	7.12	710,044,304	6.23	1,229,481,788	10.79	5,429,266,571	47.63	3,217,610,900	28.23	11,397,728,192
Average		9.28		14.59		17.44		22.88		35.81	
Standard Deviation		7.17		9.56		10.08		17.38		13.06	
Coef. of Variation		0.77		0.66		0.58		0.76		0.36	

Appendix 3: LA Cities' Expenditures with Enterprise included, 1977-78

LA County	General Government	%GG	Police	%Police	Capital	Enter. Capital	Total Cap	% Total Cap	Other	Enter. Non-Cap
Alhambra	\$3,302,448	13.08%	\$2,804,168	11.11%	\$1,238,015	\$0	\$1,238,015	4.90%	\$16,673,165	\$1,224,692
Arcadia	\$1,482,943	12.83%	\$2,465,953	21.33%	\$1,406,425	\$0	\$1,406,425	12.17%	\$4,852,825	\$1,351,512
Artesia	\$519,696	21.66%	\$382,352	15.93%	\$157,230	\$0	\$157,230	6.55%	\$1,340,534	\$0
Avalon	\$446,006	18.15%	\$142,860	5.81%	\$125,741	\$0	\$125,741	5.12%	\$603,628	\$1,138,713
Azuza	\$2,245,176	16.87%	\$1,152,245	8.66%	\$189,265	\$0	\$189,265	1.42%	\$2,700,048	\$7,021,762
Baldwin Park	\$1,162,630	10.81%	\$1,857,568	17.28%	\$4,728,299	\$0	\$4,728,299	43.98%	\$3,002,923	\$0
Bell	\$1,944,859	50.41%	\$1,094,200	28.36%	\$211,674	\$0	\$211,674	5.49%	\$607,580	\$0
Bellflower	\$2,261,073	34.18%	\$1,651,506	24.97%	\$899,295	\$0	\$899,295	13.59%	\$1,593,781	\$209,264
Bell Gardens	\$2,050,331	39.79%	\$1,249,873	24.26%	\$985,062	\$0	\$985,062	19.12%	\$867,057	\$0
Beverly Hills	\$4,422,312	18.12%	\$4,271,173	17.50%	\$2,016,922	\$145,459	\$2,162,381	8.86%	\$9,493,453	\$4,054,691
Bradbury	\$60,847	31.50%	\$37,261	19.29%	\$1,829	\$0	\$1,829	0.95%	\$93,215	\$0
Burbank	\$10,144,771	15.44%	\$6,366,020	9.69%	\$2,458,586	\$0	\$2,458,586	3.74%	\$12,228,073	\$34,489,546
Carson	\$3,786,855	18.96%	\$3,025,252	15.15%	\$2,909,712	\$0	\$2,909,712	14.57%	\$10,250,871	\$0
Cerritos	\$2,498,814	22.99%	\$1,424,648	13.11%	\$256,549	\$0	\$256,549	2.36%	\$5,387,390	\$1,300,760
Claremont	\$1,623,069	26.68%	\$997,439	16.40%	\$920,661	\$0	\$920,661	15.14%	\$2,531,315	\$9,946
Commerce	\$3,123,177	28.30%	\$1,538,553	13.94%	\$444,798	\$0	\$444,798	4.03%	\$5,874,882	\$54,539
Compton	\$17,557,786	70.03%	\$891,079	3.55%	\$298,844	\$0	\$298,844	1.19%	\$5,191,571	\$1,131,604
Covina	\$2,205,195	25.74%	\$1,497,890	17.48%	\$557,758	\$0	\$557,758	6.51%	\$3,326,694	\$980,241
Cudahy	\$514,002	35.01%	\$530,662	36.14%	\$30,097	\$0	\$30,097	2.05%	\$393,579	\$0
Culver City	\$2,875,562	15.84%	\$3,170,607	17.47%	\$2,462,705	\$0	\$2,462,705	13.57%	\$8,518,058	\$1,125,360
Downey	\$8,056,762	33.38%	\$5,055,660	20.95%	\$1,458,049	\$0	\$1,458,049	6.04%	\$8,198,077	\$1,364,537
Duarte	\$732,015	26.10%	\$320,119	11.41%	\$981,409	\$0	\$981,409	34.99%	\$770,943	\$0
El Monte	\$3,404,830	23.32%	\$3,033,578	20.78%	\$2,510,055	\$0	\$2,510,055	17.19%	\$5,363,925	\$285,767
El Segundo	\$1,919,609	17.46%	\$2,121,715	19.30%	\$691,290	\$0	\$691,290	6.29%	\$4,414,357	\$1,847,335
Gardena	\$3,685,485	24.05%	\$3,029,500	19.77%	\$1,054,174	\$0	\$1,054,174	6.88%	\$5,778,930	\$1,778,184
Glendale	\$13,779,049	17.71%	\$5,014,230	6.44%	\$4,168,692	\$1,567,811	\$5,736,503	7.37%	\$16,850,381	\$36,425,186
Glendora	\$1,349,836	16.76%	\$1,437,117	17.85%	\$778,478	\$0	\$778,478	9.67%	\$3,208,418	\$1,279,259

