

## *Has Proposition 13 Increased Fragmentation in Local Government?*

Political authority in California is divided among thousands of local jurisdictions: A typical household may find itself simultaneously governed by a county, a city, a school district, and numerous special districts that levy assessments or charge fees to provide services or build community facilities.

Many observers have argued that California's system of local government is too complex and fragmented. They contend that such complexity hinders coordination among government activities, makes it difficult to establish political accountability, and may lead to inefficient provision of services.

Some have further argued that the passage of the Proposition 13 tax limitation in 1978 exacerbated the problem, leading to a proliferation of new cities and special districts and fundamentally altering California's local governance structure.

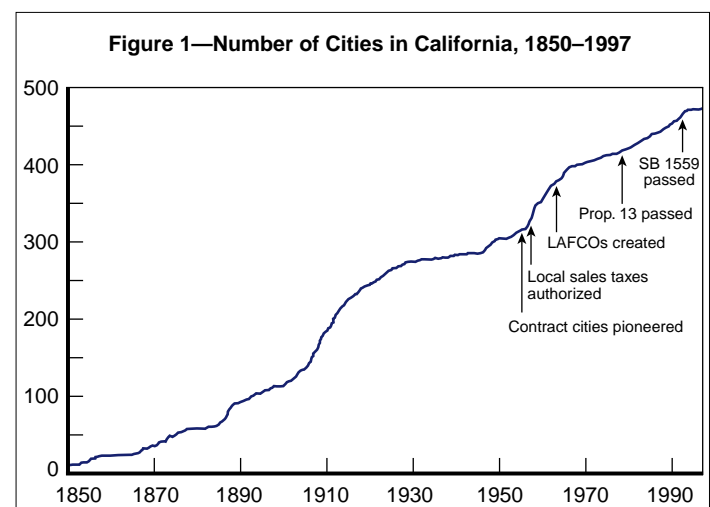
In *Deep Roots: Local Government Structure in California*, Paul Lewis examines the long-term trends in California's local government structure and the possible effects of Proposition 13. He finds that although Proposition 13 played havoc with many local governments' finances, it did not decisively alter the state's overall local government structure. In fact, California's public sector is less fragmented than the national average. The state has many times fewer counties and cities and significantly fewer politically independent special districts per capita, compared to the nation.

### *Trends in City Formation*

Conventional wisdom in both the academic and popular literature holds that Proposition 13 provided incentives for the widespread creation of new cities and special districts. In the case of cities, incorporation would no longer lead to an increase in property taxes, because Proposition 13 had capped overall rates. And by "seceding" from its financially strapped county, the new city could capture more locally

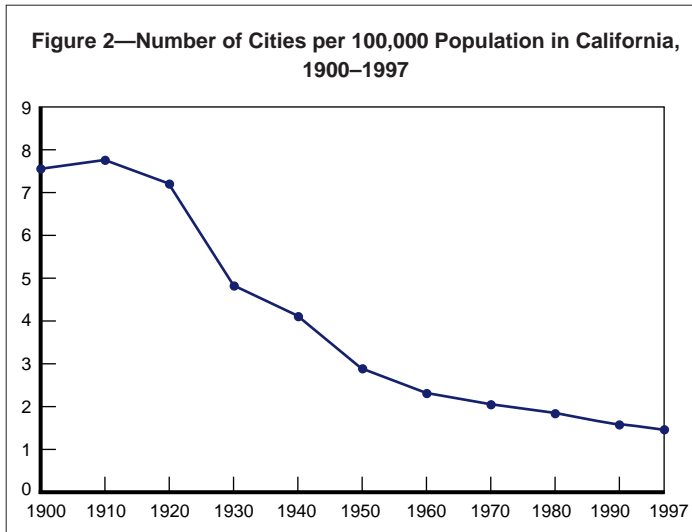
generated revenues for local use. In the case of special districts, fiscally troubled counties and cities might be expected to encourage the creation of new special-purpose governments. The counties and cities could thereby transfer some of their service and revenue-raising burdens to entities that often are less constrained in their ability to issue debt or levy fees and service charges.

