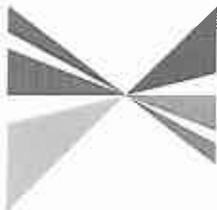


SOUTHERN CALIFORNIA



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September 10, 2009

Mr. Gerald Parsky, Chair
Commission on the 21st Century Economy
c/o State of California Department of Finance
915 L Street, 8th Floor
Sacramento, CA 95814

Dear Mr. Parsky:

On behalf of the Fiscalization of Land Use Subcommittee of the Southern California Association of Governments (SCAG), I enthusiastically applaud the Commission on the 21st Century Economy's efforts at stabilizing, modernizing and rationalizing state and local government revenue. We have reviewed your current draft proposal and are supportive of its general direction and many of its tax policy concepts.

We urge the Commission, however, to consider the implications of any reform package on local government finance. It is at the local level where so many valuable services are delivered and where government meets the people. A focus on local government finance will be in keeping with the Commission's mandate to "...suggest changes to state *and local* revenues that will result in a revenue stream that is more stable and reflective of the California economy." Examination and explanation of the local implications of the proposed Business Net Receipts Tax will be especially important.

SCAG's Fiscalization of Land Use Subcommittee is made up of local elected officials from around the Southern California region, home to roughly half of the state's population. We have been evaluating various fiscal reform concepts with the goal of providing more stability and fairness to local government revenue. As our name suggests, we are particularly interested in confronting the "fiscalization of land use" phenomenon and removing the perverse incentives that the current system of local government finance creates for land use planning and development in our communities.

To encourage more balanced development and an end to the chase for sales tax dollars, we have studied a range of reform options and have developed a framework for reform that would allow cities to voluntarily exchange some of their sales tax revenue stream for a greater share of local property taxes. This would incentivize the full spectrum of land uses, rather than the current bias toward retail development. We also believe a "split-roll" adjustment to the property tax law, allowing periodic re-assessment of commercial properties, should be considered by the voters. I have also submitted a memo summarizing our reform framework for further information.

The reform concepts SCAG is pursuing appear to be compatible and consistent with the direction of the Commission. The objectives of our respective efforts could not be more complementary. I hope that we can work together as the ideas we have exchanged evolve from concept to legislation. Thank you again for your efforts serving the people of California.

Sincerely,



Carl Morehouse
Chair, SCAG Fiscalization of Land Use Subcommittee
Member, SCAG Regional Council
Councilmember, City of Ventura