LA County	General Government	%GG	Police	%Police	Capital	Enter. Capital	Total Cap	% Total Cap	Other	Enter. Non-Cap
Hawaiian Gardens	\$679,519	21.20%	\$429,579	13.40%	\$1,570,832	\$0	\$1,570,832	49.01%	\$525,247	\$0
Hawthorne	\$2,601,389	17.03%	\$2,726,830	17.85%	\$2,633,800	\$0	\$2,633,800	17.24%	\$6,011,661	\$1,301,255
Hermosa Beach	\$1,200,337	25.75%	\$970,802	20.83%	\$794,725	\$0	\$794,725	17.05%	\$1,695,788	\$0
Hidden Hills	\$111,358	35.07%	\$38,687	12.18%	\$6,632	\$0	\$6,632	2.09%	\$160,829	\$0
Huntington Park	\$1,954,132	21.82%	\$1,790,944	20.00%	\$305,420	\$0	\$305,420	3.41%	\$4,232,921	\$671,557
Industry	\$2,154,495	8.84%	\$602,802	2.47%	\$17,765,067	\$0	\$17,765,067	72.87%	\$3,857,360	\$0
Inglewood	\$15,062,623	33.39%	\$8,099,297	17.95%	\$1,895,161	\$655,000	\$2,550,161	5.65%	\$15,352,401	\$4,051,320
Irwindale	\$653,276	39.96%	\$372,977	22.81%	\$309,664	\$0	\$309,664	18.94%	\$299,012	\$0
La Canada	\$221,896	9.14%	\$600,875	24.75%	\$7,549	\$0	\$7,549	0.31%	\$1,597,532	\$0
Lakewood	\$2,419,342	16.56%	\$1,907,283	13.05%	\$1,690,342	\$0	\$1,690,342	11.57%	\$7,041,241	\$1,553,834
La Mirada	\$2,948,537	42.63%	\$938,788	13.57%	\$1,386,934	\$0	\$1,386,934	20.05%	\$1,641,744	\$0
Lancaster	\$195,105	77.56%	\$15,401	6.12%	\$17,135	\$0	\$17,135	6.81%	\$23,908	\$0
La Puente	\$588,098	21.70%	\$684,992	25.28%	\$108,262	\$0	\$108,262	4.00%	\$1,328,564	\$0
La Verne	\$1,172,903	20.45%	\$690,366	12.03%	\$955,078	\$0	\$955,078	16.65%	\$1,824,813	\$1,093,203
Lawndale	\$788,753	22.90%	\$801,963	23.28%	\$292,111	\$0	\$292,111	8.48%	\$1,561,434	\$0
Lomita	\$585,246	26.57%	\$543,948	24.69%	\$69,955	\$0	\$69,955	3.18%	\$1,003,656	\$0
Long Beach	\$42,510,371	18.58%	\$30,543,480	13.35%	\$20,016,995	\$618,863	\$20,635,858	9.02%	\$71,049,851	\$64,014,556
Los Angeles	\$402,768,603	19.30%	\$220,316,488	10.55%	\$50,764,417	\$195,661,239	\$246,425,656	11.81%	\$378,863,143	\$839,044,745
Lynwood	\$1,216,150	16.21%	\$1,739,807	23.19%	\$1,922,394	\$0	\$1,922,394	25.62%	\$2,115,213	\$509,298
Manhattan Beach	\$2,199,788	22.64%	\$1,592,621	16.39%	\$1,260,429	\$0	\$1,260,429	12.97%	\$3,651,714	\$1,012,094
Maywood	\$1,128,479	51.91%	\$610,825	28.10%	\$34,208	\$0	\$34,208	1.57%	\$400,481	\$0
Monrovia	\$1,681,851	20.29%	\$1,650,526	19.91%	\$848,240	\$0	\$848,240	10.23%	\$3,062,134	\$1,047,425
Montebello	\$1,771,408	13.92%	\$2,765,966	21.73%	\$283,278	\$0	\$283,278	2.23%	\$5,897,199	\$2,012,249
Monterey Park	\$1,177,907	12.13%	\$2,152,607	22.18%	\$916,651	\$0	\$916,651	9.44%	\$4,355,383	\$1,104,525
Norwalk	\$2,597,774	21.20%	\$2,132,442	17.40%	\$803,972	\$0	\$803,972	6.56%	\$5,284,828	\$1,437,388
Palmdale	\$600,615	33.52%	\$445,819	24.88%	\$208,359	\$0	\$208,359	11.63%	\$536,781	\$0
Palos Verdes Estates	\$841,226	31.30%	\$653,241	24.30%	\$186,517	\$0	\$186,517	6.94%	\$1,006,818	\$0
Paramount	\$2,313,905	30.77%	\$1,230,921	16.37%	\$1,294,911	\$0	\$1,294,911	17.22%	\$2,679,876	\$0
Pasadena	\$13,722,905	16.01%	\$9,885,465	11.53%	\$6,122,316	\$0	\$6,122,316	7.14%	\$20,001,339	\$35,980,921
Pico Rivera	\$2,447,044	23.31%	\$1,590,546	15.15%	\$2,152,411	\$0	\$2,152,411	20.50%	\$3,560,218	\$749,592

