POLITICAL POLICY OPTIONS

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In the first year of the new millenium -- a hundred and fifty years after the founding of the state -- California stands as one very important harbinger of the future in its changing demographics: it is now a minority/majority state. There is no longer a majority population. The political question is whether or not -- or when -- the decline of the white majority will affect public policy. To some extent, it already has: Lieutenant Governor Cruz Bustamante is the highest elected Latino official in the country; and there is much stronger representation of Latinos at all levels of office in the state. Asian-Pacific Americans have been working toward greater representation in the political world, although their smaller numbers and greater dispersion makes their task somewhat harder.1 African-Americans are declining in proportion and will probably see that reflected in their representation in office, although they are -- as a group -- more inclined to vote and seek office than many other ethnic groups.

But the question goes beyond numbers: it goes to culture. Will there be a different policy agenda? Will the processes of politics reflect the political/cultural heritage of an ethnicity at variance with the past Anglo-Saxon majority? Will assimilation mean acceptance of the strong anti-political, Progressive-Era tradition that dominated California in the last century? Will we be left with only ethnic politics, eschewing the capacity of the traditional political parties to reach out to a broad coalition of groups?

There are a number of issues pressing this coming year that will lay the groundwork for the future of a California that is predicted to grow enormously in the coming decades. Water, a perennial topic in a state where much of the population lives in a semi-desert, will be overshadowed by the more immediate question of energy. The deregulation of the electric industry -- following a trend of deregulation in many industries since the 1980s -- may bring the entire issue of deregulation into question. San Diego, particularly, is struggling with a tremendous increase in its electricity costs, that may be followed by rising gas prices throughout the state.

Other issues that are not specifically addressed in this volume include the Internet and the entire communications field ranging from local cable franchises to the sales tax. Also omitted is an evolving sense of the need for regional planning in transportation and other issues and racial profiling by police departments around the state. The latter issue has been momentarily resolved with an agreement to collect data, albeit with substantial uncertainty in how to assess and release it.

1 The Asian American community in general, and the Chinese community in particular, were threatened by what has been viewed as political racial profiling in the highly publicized case of Chinese-American scientist Wen Ho Lee in 2000, and the fund raising controversies of the 1996 presidential election.
Perhaps the biggest question of all is how to govern in an era of prosperity: who will receive relief from years of under-funding? Supporters of education, health care, the transportation infrastructure, sewers and other local issues can all legitimately vie for funds. And there are the larger more structural issues of who controls the spending. Will the state allow local entities more control, or will it just let more money flow through the pipes?

THE POLITICAL WINDS IN SACRAMENTO

Term Limits

How the state handles such issues depends to a large extent on the political climate in which they are debated. As he goes into the last half of his first term, Governor Davis appears to be firmly in control, and firmly centered in the middle of the political spectrum. A “third way” governor in the tradition of President Bill Clinton and British Prime Minister Tony Blair, Davis is less charismatic than either of those national leaders, but much less likely to be distracted by external affairs. His appointments are still incomplete, but those he has named to office both know his views and reflect his views. After years of studying the office, he has developed a fine sense of when to deal and when to wait. He balances his strong labor union backing with growing support in the business community.

What Davis hasn’t had to worry too much about is the state legislature, despite strong differences between himself and the much more liberal Democratic State Senate President Pro Tem John Burton. “Triumverating” between them has been the Assembly’s Speaker, first Antonio Villaraigosa and for some time, San Fernando Valley assemblyman Robert Hertzberg. Of the two, Hertzberg may turn out to be the more aggressive.

Term limits are still playing out in California. Two-thirds of the state legislature in 2001 will have been there for no more than two years. The three 2-year term limit in the Assembly and two 4-year limit in the Senate assures the probability that the musical chairs game now playing will put half the Assembly members into the Senate for a total of 14 years. The ladder doesn’t go down in Sacramento as much as it goes up, so it is unlikely that Assembly leadership will be as experienced as Senate leadership, or that Assembly members will be as accustomed to working in a legislative setting as the members of the Senate.

One interesting turn of events appears to be a total recycling of politicians as those termed out of both houses in Sacramento start moving back to local office. In the City of Los Angeles, for instance, Speaker Emeritus Villaraigosa is running for mayor, and at least two former senators are running for the city council. In the next two years, it is likely that the majority of L.A.’s city council will be made up of termed out state legislators. This wasn’t what term limits promised. We were supposed to get new voices into government, but the road to political reform is always paved with unexpected consequences.
Perhaps one of the least anticipated consequences of term limits was the failure to address the needs of local government. If new voices were coming in – presumably starting at the bottom of the ladder – and were able to move up to the state legislature with the experience of operating local government – they would be more sensitive to the needs of local government. They would be particularly sensitive to the need for local government to have more control over its funding. As one long-time political observer opposed to term limits put it, “Ha!”

