

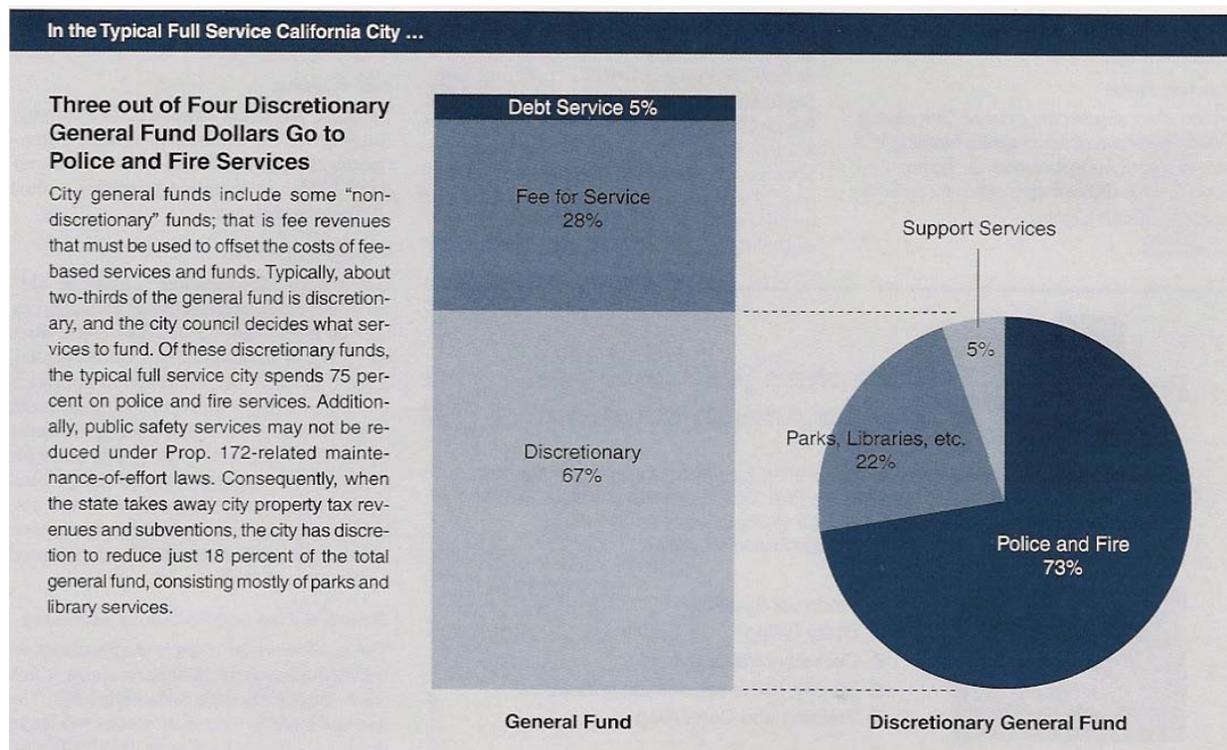
# The Finances of Public Safety

by Michael Coleman

Since Proposition 13 was passed in 1978, the two principal resources of city revenue – taxes and state/federal subventions – have declined dramatically (per capita, adjusted for inflation). For the past 20 years, cities have increased police and fire spending, even while the recession and the state property tax grabs of the 1990s decreased municipal revenues. Because police and fire spending require such a substantial portion of cities’ discretionary general fund revenue, a relatively small portion of city budgets has had to bear the brunt of declining taxes and subventions.

City responses to this squeeze have included:

- Cutting human service programs, especially parks;
- Cutting general fund support of general government functions substantially (including property maintenance, personnel, data systems and administration);
- Relying more heavily on debt rather than cash financing for capital improvements;
- Aggressively soliciting grants; and
- Increasing user fees, taxes and assessments.



## State Spending on Corrections

When looking at the finances of public safety, state spending on corrections is a significant piece of the puzzle. The increases in corrections spending are illustrated by the following facts:

- From fiscal year 1975-76 to FY 1995-96, state spending on corrections increased from \$310 million (or 2.8 percent of the total state budget) to \$3.753 billion, 6.6 percent of the total state budget. Taking into account inflation and population growth, spending on corrections nearly tripled, rising from \$40.89 per capita to \$113.26 per capita;
- No program other than corrections has experienced as rapid an increase in spending;
- California spends more on corrections as a percentage of total spending than 40 other states; and
- From 1975 to 1991 California's juvenile incarceration rate increased at six times the national rate.