LA County	General Government	%GG	Police	%Police	Capital	Enter. Capital	Total Cap	% Total Cap	Other	Enter. Non-Cap
Pomona	\$7,129,967	27.08%	\$4,500,876	17.10%	\$1,946,239	\$0	\$1,946,239	7.39%	\$10,193,307	\$2,557,594
Rancho Palos Verdes	\$756,856	16.76%	\$623,464	13.81%	\$498,165	\$0	\$498,165	11.03%	\$2,636,120	\$0
Redondo Beach	\$9,250,458	44.04%	\$2,614,240	12.44%	\$459,198	\$0	\$459,198	2.19%	\$6,672,215	\$2,010,739
Rolling Hills	\$213,340	34.67%	\$68,286	11.10%	\$3,799	\$0	\$3,799	0.62%	\$329,970	\$0
Rolling Hills Estates	\$473,169	24.24%	\$303,311	15.54%	\$283,239	\$0	\$283,239	14.51%	\$892,689	\$0
Rosemead	\$893,731	18.80%	\$1,051,485	22.12%	\$163,692	\$0	\$163,692	3.44%	\$2,645,216	\$0
San Dimas	\$1,087,801	23.32%	\$436,516	9.36%	\$771,728	\$0	\$771,728	16.55%	\$2,367,785	\$0
San Fernando	\$1,262,307	28.22%	\$984,424	22.01%	\$254,506	\$0	\$254,506	5.69%	\$1,536,497	\$434,748
San Gabriel	\$1,350,470	27.10%	\$1,218,552	24.45%	\$381,398	\$0	\$381,398	7.65%	\$2,032,986	\$0
San Marino	\$752,953	24.12%	\$735,988	23.58%	\$183,692	\$0	\$183,692	5.88%	\$1,448,936	\$0
Santa Fe Springs	\$2,322,220	21.38%	\$1,099,761	10.13%	\$1,409,076	\$0	\$1,409,076	12.97%	\$4,944,930	\$1,084,358
Santa Monica	\$10,194,513	26.34%	\$4,814,423	12.44%	\$1,790,026	\$0	\$1,790,026	4.63%	\$11,855,709	\$10,046,922
Sierra Madre	\$559,103	27.45%	\$366,160	17.98%	\$12,861	\$27,991	\$40,852	2.01%	\$706,374	\$364,276
Signal Hill	\$899,434	24.28%	\$717,699	19.37%	\$182,278	\$0	\$182,278	4.92%	\$1,494,705	\$410,393
South El Monte	\$957,469	27.24%	\$667,167	18.98%	\$69,756	\$0	\$69,756	1.98%	\$1,821,092	\$0
South Gate	\$1,265,246	10.41%	\$3,507,573	28.87%	\$1,336,722	\$0	\$1,336,722	11.00%	\$5,038,284	\$1,001,362
South Pasadena	\$542,286	11.50%	\$1,098,818	23.31%	\$139,146	\$0	\$139,146	2.95%	\$2,221,805	\$711,741
Temple City	\$523,333	21.40%	\$609,276	24.91%	\$125,756	\$0	\$125,756	5.14%	\$1,187,626	\$0
Torrance	\$8,919,421	19.42%	\$9,729,993	21.19%	\$3,388,750	\$0	\$3,388,750	7.38%	\$18,718,577	\$5,169,229
Vernon	\$2,131,743	4.15%	\$1,484,620	2.89%	\$314,918	\$0	\$314,918	0.61%	\$3,483,910	\$43,972,108
Walnut	\$227,261	13.77%	\$261,994	15.87%	\$114,845	\$0	\$114,845	6.96%	\$1,046,772	\$0
West Covina	\$2,667,530	16.13%	\$3,314,599	20.04%	\$3,269,325	\$0	\$3,269,325	19.77%	\$6,889,851	\$398,656
Whittier	\$2,241,283	15.39%	\$2,993,026	20.55%	\$1,353,418	\$0	\$1,353,418	9.29%	\$6,645,116	\$1,329,136
Total	\$664,092,067		\$398,291,767		\$169,017,912	\$198,676,363	\$367,694,275		\$787,549,234	\$1,122,148,122
Standard Dev		12.14%		6.43%				11.25%		
Average	\$8,301,151	24.55%	\$4,978,647	17.47%	\$2,112,724	\$4,905,589	\$4,596,178	10.61%	\$9,844,365	\$14,026,852
Coeff of Variation		0.49		0.37				1.06		