It turned out that the old adage of “where you stand depends on where sit” still pertains. Once in Sacramento, our local political-leaders-turned-state-political-leaders continued to believe that they knew best. They may have returned more money – because we had more of it to spend – but they did not alter the structure of the flow. Almost all tax money continues to be sent to Sacramento and returned, when it chooses, by Sacramento.

When we were in recession, the state chose to balance its budget first, leaving local municipalities and counties, particularly, to fend for themselves. Now, as the economy continues to boom, local government unions are already demonstrating their impatience after years of cuts and no pay increases. There have been strikes that both hurt the economy and the sense of well being Californians prefer. It will be interesting to see what state legislators returning to local government think and do on this issue. Certainly, they will know where the bodies are buried in the state capital.

Efforts to restructure the flow of resources have yet to be taken seriously, even though the Governor went so far as to create his own commission on local finance. Despite the budget surplus, the pressure for action on this issue will continue to build. As that same cynical observer put it, “The state response to local government seems to be that we might be willing to change the law to allow you to cannibalize one another [by fighting over shares of the property tax], but we’re going to hold on to the money because it is really state money.” Among the options being considered, for instance, is a change in the formula for distributing the local share of the sales tax – the single largest source of local revenue since the passage of Proposition 13 in 1978. The shift would be to base the local return on population rather than the point of sale.

There are other complex proposals about – some even passing into law – that seek to relieve the pressure for cities to compete for the sales tax. But the push for local control of revenue may not be satisfied quite so easily. The net effect of the concessions so far enacted into law would allow a city to file a complaint if another city steals away an income-producing company. It has yet to be invoked since the law went into effect in January 1999.

The concern is not just with the decline in revenue, it is also with the impact such a decline would have on bond ratings. If one considers that 17 percent of the sales tax for the city of Los Angeles is based on new car dealerships; and that the sales tax on autos makes up 19 percent of L.A. county sales tax revenue, the implications become clearer. Cerritos – with its very large automobile center – has the largest reserve fund of any city in Southern California. It is not just the dollar flow into local government coffers, it is how the resources are rated that determine how much can be borrowed later.
With experienced ex-state legislators putting in their time at the local level, perhaps the game will shift. Or maybe a skilled Davis will be able to hold off a confrontation with the surplus and structure of revenue distribution. In the meantime, the Governor has been quite successful in fulfilling local desires. When he vetoed a change in the formula for returning local funds, he based his argument on the grounds that he had already:

“mitigated the property tax shift by nearly $3 billion annually. For approximately a dozen counties, the value of these mitigation measures exceeds the current value of their property tax shifts. In addition, the Budget Act of 2000 provides significant assistance to local governments including $75 million in technology funding for law enforcement, $115 million in housing grants, $2 billion for transportation projects, and hundreds of millions more in the areas of health and human services, juvenile justice, social services, and environmental protection.” ¹

Holding the local wolves at bay will doubtless work as long as the economy holds.

Another consequence of term limits in the long run may be the strengthening of the governor’s power, even when not in the hands of a skilled politician such as Gray Davis. Institutional memory, seriously hampered in the legislature with the passage of Proposition 140, which not only limited terms but also cut the size of the legislative staff by 40 percent, has – as opponents predicted – given more influence to the administrative end of state government. Lobbyists, who were also expected to gain, very well may have done so. But they also find themselves working more closely with the governor’s office than ever before.

Redistricting and Party Balance

The 2000 Census will give California one more seat in Congress, raising the representation from 54 to 55 seats – the largest state delegation. More importantly, perhaps, is that California will begin going through the process of redrawing both congressional and state legislative districts. The fact that state government is entirely in the hands of one party (the Democrats) does not bode well for an objective process. Gerrymandering is a time-honored process in American government, based essentially on the argument that to the victor goes the spoils. There will doubtless be efforts promoted by the Republicans to make the process more bipartisan by suggestions to create structures such as the masters who drew the boundaries after the 1990 census. If they don’t succeed, California is likely to become increasingly Democratic in its representation as the decade wears on. A shift of a few Congressional seats to make them more friendly to the Democrats could also have a serious impact on the control of the U.S. House of Representatives.

