

LAFCO

MEMORANDUM

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
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June 16, 2000

TO: Each Member of the Commission

FROM: Bob Braitman
 Executive Officer

SUBJECT: **Little Hoover Commission Report Regarding Special Districts**

“Special Districts: Relics of the Past or Resources for the Future?,” a Little Hoover Commission report is enclosed. As LAFCO Commissioners you should find it to be interesting reading.

Little Hoover Commission

The “Milton Marks ‘Little Hoover’ Commission on California State Government Organization and Economy,” is an independent, bipartisan oversight agency created by statute. It is composed of five citizen members appointed by the Governor, four citizen members appointed by the Legislature, two State Senators and two members of the State Assembly.

Created in 1962, the purpose of the Commission is to assist the Governor and the Legislature “In promoting economy, efficiency and improved services in the transaction of public business . . .” It has over the years produced a number of reports and studies of government issues.

May 2000 Report on Special Districts

In its report the Commission makes several findings and recommendations designed to promote improvements in three areas:

- Improved public scrutiny so special districts are more visible to the public they serve.
- The efficient evolution of independent special districts.
- More vigorous review of public resources related specifically to special district reserves and the allocation of property tax revenues.

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The report concludes:

“To accomplish these reforms, special districts need to be more visible and Local Agency Formation Commissions need to be advocates for improvement. To challenge the status quo, policy-makers need a better understanding of the potential benefits of reorganizing special districts. State and community leaders need to know more about the assets held by special districts, and they must reassess the lingering reliance of some enterprise districts on property taxes.” (p. iii)

While the report is critical of some special district operations, your staff feels it is important that the conclusions not be generalized to all special districts. Likewise, a report prepared during the administration of Governor Reagan that found that special districts are an efficient form of local government is still being quoted to justify special districts in every situation.

The staff believes local agencies should be evaluated on their individual merits, based on local circumstances, and governmental changes should be implemented when they are justified.

The Commission found that property taxes allocated to “enterprise districts” – meaning districts that can charge fees for services, as compared to functions that are largely dependent on property taxes – can create inequities and distort the true cost of services. The Commission found that a lot of property tax is allocated to enterprise districts that already have high cash reserves

In Santa Barbara County, in Fiscal Year 1999-2000, almost two million dollars (\$1,773,000) in general property tax revenue (not including taxes for debt repayment) is apportioned to special districts that can charge rates and fees for their services.

The way that property taxes are allocated is a vital local issue due to the scarcity and limitations on this source of revenue. Each property tax dollar that is allocated to an enterprise district is not available to be allocated to governmental functions that are largely dependent upon property tax revenues, such as public safety including fire protection, local parks and recreation, libraries, transit and community centers.

Please contact the LAFCO office if you have questions about the enclosed report or would like the staff to provide further analysis.