LA County	Total Other	%Other	Total	True Total
Alhambra	\$17,897,857	70.90%	\$24,017,796	\$25,242,488
Arcadia	\$6,204,337	53.67%	\$10,208,146	\$11,559,658
Artesia	\$1,340,534	55.86%	\$2,399,812	\$2,399,812
Avalon	\$1,742,341	70.91%	\$1,318,235	\$2,456,948
Azuza	\$9,721,810	73.05%	\$6,286,734	\$13,308,496
Baldwin Park	\$3,002,923	27.93%	\$10,751,420	\$10,751,420
Bell	\$607,580	15.75%	\$3,858,313	\$3,858,313
Bellflower	\$1,803,045	27.26%	\$6,405,655	\$6,614,919
Bell Gardens	\$867,057	16.83%	\$5,152,323	\$5,152,323
Beverly Hills	\$13,548,144	55.52%	\$20,203,860	\$24,404,010
Bradbury	\$93,215	48.26%	\$193,152	\$193,152
Burbank	\$46,717,619	71.12%	\$31,197,450	\$65,686,996
Carson	\$10,250,871	51.32%	\$19,972,690	\$19,972,690
Cerritos	\$6,688,150	61.54%	\$9,567,401	\$10,868,161
Claremont	\$2,541,261	41.78%	\$6,072,484	\$6,082,430
Commerce	\$5,929,421	53.73%	\$10,981,410	\$11,035,949
Compton	\$6,323,175	25.22%	\$23,939,280	\$25,070,884
Covina	\$4,306,935	50.27%	\$7,587,537	\$8,567,778
Cudahy	\$393,579	26.80%	\$1,468,340	\$1,468,340
Culver City	\$9,643,418	53.13%	\$17,026,932	\$18,152,292
Downey	\$9,562,614	39.62%	\$22,768,548	\$24,133,085
Duarte	\$770,943	27.49%	\$2,804,486	\$2,804,486
El Monte	\$5,649,692	38.70%	\$14,312,388	\$14,598,155
El Segundo	\$6,261,692	56.95%	\$9,146,971	\$10,994,306
Gardena	\$7,557,114	49.31%	\$13,548,089	\$15,326,273
Glendale	\$53,275,567	68.47%	\$39,812,352	\$77,805,349
Glendora	\$4,487,677	55.73%	\$6,773,849	\$8,053,108
Hawaiian Gardens	\$525,247	16.39%	\$3,205,177	\$3,205,177
Hawthorne	\$7,312,916	47.88%	\$13,973,680	\$15,274,935
Hermosa Beach	\$1,695,788	36.38%	\$4,661,652	\$4,661,652