The data, however, do not support the conventional wisdom. In fact, the growth rate in the number of new cities has slowed since 1963, when the state created Local Agency Formation Commissions (LAFCOs) in each county to regulate government boundaries and formations. Although 54 new cities have incorporated since 1978, most were in areas of metropolitan Southern California that experienced extremely rapid population growth and suburbanization and thus were natural candidates for additional governments. As Figure 1 shows, there is no dramatic break with historical trends in the post-1978 period. Most population growth in



*Proposition 13 did not counteract the slowdown in new incorporations brought about by the creation of Local Agency Formation Commissions in 1963.*

the state continues to be accommodated by existing cities, which regularly expand their boundaries through annexation. As shown in Figure 2, the number of cities per capita in California has fallen throughout this century.



*In terms of cities per capita, fragmentation has declined steadily in California.*

Reliable and comparable historical data on special districts are less available, but the evidence indicates that the overall number of special districts has increased only gradually since the 1970s. To a large extent, the creation of new special districts has been offset by the abolition of others.

### ***A Better Measure of Local Political Structure***

Although historical data on the number of local governments or number of governments per capita are useful, raw counts of this type can be misleading when it comes to measuring the complexity of political structure. For example, a small mosquito-control district would be counted equally with a large public transit district.

To get a better sense of the relative size and responsibilities of local governments, Lewis developed a political fragmentation index, or PFI. The PFI is a measure of the degree to which expenditures are divided among county, city, and special district governments and, as such, provides a sense of the relative amount of activity engaged in by each unit.

By this measure, local political fragmentation increased only slightly between 1972 and 1992. Moreover, shifts in the PFI have been gradual, both on the statewide level and

within most counties. There is no substantial evidence to support a “Proposition 13” effect on local government structure.

### ***Variations in Political Structure Across Counties***

The PFI analysis revealed that different parts of the state differ considerably in the complexity of their local political structure. As might be expected, counties with the lowest levels of political fragmentation tend to have a county-dominant government, few large cities, and little reliance on special districts.

Statistical analysis showed that areas that have larger populations and that developed earlier in the state’s history tend to be more fragmented. Areas receiving more of their revenue in the form of intergovernmental aid tend to be less fragmented, perhaps because they have less need to set up new political structures to overcome local revenue shortfalls.

### ***Policy Implications***

California has undergone tremendous political, economic, and demographic change over the past 20 years. Yet the state’s system of local governance has remained relatively stable. One possible explanation is that LAFCOs have succeeded in reining in potential fragmentation.

Local governments may also be more malleable and responsive to change than is commonly supposed. Counties, cities, and special districts throughout the state have typically been able to address new issues, empower new constituencies, and respond to a growing and diverse population without experiencing crisis.

This does not mean that state and local policymakers should be complacent about California’s local government system. Rather, they should seriously consider how to enhance the fiscal stability of local governments, keeping in mind this study’s finding that more generous intergovernmental aid appears to reduce the impulse toward local fragmentation. Mechanisms for enhancing regional coordination of growth and infrastructure may also be necessary.

Given this study’s finding that local government structure has changed only gradually over a period of decades, it would seem prudent for California’s leaders to work within existing structures to strengthen local governance and public finance, rather than to propose sweeping reforms to a stable and resilient system.

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*This research brief summarizes a report by Paul G. Lewis, Deep Roots: Local Government Structure in California. The report may be ordered by calling (800) 232-5343 [mainland U.S.] or (415) 291-4415 [Canada, Hawaii, overseas]. A copy of the full text is also available on the Internet (www.ppic.org). The PPIC is a private, nonprofit organization dedicated to independent, nonpartisan research on economic, social, and political issues that affect the lives of Californians.*

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