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**Fiscal Regionalism
in the Face of Economic Recession:
Fiscal Stewardship & Poverty Pockets in Metropolitan Areas**

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I. Introduction

- Fiscal regionalism can be used to fight against the creation and expansion of poverty pockets, and it can enhance fiscal stewardship (spending and tax are affordable and sustainable over time).
- However, there is a missing gap between fiscal regionalism and regional land use and planning.
- This paper reviews the current fiscal regionalism practices and explore a potential model associated with land use planning in Los Angeles metropolitan area.



II. Theoretical Frame



1. Poverty Pockets and Inner-City Deterioration at Neighborhood / Municipality Level (*Jacob 1961; Ferguson & Dickens 1999*)
 - Three Main Causes (*Miller 2002*)
 - Fiscal Mercantilism, Governmental Fragmentation & Lower Tax Rates in Affluent Areas
 - Responses: Consolidation or **Fiscal Regionalism Approach**
2. Fiscal Regionalism & Governance
 - Cooperative strategies that recognize the governmental structures
 - Create capacity to distribute costs & benefits of economic development in non-threatening ways
3. Fiscal Stewardship
 - sustainable expenditure & revenue in economic recession

III. Fiscal Regionalism: 1. Pittsburgh Metropolitan Region



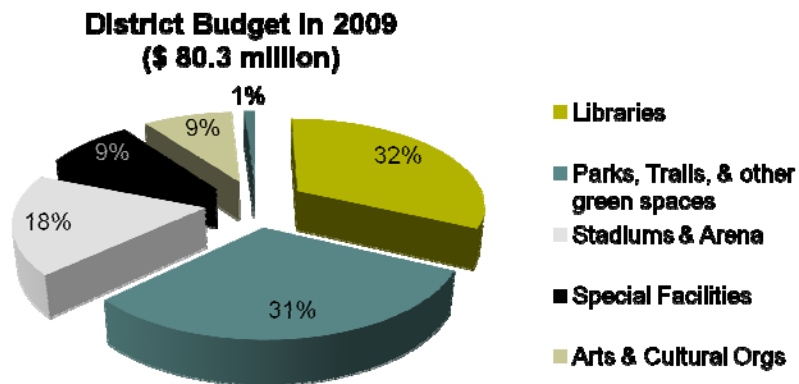
- There was a need to correct inequities caused by the City of Pittsburgh bearing a significant financial burden for regional assets.
1. The Allegheny County Regional Asset District was created in 1995 and funded through an additional 0.5 percent on the sales tax.
 2. The “second half” of this legislation created a tax-base sharing program second in size only to the Minnesota plan which raised the sales tax an additional 0.5 percent.

III. Fiscal Regionalism:

1. Pittsburgh Metropolitan Region



- Allegheny Regional Asset District



5

III. Fiscal Regionalism:

1. Pittsburgh Metropolitan Region



- Allegheny Tax & Revenue-Sharing Program

- This fiscal regionalism technique led to the permanent elimination of the county and local personal property tax.
- Dependence on property taxes to support parks, libraries, and other publicly funded assets has been further reduced, and municipalities have allocated revenue share funds towards a wide variety of services, like police officers and road repairs.

6

III. Fiscal Regionalism:

1. Pittsburgh Metropolitan Region



- Census Data (Allegheny County)

	1990	2000
Poverty Rate	11.5%	11.2%
Median Value of Owner-Occupied Housing Units	\$ 57,100	\$ 84,200
Unemployment Rate	3.7%	3.7%

7

III. Fiscal Regionalism:

2. Twin Cities Metropolitan Region



- The Twin Cities metropolitan region model of tax-base sharing has been in place for about 35 years.
 - Metropolitan Council to administer the tax and revenue-share plan was created in 1975.
 - For the period between 1987 and 1995, measured inequality in total tax base per capita between jurisdictions was reduced by 20 %.

8

III. Fiscal Regionalism:

2. Twin Cities Metropolitan Region



- Metropolitan Council Budget from the shared pool of tax base totaled \$347 million for taxes payable in 2008, which represents 31 % of total commercial-industrial tax base in the Twin Cities.
- Many social projects and services are funded.
 - Metro Mobility: a regional transit system that provides 252,000 bus & rail rides per weekday and 4,300 rides on an average weekday for people with disabilities
 - Wastewater collection
 - Section 8 & affordable housing programs
 - Regional parks & open spaces development

