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CAFWD:

CALIFORNIA FORWARD



California Forward

- ▣ Formed in 2007 with the support of major California foundations to improve governance and state and local fiscal affairs.
- ▣ Sponsorship of California Economic Summit
(www.caeconomy.org)
- ▣ Primary Objectives:
 - Promote Cost-Effective Services*
 - Create Accountability for Results*
 - Grow more Middle-Class Jobs*

The Tortured History of the State - County Relationship

Early years - State controlled most of local finance

Property tax was a state revenue.

1910: Separation of Sources Act adopted:

State taxes used for state purposes.

Local taxes used for local services.

1970s: Fiscal relationships change - fiscal power moves to the state.

1980s to present: Tax limitations and State-County program realignments.

Lessons from Program Realignment

- State has controlled the allocation of the property tax since 1978.
The state/county relationship mixes state “agent” services with local (countywide) functions.
- K-12 School Finance is dependent on the state with little community control over finance.

Governance and Finance post Proposition 13

- Counties are treated as agents of the state,
with limited locally controlled revenue.
 - Prior to 1978 - 40%
 - Current - 25%
- School districts are dependent on a state
controlled school finance system.
 - State support - 70%
 - Local Property tax - 30%

Thinking is time – Tax limitations and program realignment

- 1978-1979 - Limitations on the property tax and a spending limit.
- 1988 - Trial court realignment.
- 1991 – Health and social services realignment.
- 1972 - State funding for state mandated programs (Statutory requirement).
- 1979 - State funding for state mandated programs. (Constitutional requirement)
- 2004 – State mandate not valid without an appropriation.

Standards for fiscal and program realignment

1. For the long term, realignments should benefit both the state and counties.
2. Counties' share of costs should reflect their ability to control costs in the program –*Think state mandates.*
3. Resources should cover costs over time.
4. Alignments should be flexible to respond to changing needs and requirements.
5. Funding is transparent and understandable.