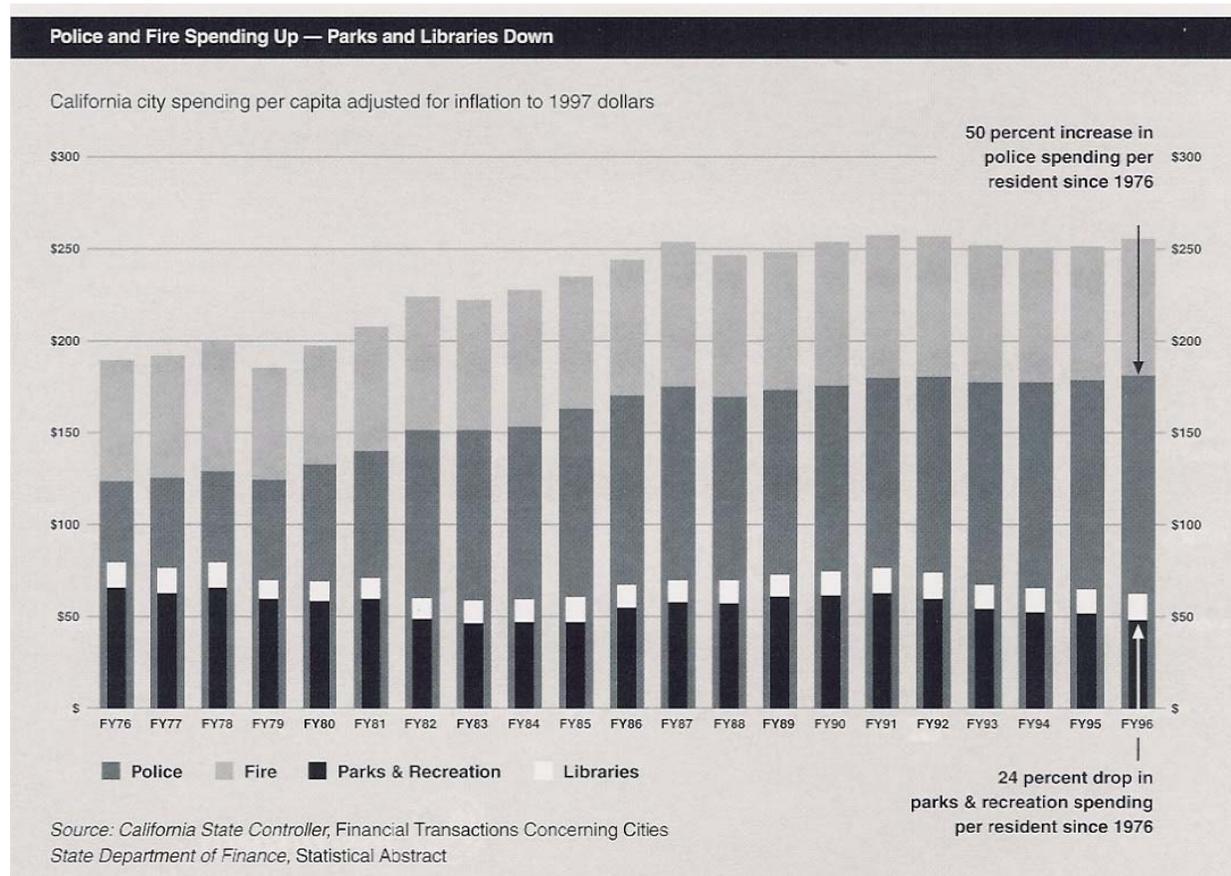
### Spending on Police and Fire Services

The cost of providing police and fire services has risen steeply in the past 20 years. For example:

- Police protection spending per \$1,000 personal income ranks sixth among the 50 states, 28 percent higher than the national average;
- Fire protection spending per \$1,000 personal income ranks second among the 50 states, 71 percent higher than the national average;
- From 1975-76 to 1995-96 California city per capita spending on police increased 50 percent (adjusted for inflation); and
- From 1975-76 to 1995-96 California city per capita spending on fire increased 17 percent (adjusted for inflation).