III. Fiscal Regionalism:

2. Twin Cities Metropolitan Region



• Census Data

Metropolitan Area Comparison Table: Poverty

Metropolitan Area <i>(Arranged alphabetically)</i>	Families in Poverty			Individuals	
	All families	With related children under 18	With female householder	All Individuals	65 and over
		25	25	24	25
Minneapolis-St. Paul, MN-WI MSA RANK					
Atlanta, GA MSA	6.9%	9.6%	20.7%	9.4%	10.0%
Boston-Worcester-Lawrence, MA-NH-ME-CT CMSA	6.0%	8.9%	20.5%	8.6%	8.9%
Chicago-Gary-Kenosha, IL-IN-WI CMSA	7.9%	11.4%	23.0%	10.5%	8.5%
Cincinnati-Hamilton, OH-KY-IN CMSA	6.9%	10.6%	25.0%	9.5%	8.1%
Cleveland-Akron, OH CMSA	8.0%	12.8%	28.1%	10.6%	7.9%
Dallas-Fort Worth, TX CMSA	8.1%	11.4%	22.2%	10.8%	9.6%
Denver-Boulder-Greeley, CO CMSA	5.6%	8.4%	18.1%	8.6%	6.9%
Detroit-Ann Arbor-Flint, MI CMSA	7.7%	11.7%	23.5%	10.6%	8.5%
Houston-Galveston-Brazoria, TX CMSA	10.9%	14.6%	26.5%	13.7%	11.6%
Kansas City, MO-KS MSA	6.1%	9.2%	21.1%	8.5%	7.2%
Los Angeles-Riverdale-Orange County, CA CMSA	12.2%	16.9%	26.5%	15.6%	9.0%
Miami-Fort Lauderdale, FL CMSA	12.0%	16.5%	26.1%	15.3%	14.8%
Minneapolis-St. Paul, MN-WI MSA	4.2%	6.5%	16.5%	6.7%	6.1%
New York-Northern New Jersey-Long Island, NY-NJ-CT-PA CMSA	10.2%	14.8%	26.3%	12.9%	10.9%
Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD CMSA	7.9%	11.7%	23.3%	10.9%	9.4%
Phoenix-Mesa, AZ MSA	8.2%	12.7%	21.2%	12.0%	7.5%
Pittsburgh, PA MSA	7.8%	12.7%	25.5%	10.8%	9.0%
Portland-Salem, OR-OR MSA	6.8%	10.4%	22.1%	10.0%	7.3%
Sacramento-Yolo, CA CMSA	8.7%	13.1%	22.1%	12.7%	6.1%
San Diego, CA MSA	8.9%	13.3%	22.8%	12.4%	6.8%
San Francisco-Oakland-San Jose, CA CMSA	5.7%	8.2%	16.0%	8.7%	6.9%
Seattle-Tacoma-Bremerton, WA CMSA	5.8%	8.6%	19.7%	8.5%	7.1%
St. Louis, MO-IL MSA	7.4%	11.2%	24.3%	9.9%	8.0%
Tampa-St. Petersburg-Clearwater, FL MSA	7.8%	12.7%	22.5%	11.2%	8.4%
Washington-Baltimore, DC-MD-VA-WV MSA	5.9%	8.3%	18.3%	8.3%	8.5%
Median	7.6%	11.4%	22.5%	10.6%	8.4%

Note: Ranks are based on descending values.
Source: US Census 2000

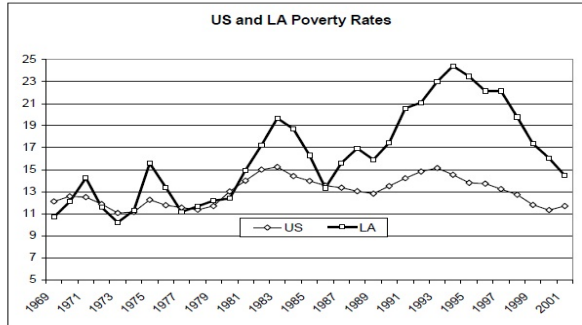
IV. Los Angeles Case: Background on Poverty



1. Poverty in Los Angeles Area

- Higher poverty rate in LA County than the U.S.

Figure 3: Annual Poverty Rates, U.S. and Los Angeles County, 1969 - 2001



SOURCE: Current Population Survey, March/Demographic Supplement

11

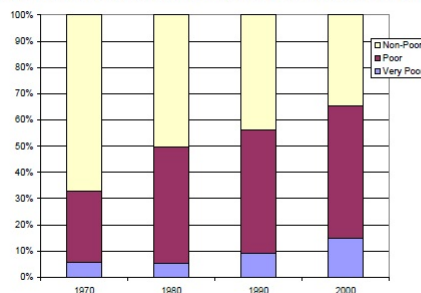
IV. Los Angeles Case: Background on Poverty