LA County	Total Other	%Other	Total	True Total
Hidden Hills	\$160,829	50.65%	\$317,506	\$317,506
Huntington Park	\$4,904,478	54.77%	\$8,283,417	\$8,954,974
Industry	\$3,857,360	15.82%	\$24,379,724	\$24,379,724
Inglewood	\$19,403,721	43.01%	\$40,409,482	\$45,115,802
Irwindale	\$299,012	18.29%	\$1,634,929	\$1,634,929
La Canada	\$1,597,532	65.80%	\$2,427,852	\$2,427,852
Lakewood	\$8,595,075	58.82%	\$13,058,208	\$14,612,042
La Mirada	\$1,641,744	23.74%	\$6,916,003	\$6,916,003
Lancaster	\$23,908	9.50%	\$251,549	\$251,549
La Puente	\$1,328,564	49.03%	\$2,709,916	\$2,709,916
La Verne	\$2,918,016	50.87%	\$4,643,160	\$5,736,363
Lawndale	\$1,561,434	45.33%	\$3,444,261	\$3,444,261
Lomita	\$1,003,656	45.56%	\$2,202,805	\$2,202,805
Long Beach	\$135,064,407	59.04%	\$164,120,697	\$228,754,116
Los Angeles	\$1,217,907,888	58.35%	\$1,052,712,651	\$2,087,418,635
Lynwood	\$2,624,511	34.98%	\$6,993,564	\$7,502,862
Manhattan Beach	\$4,663,808	48.00%	\$8,704,552	\$9,716,646
Maywood	\$400,481	18.42%	\$2,173,993	\$2,173,993
Monrovia	\$4,109,559	49.57%	\$7,242,751	\$8,290,176
Montebello	\$7,909,448	62.13%	\$10,717,851	\$12,730,100
Monterey Park	\$5,459,908	56.25%	\$8,602,548	\$9,707,073
Norwalk	\$6,722,216	54.85%	\$10,819,016	\$12,256,404
Palmdale	\$536,781	29.96%	\$1,791,574	\$1,791,574
Palos Verdes Estates	\$1,006,818	37.46%	\$2,687,802	\$2,687,802
Paramount	\$2,679,876	35.64%	\$7,519,613	\$7,519,613
Pasadena	\$55,982,260	65.31%	\$49,732,025	\$85,712,946
Pico Rivera	\$4,309,810	41.05%	\$9,750,219	\$10,499,811
Pomona	\$12,750,901	48.43%	\$23,770,389	\$26,327,983
Rancho Palos Verdes	\$2,636,120	58.39%	\$4,514,605	\$4,514,605
Redondo Beach	\$8,682,954	41.33%	\$18,996,111	\$21,006,850
Rolling Hills	\$329,970	53.62%	\$615,395	\$615,395

LA County	Total Other	%Other	Total	True Total
Rolling Hills Estates	\$892,689	45.72%	\$1,952,408	\$1,952,408
Rosemead	\$2,645,216	55.64%	\$4,754,124	\$4,754,124
San Dimas	\$2,367,785	50.77%	\$4,663,830	\$4,663,830
San Fernando	\$1,971,245	44.07%	\$4,037,734	\$4,472,482
San Gabriel	\$2,032,986	40.80%	\$4,983,406	\$4,983,406
San Marino	\$1,448,936	46.42%	\$3,121,569	\$3,121,569
Santa Fe Springs	\$6,029,288	55.52%	\$9,775,987	\$10,860,345
Santa Monica	\$21,902,631	56.59%	\$28,654,671	\$38,701,593
Sierra Madre	\$1,070,650	52.57%	\$1,644,498	\$2,036,765
Signal Hill	\$1,905,098	51.43%	\$3,294,116	\$3,704,509
South El Monte	\$1,821,092	51.80%	\$3,515,484	\$3,515,484
South Gate	\$6,039,646	49.71%	\$11,147,825	\$12,149,187
South Pasadena	\$2,933,546	62.23%	\$4,002,055	\$4,713,796
Temple City	\$1,187,626	48.55%	\$2,445,991	\$2,445,991
Torrance	\$23,887,806	52.01%	\$40,756,741	\$45,925,970
Vernon	\$47,456,018	92.35%	\$7,415,191	\$51,387,299
Walnut	\$1,046,772	63.41%	\$1,650,872	\$1,650,872
West Covina	\$7,288,507	44.07%	\$16,141,305	\$16,539,961
Whittier	\$7,974,252	54.76%	\$13,232,843	\$14,561,979
Total	\$1,909,697,356		\$2,018,950,980	\$3,339,775,465
Standard Dev		15.41%	\$117,308,516	
Average	\$23,871,217	47.38%	\$25,236,887	\$41,747,193
Coefficient of Var		0.33		

