

# Local Control Lies in Decentralization



**A budgeting alternative offers benefits beyond economic development, including spending in different areas of the city to meet local needs.**

**By SHIRLEY SVORNY**

**L**ocal control—through neighborhood councils—is likely to find its way onto the charter reform ballot in Los Angeles. The elected charter reform commission has agreed upon councils with advisory power and may decide to give voters the option of granting councils limited power over land-use decisions.

But effective reform requires the transfer of budgetary authority, a much more radical approach to local control. If we are to experience real community empowerment, individual neighborhoods must be handed their share of tax revenues and allowed to spend the funds as they see fit.

The potential options for balkanization of political power in Los Angeles include: (1) neighborhood councils with advisory powers; (2) councils with decision-making power over limited functions, such as land-use; (3) councils with limited decision-making power and some decentralization of budgetary authority; (4) full decentralization of budgeting; and (5) detachment.

Experience with advisory councils elsewhere suggests they will not significantly increase participation or communication. The second option—decision-making power without budgetary consequences—is a potential disaster, a license for special interests to put the brakes on economic

activity in Los Angeles.

Because the second option increases local control over land-use decisions without focusing the tax consequences on the community, too few developments will be approved.

As things stand now, when a neighborhood group is successful in lobbying the city to reject the construction of a Home Depot or an apartment complex in its midst, the cost to the neighborhood is minimal; the loss of tax revenues is spread over the entire city. If decision-making power over land use is further shifted to neighborhood groups, expect tax revenues to fall as each neighborhood limits growth.

The right way to move toward local control is to shift the tax consequences of commercial, industrial and residential land-use decisions to the neighborhoods in question. Decisions will be made on a proper basis if communities that reject development bear the full costs.

What about attaching budgetary consequences to neighborhood land-use decisions, as in the third option above? This has been proposed by a group called the Coalition, an association of homeowners, secessionists, public employees and other individuals who are interested in charter reform. The Coalition proposal includes a paragraph that directs the economic benefits generated by new development to the area in which the development is permitted, subject to the provision that the allocation of benefits is "consistent with an equitable distribution of services and programs to meet the needs of all communities throughout the city."

This option is clearly a compromise,

but it is too limited for my taste. I worry that the fiscal component will not be managed appropriately to create the necessary incentives. Only the last two options offer the local government missing in Los Angeles. Decision-making will be most effective if each neighborhood is relatively autonomous and spends its own share of tax revenues.

There may be support for an initial reallocation of funds to promote equity and to maintain existing city services but, from that point on, each community must be on its own, bearing the fiscal consequences of its actions. With this option, local budgeting replaces budgeting at the city level. It does not add an additional level of bureaucracy. Nor does it raise the per capita cost of government; there is no evidence that suggest bigger is better or more efficient.

True decentralization offers a wide array of potential benefits beyond economic development. Not the least of which is that spending in different areas of the city can meet local needs and interests. Another desirable consequence is that neighborhoods may experiment with new methods of service delivery. Greater efficiencies in public provision of services are possible if neighborhood councils put service contracts out to competitive bidding.

The key to effective reform in Los Angeles is to include decentralization of budgeting. Decentralization will allow us to mimic the conditions under which smaller cities are run. Simply setting up neighborhood councils—with or without effective decision-making power—will not be enough.

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