2. Poverty is spatially disproportionally distributed, and more concentrated over time

- Number of poor neighborhoods has increased from 1970 to 2001

Figure 5: Distribution of Poor Population by Neighborhood Poverty Level



IV. Los Angeles Case: Background on Poverty



Figure 6: Neighborhood Poverty Concentrations, Los Angeles County, 1980

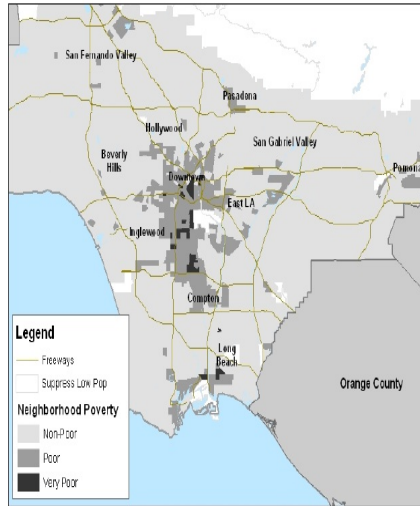
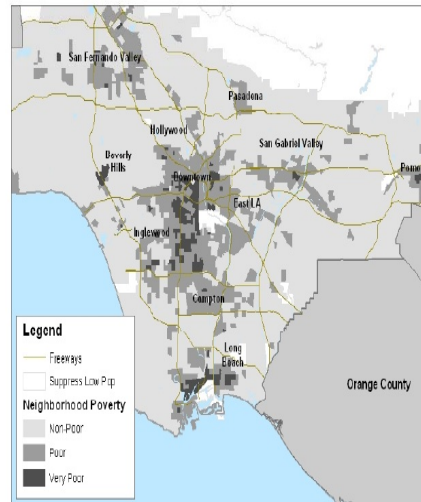


Figure 7: Neighborhood Poverty Concentrations, Los Angeles County, 2000



IV. Los Angeles Case: Background on Poverty



3. The recent report shows a decrease in poverty rate in LA Metro area in 2008 from 2000, but still higher in primary cities than national level.

(Brookings Institution, 2010)

- Poverty rate is higher in primary cities (19.3), compared to 11.1 in suburbs
- In other Metro areas in Southern California regions, poverty rates are also higher in primary cities than in suburbs
 - Riverside-San Bernardino-Ontario, CA: 16.8 vs. 12.9
 - Oxnard-Thousand Oaks-Ventura, CA: 10.4 vs. 6.4

IV. Los Angeles Case: Background on Poverty

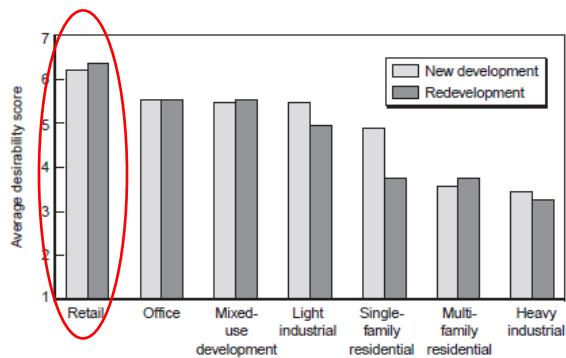


4. Fiscalization of Land Use

- “the tendency of communities to establish land uses based on the net tax revenues they will generate for the city” (Kotin & Peiser, 1997)
- Since 1978 when Proposition 13 was passed, local governments in CA have sought to increase their revenues from local sales taxes
- Under the property tax cap by Prop.13, sales tax revenue is the major source for local govt. to secure general (discretionary) funds

15

IV. Los Angeles Case: Background on Poverty



SOURCE: PPIC City Manager Survey, 1998.

Figure S.1—Desirability of Various Land Uses for Development and Redevelopment Projects, as Viewed by California City Managers

IV. Los Angeles Case: Background on Poverty



5. Disparities in Cities' Sales tax revenue

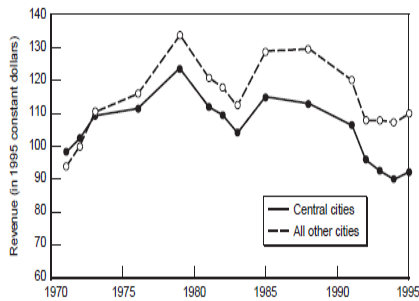
- 1995-96 per capita sales tax revenues from \$2.25 to \$56.892

Cities with Highest and Lowest Sales Tax Revenues per Capita, 1996

Ten Cities with Highest Revenues	Per Capita Sales Tax Revenues, \$	Ten Cities with Lowest Revenues	Per Capita Sales Tax Revenues, \$
Vernon	56,891.84	Rolling Hills	2.25
Industry	30,130.96	Bradbury	2.57
Sand City	6,304.87	Tehama	4.19
Colma	4,400.14	Hidden Hills	4.54
Irwindale	2,002.12	Monte Sereno	5.14
Santa Fe Springs	1,172.58	Hillsborough	5.31
Signal Hill	841.73	Canyon Lake	5.71
Commerce	824.05	Atherton	5.92
Emeryville	799.93	La Habra Heights	6.68
Brisbane	515.94	Avenal	9.71

SOURCES: Calculated from sales tax revenue data in California State Controller (1995-96), and annual city population estimates of the California Department of Finance, Demographic Research Unit.