### Parks, Recreation and Library Programs

From 1975-76 to 1995-96 California city per capita spending (adjusted for inflation) on parks and recreation decreased 24 percent. In the years following Prop. 13, spending in this area plummeted and then began to recover in the late 1980s. But when the recession and state property tax grabs of the early 1990s struck, spending on these programs dipped again dramatically, falling 23 percent from 1990-91 to 1995-96. Library programs, a substantially smaller portion of city budgets to begin with, declined more than 10 percent from 1990-91 to 1995-96 (see chart).



## Public Opinion

According to a Field poll, 78 percent of Californians rank crime and law enforcement among the most important issues facing the state. In recent years, this has been the highest-rated problem area, followed closely by the state's economy, public schools, controlling the spread of AIDS and unemployment.

At the same time, Californians put police protection and corrections well down their list of public spending preferences. Law enforcement (police protection) ranks below spending for schools, AIDS research, aid to the homeless, public assistance, mental health and higher education. Corrections ranks even lower with less than half (33 percent) of those surveyed in 1993 saying spending should be increased.

Taken together, these two poll results seem to suggest that although the problem of crime and punishment is top among citizens' concerns, they believe:

- Enough money is being spent on law enforcement and corrections; and/or
- Police protection and incarceration are not complete nor long-term answers to communities' most pressing concerns, including crime.

## More Grants for Police: Some Implications

One response to the downturn in city revenues caused by the recession and the state's property tax grab has been more aggressive efforts by cities to secure grant funding for programs. Often, grant funding is the only way a new program or innovation can get funded in a time of scarce resources. In recent years, President Clinton and Congress have offered funding for additional policing. City revenues from other governmental agencies, which declined dramatically in the last twenty years, have actually increased during the last five years from a historic low, due almost entirely to more grant revenues such as the federal COPS program.

While grants can fill critical budget holes, they come with some problematic aspects:

### *Matching Funds*

Grants often require the grantee (the city) to provide a portion of the program funding. In a time of scarce budget resources, finding new money can be difficult even when it can be leveraged through a grant.

### *Declining and Disappearing Funds*

Grants are temporary by nature. Some, such as the COPS program, decline over time with the intention of having the grantee continue the program and assume its full costs. Often an innovative, grant-funded program becomes a "keeper," a program that citizens and the city council want to continue. In such cases, taking on the grant puts a financial burden on future years' budgets. This is a financial risk that can put the city in a bind when the grant is declined or terminates.

### *New Programs*

Grantors are rarely interested in assuming funding for an existing program. Consequently, grants do little to help maintain essential local government programs amidst declining resources.

### *Administrative Costs*

Grant applications involve substantial time and effort to research and write, including city council reports and resolutions. Some cities hire professional grant writers. Once awarded, a grant usually requires program documentation and a follow-up report, even an audit, to assure the grantor that the requirements of the grant are met. Most grants allow for some administrative costs to be charged, but often the grant will fund only a limited portion. Of course, the program would incur few of these administrative costs if it was financed by the general fund.

## Return of Fine and Forfeiture Revenues

The good news for cities is the imminent return of the fine and forfeiture revenues, which were shifted to the state in the early 1990s. The fine and forfeiture revenue stream will begin flowing to cities in fiscal year 1998--99. It is estimated that the revenues for cities will amount to approximately \$61.9 million. The word "approximately" is used

advisedly in this estimate because of the way in which the revenue return is structured. The mechanics for the revenue return are included in AB 233 (Escutia).

Approximately \$43 million of the revenue returned to cities will appear in the base fines received from moving traffic violations. This amount was reduced in the early 1990s to help fund the trial court system. The state was cautioned at the time that this action would result in fewer traffic tickets which in turn means reduced revenues to the state and counties from the penalty assessments (surcharges) on the fines. Not surprisingly, the fine and forfeiture revenue took a decided plunge because the state had reduced the incentive in cities to issue moving traffic violations. The \$43 million figure is the most predictable portion of the revenue return.

On top of the \$43 million, an additional \$19 million (again, an approximate figure) will be given to cities *for the first time* from traffic school fines. Prior to the passage of this legislation, cities did not receive *any* traffic school fine revenue. In some cities, more than 60 percent of those who receive moving traffic violations go to traffic school. While \$61.9 million is a reasonable estimate of the revenues cities will receive from the legislation, this figure could increase significantly. How much it increases will depend on the amount of traffic tickets issued by a city and the level of traffic school fines it generates. The League is optimistic that this legislation will produce more revenue than predicted and, most importantly, result in safer streets.

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#### **Sources**

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