Note: From Table 5, Controller's Report

Note: General Government, police, and other are net of capital

Note: From Table 5, Controller's Report

Note: Total Other is enterprise, non-capital expenditures plus other

Note: True total = total + enterprise capital + enterprise non-capital

Appendix 4: City Expenditures—Los Angeles County, 1993-94

LA County	General Government	%GG	Police	%Police	Capital	%Capital	Other	%Other	Total
Agoura Hills	1,341,019	20.57	1,800,282	27.61	960,113	14.73	2,418,419	37.09	6,519,833
Alhambra	2,710,045	4.86	10,706,275	19.22	13,970,756	25.08	28,319,919	50.84	55,706,995
Arcadia	2,522,100	6.71	8,219,970	21.86	2,473,226	6.58	24,386,169	64.85	37,601,465
Artesia	963,887	18.09	1,343,481	25.22	77,765	1.46	2,942,956	55.23	5,328,089
Avalon	1,757,913	20.17	709,714	8.14	351,570	4.03	5,895,255	67.65	8,714,452
Azuza	2,887,964	5.77	6,850,697	13.69	2,314,302	4.62	37,990,475	75.91	50,043,438
Baldwin Park	1,521,568	9.31	7,202,806	44.09	1,829,299	11.20	5,783,755	35.40	16,337,428
Bell	3,540,487	31.23	4,461,677	39.35	387,619	3.42	2,948,298	26.00	11,338,081
Bellflower	1,923,510	10.81	5,256,590	29.55	1,908,144	10.73	8,697,616	48.90	17,785,860
Bell Gardens	2,876,215	14.33	6,443,126	32.09	4,374,064	21.79	6,382,125	31.79	20,075,530
Beverly Hills	16,622,678	14.67	19,770,966	17.45	11,985,054	10.58	64,897,060	57.29	113,275,758
Bradbury	228,937	51.06	47,452	10.58	11,197	2.50	160,748	35.85	448,334
Burbank	16,614,262	6.91	20,562,850	8.55	39,516,615	16.43	163,853,406	68.12	240,547,133
Calabassas	1,849,300	14.78	2,175,115	17.38	1,853,765	14.81	6,635,408	53.03	12,513,588
Carson	6,230,798	13.54	9,201,133	19.99	4,202,110	9.13	26,396,802	57.35	46,030,843
Cerritos	7,856,464	17.06	5,380,255	11.68	314,585	0.68	32,511,992	70.58	46,063,296
Claremont	1,426,147	7.97	5,034,531	28.14	727,869	4.07	10,700,846	59.82	17,889,393
Commerce	6,719,399	19.76	4,335,515	12.75	1,002,423	2.95	21,947,378	64.54	34,004,715
Compton	17,493,943	25.99	15,518,789	23.05	1,138,815	1.69	33,171,523	49.27	67,323,070
Covina	1,561,291	5.71	7,749,937	28.35	2,870,858	10.50	15,154,657	55.44	27,336,743
Cudahy	814,954	15.59	2,266,818	43.38	508,964	9.74	1,635,305	31.29	5,226,041
Culver City	4,879,546	7.44	14,941,816	22.79	5,749,566	8.77	39,994,576	61.00	65,565,504
Diamond Bar	2,048,864	17.41	3,762,539	31.98	1,767,072	15.02	4,187,779	35.59	11,766,254
Downey	2,242,524	4.40	15,306,980	30.04	2,275,300	4.47	31,124,613	61.09	50,949,417
Duarte	1,440,777	14.11	2,092,806	20.50	2,158,363	21.14	4,515,935	44.24	10,207,881
El Monte	3,243,404	7.50	14,235,779	32.91	2,976,300	6.88	22,794,924	52.70	43,250,407
El Segundo	6,146,895	13.49	9,927,109	21.78	4,663,649	10.23	24,840,566	54.50	45,578,219