IV. Los Angeles Case: Background on Poverty



SOURCES: Calculated from the California State Controller, *Financial Transactions Concerning Cities of California* (annual) (sales tax revenues); and annual city population estimates from the California Department of Finance, Demographic Research Unit.

Figure S.2—Sales Tax Revenues per Capita: Central Cities Compared to Other Cities, 1971-1995

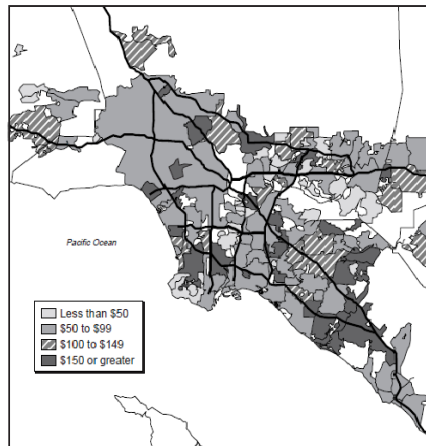


Figure 2.8—Per Capita Sales Tax Revenues in the Los Angeles Area, 1995

IV. Los Angeles Case: Fiscal Regionalism with Land Use Planning



1. Previous Tax Revenue sharing programs in CA

- Prop. 11 (1998)
 - authorizes local governments to voluntarily enter into sales tax revenue sharing agreements via a two-thirds vote of the local city council or board of supervisors of each jurisdiction.
- East Baybridge Center: cities of Emeryville and Oakland (1992)
 - the East Baybridge center located in the border of the two cities (70% in Emeryville and 30% in Oakland)
 - Emeryville received 2/3 and Oakland received 1/3 of the aggregate revenues from sales taxes, business license taxes, real estate transfer taxes, utility users taxes and other taxes which may be assessed by either city in the future

19

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- Home depot: cities of Richmond and El Cerrito
 - Location issue in the border of the two cities
 - Allocated based on the percentage of the retail site's footprint in each jurisdiction
- Automobile Dealerships: City and County of Sacramento (2008)
 - Relocation of a car dealership from County to City
 - Agreed to share future sales tax revenue from automobiles sales (2008)
- North McHenry Tax-sharing agreement (City of Modesto and Stanislaus County)
 - Shares sales, property, business and utility taxes in the McHenry Avenue business corridor
 - Annexation battle

20

IV. Los Angeles Case: Fiscal Regionalism with Land Use Planning



- **AB 680 (2002):** 6 Counties in Sacramento Metropolitan area to establish a sales-tax sharing mechanism
- Purpose
 - To reduce the effects of "fiscalization of land use"
 - To distribute tax revenue in a more equitable basis throughout the region
 - To encourage "smart growth" principles
- This bill was not passed into a law due to opposition from local jurisdictions fearing loss of control on their finance, and lack of consensus on regionally shared goals which the funds would be used

21

IV. Los Angeles Case: Fiscal Regionalism with Land Use Planning



2. On-going Discussion in Southern California Region
 - Conceptual framework for local government finance reform by *Fiscalization of Land Use Subcommittee at SCAG*
 - Purposes
 - To provide more balanced and stable revenue for cities and counties
 - To provide more balanced land use, zoning and development
 - To reduce the extreme reliance and competition for sales tax revenue
 - To provide local governments incentives for planning consistent with SCS under SB 375

22

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- SB 375 & Increasing importance of Regional planning
 - SB 375 & AB 32 require the regional planning agencies to coordinate land use and transportation plans with considerations of their impacts on greenhouse gas emissions
 - SB 375 allows the metropolitan planning organizations/ county transportation agency to consider financial incentives/ assistance to local jurisdictions with farmland/ resource areas or with countywide service responsibilities that contribute to the greenhouse gas emission reduction targets

23

IV. Los Angeles Case: Fiscal Regionalism with Land Use Planning



- Sales tax revenue sharing
 - Suggests 10% of sales tax revenue
 - Could be phased in and percentage of revenue pooled increased over time
 - Potential revenue re-allocation methods
 - Per-capita
 - Economic development incentives
 - SB375 SCS implementation incentives
 - Use funds on a competitive basis to cities with projects and plans that encourage economic development and job creation, and policy guidelines under SB 375

24

V. Conclusion



- Fiscal regionalism is proved to decrease inequality among neighborhoods
- In the long run, local governments can benefit from sustainable & affordable fiscal structures
- The potential model in Los Angeles case implies;
 - fiscal regionalism can be more widely used as fiscal reform strategy
 - fiscal regionalism has more impact on reducing poverty pockets or reaching policy goals by associating with land use planning

25

Thank You!



Any Question?

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26