

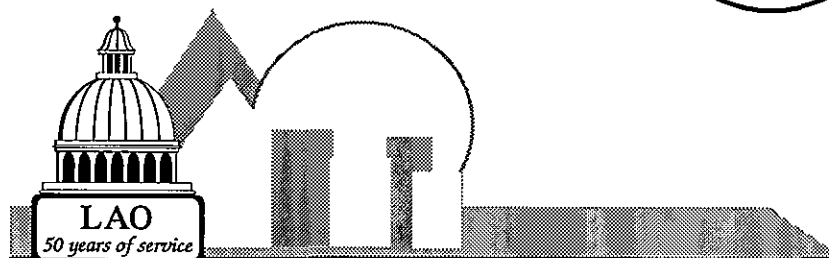
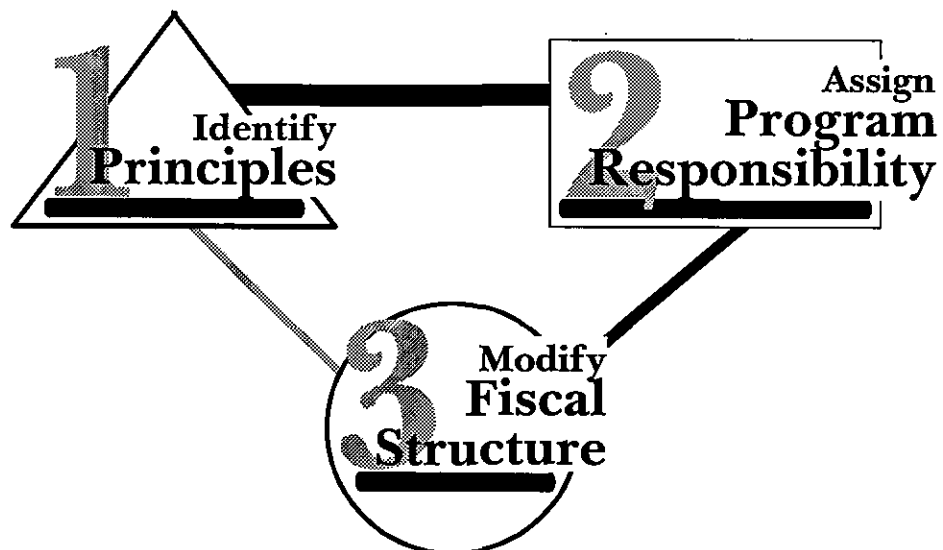
Making Government Make Sense:

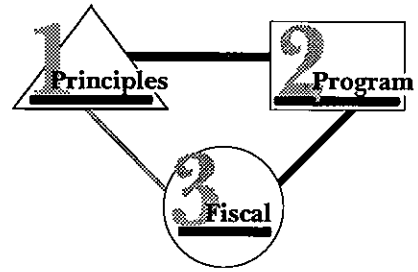
Developing a Reform Proposal

The California Constitution Revision Commission has identified as its first priority a review of the state and local government program and financing relationship. In 1993, the Legislative Analyst's Office proposed a model—called Making Government Make Sense (MGMS)—or restructuring this state and local government relationship.

This handout describes the three-step approach we took in developing the MGMS model. Specifically, we began by identifying principles to guide our review of the state and local government relationship. Next, we assigned governmental program responsibilities consistent with these principles. Third, we identified changes to the system of governmental finance necessary to implement the program changes and the statement of principles.

We believe this three-step approach facilitated development of a restructuring model in which the component elements work together toward the stated goals.





Step

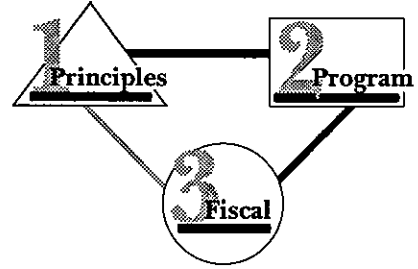
Develop a statement of principles to guide review and reform.