LA County	General Government	%GG	Police	%Police	Capital	%Capital	Other	%Other	Total
Gardena	4,500,565	10.37	11,262,642	25.94	1,702,116	3.92	25,947,777	59.77	43,413,100
Glendale	10,985,305	4.15	25,351,297	9.58	44,770,111	16.91	183,596,024	69.36	264,702,737
Glendora	925,271	3.92	6,650,525	28.16	1,109,692	4.70	14,930,099	63.22	23,615,587
Hawaiian Gardens	1,587,105	26.55	1,529,536	25.59	331,071	5.54	2,530,125	42.33	5,977,837
Hawthorne	5,020,794	9.20	15,666,123	28.72	3,087,234	5.66	30,774,210	56.42	54,548,361
Hermosa Beach	1,776,768	12.42	4,480,464	31.33	1,260,925	8.82	6,782,893	47.43	14,301,050
Hidden Hills	356,196	35.25	108,356	10.72	117,480	11.62	428,553	42.41	1,010,585
Huntington Park	5,555,637	20.83	8,016,730	30.06	0	0.00	13,093,557	49.10	26,665,924
Industry	2,192,586	3.32	3,971,978	6.02	6,456,069	9.79	53,329,481	80.86	65,950,114
Inglewood	10,492,742	10.03	27,490,938	26.29	1,846,493	1.77	64,742,797	61.91	104,572,970
Irwindale	3,622,670	39.79	2,547,490	27.98	636,711	6.99	2,298,518	25.24	9,105,389
La Canada	891,913	14.70	1,559,396	25.70	937,958	15.46	2,678,586	44.14	6,067,853
LaHabra Heights	448,576	19.96	591,897	26.33	37,735	1.68	1,169,469	52.03	2,247,677
Lakewood	2,349,961	7.91	5,512,652	18.54	2,694,734	9.07	19,168,535	64.48	29,725,882
LaMirada	2,292,491	14.77	4,073,048	26.24	158,005	1.02	8,999,236	57.97	15,522,780
Lancaster	3,871,411	6.19	9,041,976	14.45	31,131,391	49.75	18,529,396	29.61	62,574,174
LaPuente	974,163	11.68	3,818,791	45.78	552,738	6.63	2,995,714	35.91	8,341,406
LaVerne	1,103,441	5.64	4,586,234	23.42	936,749	4.78	12,953,111	66.16	19,579,535
Lawndale	1,397,770	18.84	2,788,646	37.59	828,042	11.16	2,403,481	32.40	7,417,939
Lomita	1,371,104	17.80	1,634,733	21.22	1,296,665	16.83	3,400,862	44.15	7,703,364
Long Beach	39,847,514	3.25	104,706,112	8.53	520,993,971	42.45	561,721,601	45.77	1,227,269,198
Los Angeles	261,361,193	3.86	988,649,598	14.62	1,031,243,073	15.25	4,482,064,688	66.27	6,763,318,552
Lynwood	4,670,691	15.24	5,222,457	17.04	170,032	0.55	20,587,127	67.17	30,650,307
Malibu	2,060,178	13.32	3,727,817	24.10	111,204	0.72	9,567,947	61.86	15,467,146
Manhattan Beach	2,775,252	8.73	8,051,540	25.33	1,594,866	5.02	19,369,044	60.93	31,790,702
Maywood	509,134	9.22	2,992,840	54.22	111,639	2.02	1,905,813	34.53	5,519,426
Monrovia	1,950,104	7.03	6,644,087	23.94	2,712,799	9.77	16,447,318	59.26	27,754,308
Montebello	7,383,110	13.11	12,028,163	21.35	9,206,470	16.34	27,711,117	49.20	56,328,860
Monterey Park	3,699,513	10.39	8,878,275	24.94	2,472,001	6.95	20,542,624	57.72	35,592,413
Norwalk	7,869,331	18.92	8,061,698	19.39	704,815	1.69	24,949,948	60.00	41,585,792

