



HIGHLIGHTS OF JANUARY 28, 2009 FORUM

On January 28, 2009 the California Partnership for the San Joaquin Valley and *California Forward* co-hosted a forum with San Joaquin Valley leaders on three topics:

- An overview of *California Forward*'s bipartisan reform agenda
- The latest trends in the State's current revenue system and reform options under consideration
- How regional collaboration strategies can contribute to the overall reform effort for more effective governance and improved public outcomes.

The session used a combination of presentation formats, small group dialogue and instant feedback via interactive keypads. The revenue reform portion of the meeting was a pilot for additional meetings with regional leaders in Los Angeles, San Diego and San Jose as part of a larger *California Forward* effort to inform the recently appointed Commission on the 21st Century Economy about the perspective of regional leaders on various revenue reform issues.

EXECUTIVE SUMMARY

California Forward was asked to testify to the Commission on the 21st Century Economy and two of its Leadership Council members serve on the Commission. The January 28 meeting in Fresno was the public launch of "Paying Forward: Responsible Revenue Reform," a project dedicated to increasing civic literacy and expanding the range of Californians engaged in structural revenue reform. A key focal point of the Fresno discussion was how local governments could have more local control over the revenues they collect – as well as more options for collecting revenue. The need to consider structural questions about state/local revenue relationships was included in *California Forward*'s February 12 testimony to the Commission. It is also an integral part of the revenue reform discussion with other regional leaders.

Pete Weber shared highlights of his paper, *Growing California's Regional Economies*, that was commissioned by *California Forward*. As a complement to short-term fiscal reforms, the long-term vision is to create robust regional economies that generate higher tax revenues and also reduce the need for social services and income supports. Sunne Wright McPeak led a group discussion where the group corroborated its support for this approach – especially given the Partnership's leadership role in modeling what regional collaboration can accomplish. Soon after the Fresno meeting, Pete Weber's paper was featured in Dan Weintraub's column in the Sacramento Bee. On February 25th, *California Forward* hosted another meeting with leaders from different regions about the Partnership proposal.

REVENUE REFORM

Following an introduction by *California Forward* Leadership Council member Chuck Poochigian, Jim Mayer, Executive Director of *California Forward* shared an overview of the organization's budget reform work.

Criteria for Reform – After a brief presentation by *California Forward* about structural issues and challenges of the current revenue system, attendees were asked to consider overall criteria for a tax system. Three criteria received the greatest support:

- Equitable
- Accountable
- Reliable

The next level of interest was shown for “Easy and Efficient to Administer” and “Broad-Based.” The final criteria was “Limited Negative Impact on Economic Activity,” still with a net positive average rating.

Based on the feedback at the meeting, in subsequent meetings with regional leaders, the criteria have been modified as follows:

- Reliability - grows with economy and is relatively predictable
- Equity – based on people's ability to pay
- Fairness – people in the same situation are taxed the same way
- Efficiency – easy to administer and easy to understand
- Accountability -- link between which entity levies a tax and which one spends the money, clarifying responsibility for outcomes

Revenue Reform Options - Three revenue reform options were presented for small group discussion, selected based on options being considered by the Commission considering tax reform:

- Modifying property tax for non-residential properties (a.k.a. a “split roll”) with more frequent reassessment or higher than 2% annual growth rate
- Extending sales tax to more services, such as those tied to retail products or events, or business to business services
- Introducing a carbon tax

These options received lukewarm to moderate levels of support (between 6 and 7 average across the group on a scale of 1 to 10). Modifying property tax for non-residential properties was slightly more preferred, followed by slightly lower ratings for extending sales tax to services and introducing a carbon tax. Of note though, while they had equal average ratings, the carbon tax had a larger spread of responses (i.e. some were very clearly in support and some were distinctly opposed) as compared to broadening the sales tax to more services.

The local leaders at the meeting also were invited to offer “conditions” for any or all of these potential revenue changes. Four conditions markedly increased support of the revenue reform options (moving the averages up to 8.2 to 7.8 on the same 10-point scale). Two of the conditions tied to the theme of local control:

- When modifying the tax for non-residential properties, additional revenue would be dedicated back to local infrastructure
- When extend sales tax to more services, money from events stays local

On the carbon tax, support increased with specific accountability measures such as a) tie the use of funds to air quality remediation; and b) put the new revenue into a special fund untouchable by the Legislature. Another condition (on extending the sales tax to more services) focused on enforcement and somewhat increased support of that reform.

Community Control Options – A key aspect of both the Partnership’s and *California Forward*’s views of governance reform is that the role of state government and the role of local government need to be clarified and redefined. Within this overall topic area, two options were discussed.

The first was to give local governments more discretion over how local property taxes get allocated. The group gave this a rating of 9 on a 10-point scale, a striking level of consensus. This was the group’s strongest agreement of the session.

The second topic covered how the current array of vote thresholds required to pass taxes has some inconsistencies. The group was asked to consider whether to drop the local vote threshold for special taxes to 50% (plus 1) to match the level for general taxes – or, alternately, to raise the threshold for general taxes to 2/3 to match the level required for special taxes. There was moderate support for the lower threshold, but the average was composed of a very divided response. Similarly, there was a lower – net neutral - average on the 2/3 threshold with a lot of diversity in the response. A third alternative, changing all local taxes to a 55% vote requirement, was inbetween the other two in terms of average group support, again with a spread of responses.

REGIONAL LEADERSHIP

Peter Weber summarized his report, *Growing California’s Regional Economies*, in which he proposes that California proactively encourage the accelerated establishment of regional private-public partnerships to chart and pursue long-term recovery from the current economic challenges, as well as what lies beyond. He also described how the California Partnership for the San Joaquin Valley could be a model which may be adapted by other regions to suit their own circumstances and preferences.

Following the regional leadership presentation, Sunne Wright McPeak asked the group to weigh in on two questions. There was a high level of agreement (8.5 on a scale of 10) that “the concept of enabling Regional Collaboratives as part of governance reform in California” was very important.

The second question asked whether the priority focus for *California Forward* should be to:

- a) Reform/fix the structure of state government; or
- b) Empower people to better govern themselves at the local and regional level; or
- c) Pursue both simultaneously as both being essential.

Most of the group was evenly divided between the focus on state government (a) or (c) pursuing both simultaneously.

NEXT STEPS

The session concluded with a networking lunch where area leaders gave *California Forward* valuable feedback on what tools they would need to engage their constituents on revenue reform and related topics.

As part of its goal to expand the revenue reform discussion, *California Forward* is planning to conduct a broader community dialogue about revenue reform in the Fresno area at the end of April. We are hoping that members of the Partnership will be willing to help us recruit participants. If you have an interest in or suggestions about this upcoming meeting, please contact Dennis Quirin, Coalition Director for *California Forward* at dquirin@caforward.org.