Guiding Principles in MGMS

- **Maximize separation of state and local government duties.**
 - Increases accountability to the public.
 - Reduces incentives for cost shifting between state and local government.
- **Transfer program responsibilities to the lowest level of government possible.**
 - Facilitates citizen access to the decision-making process.
 - Acknowledges local diversity and promotes local innovation.
- **Focus state responsibility on programs where uniformity is needed — or where statewide benefits are to be achieved.**
 - Permits matching of redistributive (income-based) programs with redistributive revenue sources (such as the income tax).
 - Reduces inappropriate service level variation.
- **Ensure that program funding responsibility and program policy control reside at the same level of government.**
 - Promotes efficiency in expenditures.
 - Increases accountability to the public.
- **Rely on financial incentives to promote intergovernmental coordination.**
 - Places greater attention on programmatic outcomes.
 - Fosters intergovernmental experimentation and innovation.
- **Match state goals for economic development with fiscal incentives facing local communities.**
 - Encourages better land use planning.
 - Advances long-term economic health of local communities and the state.

Why Begin With Principles?

- Defines the goals of a state/local system of governance.
- Enables measurement of the extent to which proposed changes work together to achieve overarching goals.



Step 2

Assign governmental program responsibilities consistent with the statement of principles.

Program Assignment in MGMS

Local Government

Municipal Programs

Fire
Paramedics
Sanitary inspections
Culture/leisure
Housing

Community Based Services

Mental health
Child welfare services
Foster care
Adult protective services
Substance abuse services
Job training and employment
Community policing and corrections

State Government

Statewide benefits

K-14 school funding
Higher Education
Long-term custody:
 State prisons
 State hospitals
Trial and appeals courts
State parks

Uniformity needed

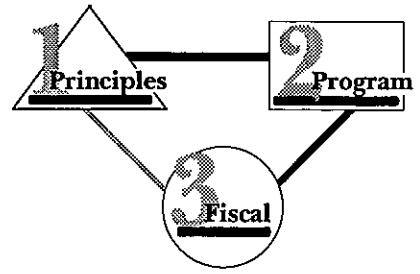
Aid to Families with Dependent Children
General Assistance
Medi-Cal and indigent health
In-Home Supportive Services
Development Services
Public health
Welfare administration
Child support enforcement
Unemployment Insurance and Disability
Insurance administration

Why Assign Program Responsibilities Next?

The commission's review of needed constitutional and/or statutory change will cover both the assignment of program responsibilities between state and local government, and the structure of state and local government finance. We recommend that the Commission adopt the view that *programs* should drive the structure of finance, rather than vice versa. Underlying this view is a belief that government's job is to provide public services and programs to its citizens, and that government's ability to raise revenue is solely a means to the end of providing these services and programs.

Reviewing governmental duties and assigning these duties to state and local governments entail:

- Determining the duties best carried out at the local level.
- Defining the duties best carried out at the state level.
- Identifying areas of shared responsibility between state and local governments.



Step

Modify financing system to reflect program assignment and the statement of principles.

Financing System in MGMS

- **Offset Cost Impacts of Changes in Program Responsibility**
 - Shift property tax allocations from schools to cities and counties to offset net state-local cost shifts.
- **Eliminate Counter-Productive Fiscal Incentives**
 - Transfer 1 percent local sales and use tax to state level, offset with increased property tax allocations.
- **Higher State Funding for Schools to Offset Property Tax Shift**
 - Reduced school property tax allocations offset by higher state assistance.
- **Equalize Opportunities for Community Success**
 - Redetermine each community's allocation of property taxes, taking into consideration the need for both municipal and community-based services.
- **Facilitate Priority-Setting**
 - Repeal earmarking of realignment and cigarette tax revenues, eliminate schools' minimum funding guarantee.

What Should Program Financing Achieve?

California's state and local financing system should provide a linkage between the cost of public responsibilities and the ability of governmental entities to raise revenues to carry out their responsibilities.

Once governmental duties and program responsibilities are defined clearly, the system of financing can:

- Create fiscal incentives that encourage the efficient achievement of programmatic goals consistent with the statement of principles.
- Promote accountability by quantifying results.
- Provide important citizen input and feedback concerning governmental performance.