LA County	General Government	%GG	Police	%Police	Capital	%Capital	Other	%Other	Total
Palmdale	6,370,135	16.86	6,897,293	18.26	8,508,714	22.52	15,998,547	42.35	37,774,689
Palos Verdes	1,371,501	13.80	2,755,953	27.72	1,161,711	11.69	4,651,502	46.79	9,940,667
Paramount	2,591,858	8.03	5,975,264	18.51	11,901,389	36.87	11,813,820	36.60	32,282,331
Pasadena	24,454,090	7.35	30,366,205	9.12	39,581,779	11.89	238,435,249	71.64	332,837,323
Pico Rivera	4,050,257	18.17	4,150,392	18.62	379,706	1.70	13,709,485	61.51	22,289,840
Pomona	4,829,641	11.81	22,854,713	55.90	5,485,715	13.42	7,714,816	18.87	40,884,885
Rancho Palos Verdes	1,396,306	14.64	2,300,502	24.12	1,572,917	16.49	4,268,013	44.75	9,537,738
Redondo Beach	5,771,478	8.33	13,466,520	19.43	14,992,050	21.63	35,074,318	50.61	69,304,366
Rolling Hills	254,465	18.00	140,409	9.93	200,814	14.20	818,128	57.87	1,413,816
Rolling Hills Estates	1,044,520	16.99	1,368,800	22.27	1,436,936	23.38	2,296,763	37.36	6,147,019
Rosemead	1,029,791	7.44	4,393,077	31.72	61,980	0.45	8,364,957	60.40	13,849,805
San Dimas	1,195,450	9.92	3,535,209	29.33	974,753	8.09	6,349,036	52.67	12,054,448
San Fernando	1,774,494	11.31	4,447,977	28.36	254,755	1.62	9,208,190	58.71	15,685,416
San Gabriel	1,701,219	11.41	4,712,945	31.60	2,229,576	14.95	6,271,938	42.05	14,915,678
San Marino	1,339,958	14.41	2,376,933	25.57	1,374,120	14.78	4,205,351	45.24	9,296,362
Santa Clarita	8,420,089	13.82	9,256,950	15.19	9,889,431	16.23	33,375,710	54.77	60,942,180
Santa Fe Springs	1,681,688	4.92	5,324,977	15.57	1,739,807	5.09	25,461,109	74.43	34,207,581
Santa Monica	15,084,105	8.17	28,948,893	15.68	22,980,320	12.45	117,628,950	63.71	184,642,268
Sierra Madre	933,264	17.07	1,231,847	22.53	336,558	6.16	2,965,965	54.25	5,467,634
Signal Hill	1,453,743	11.57	3,696,549	29.43	2,070,308	16.48	5,341,802	42.52	12,562,402
South El Monte	1,428,229	19.65	2,566,964	35.32	492,730	6.78	2,779,901	38.25	7,267,824
Southgate	2,895,175	5.70	11,091,398	21.83	9,643,467	18.98	27,187,285	53.50	50,817,325
South Pasadena	1,515,741	10.01	4,033,152	26.63	854,044	5.64	8,743,974	57.73	15,146,911
Temple City	1,659,478	24.06	2,084,814	30.23	32,572	0.47	3,119,322	45.23	6,896,186
Torrance	21,235,390	14.18	30,950,698	20.66	8,389,963	5.60	89,227,967	59.56	149,804,018
Vernon	2,651,834	3.71	5,812,019	8.13	925,776	1.30	62,098,798	86.87	71,488,427
Walnut	1,124,773	12.66	2,154,871	24.26	262,673	2.96	5,341,752	60.13	8,884,069
West Covina	5,319,266	9.77	16,414,666	30.15	1,249,590	2.30	31,457,882	57.78	54,441,404
West Hollywood	5,354,535	13.78	8,259,278	21.25	4,337,823	11.16	20,907,348	53.80	38,858,984
Westlake Village	636,463	17.82	1,074,390	30.09	141,024	3.95	1,719,061	48.14	3,570,938

LA County	General Government	%GG	Police	%Police	Capital	%Capital	Other	%Other	Total
Whittier	2,737,032	6.76	10,757,651	26.57	1,590,080	3.93	25,404,825	62.74	40,489,588
Total	646,613,348	5.65	1,748,352,356	15.27	1,936,635,233	16.91	7,117,849,920	62.17	11,449,450,857
Standard Deviation		8.01		9.62		8.93		13.04	
Average	7,347,879	13.38	19,867,640	23.97	22,007,219	9.99	80,884,658	52.66	130,107,396
Coefficient of Variation		0.60		0.40		0.89		0.25	