Going into the 2000 elections, for example, the Democratic legislative slate has been not only out-raising Republicans, it has been out-raising Republicans in their traditional base of business. The shift in giving is based on two fairly obvious reasons. First, Republicans are not likely to regain a majority in either house in the foreseeable future, particularly without a gubernatorial candidate to lead them. Second, the Democratic leadership from the Governor and the Assembly leadership under Bob Hertzberg, particularly, has been relatively pro-business. A
good economy and an apparently insurmountable political environment does not make for very competitive elections. And there is also the likely increase of Democratic voter registration that remains the fall-out of anti-immigrant propositions in the 1990s fostered by Republican governor Pete Wilson.

Realizing they were in serious trouble when the Democrats swept into office in 1998, the Republican legislative leaders were the first to ask Texas Governor George W. Bush to enter the presidential race. Because he opposed Proposition 187, upon which Pete Wilson rode to re-election on in 1994, Bush was the best chance they had to win back Latino voters to the G.O.P. This occurred of course, in the halcyon days when Bush was such a front-runner that he didn’t appear to have serious competition within the Party, let alone from the Democratic side. But the strategy does not appear to have helped, at least not yet.

Another challenge to the political balance of power that seems to have been averted is the ebb and flow of third parties in the state. Audie Bock, a Green candidate was elected to the state assembly from Oakland in 1998. But she resigned from the party before her first term ended and became an independent. Her re-election in a district that is 65 percent Democratic is problematic, given the fact that the party establishment is intent on winning back the seat they lost two years before out of lack of attention and a poor campaign.

The Reform Party failed to sustain itself on the ballot after the last statewide election because it fell below 5 percent of the vote. It suffered further humiliation with the battle over its presidential nominee in the 2000 convention held in Long Beach, but – Bock notwithstanding -- the Greens have grown in support with the candidacy of Ralph Nader. At one point in the long presidential campaign, Nader was enough of a threat to Gore in the state that he might have cost the Democrats California altogether. His 9 point support declined as the election drew near – as is often the case with third parties in American history. But the new protest movement that first emerged in Seattle with the meetings of the World Trade Organization, and that the Greens represent better than any other party, may solidify into something more serious in the coming years.

As it turned out, neither the protest from the right led by former Republican Pat Buchanan, nor the more liberal protest led by Nader appears to have affected either major party in a significant way in the state. The Democrats are riding high both because of the increasing voter registration of immigrant communities and their current control over the machinery of politics in state government. Term limits, which also limits name recognition of politicians, also requires more money to win these days because it takes more to become known. Under the circumstances, that gives an edge to independently wealthy candidates and/or the dominant political party.

All of these factors will come into play as the 2000 census is reported and the state legislature takes up the knives to begin carving up the congressional and state legislative districts. Much howling can be expected and much blood is likely to be spilt as the parties – and the ethnic communities that certainly have a stake in how districts are drawn – begin seeing a new political map take shape.
THE POLITICAL POLICY ISSUES

Campaign Finance Reform

Campaign finance reform was one of the biggest issues in the early part of the 2000 presidential campaign because of the candidacy of Senator John McCain. It is a subject that never seems to go away in California. One initiative after another has been passed by the electorate. But they typically fall prey to being overruled in the courts. The bottom line is that the state has had no limits on campaign contribution or spending limits for years. Given the size, and the costs of its various media markets, it is not surprising that statewide campaigns have seen tens of millions of dollars spent every elections cycle.

The federal courts, however, have moved on a bit, and depending on the outcome of Proposition 34 on the November 2000 ballot, it is likely that some form of spending limit will come into play by the next election. If not, there will be yet another initiative.

When the voters passed Proposition 208 in 1996, they imposed relatively strict limits that have been challenged in the courts ever since. A recent ruling in the U.S. Supreme Court in a case involving limits in Missouri, however, makes it more likely that Proposition 208 will be upheld. Proposition 34 was put on the ballot by the legislature essentially to repeal Prop 208 and replace it with a much less restrictive set of limits -- before Prop 208 could become law. Every major reform organization in the state and all of the major newspapers opposed Prop 34 on the grounds that it was a cynical effort to undercut genuine reform.

The story goes back to 1988, with the passage of Proposition 73. Although much of it was thrown out by the courts, whatever remains is in current law and would also be repealed with the passage of Prop 34. The challenge to Prop 208, -- currently sitting in the 9th District Court and not to be decided until the voters make their choice in November -- is based on the severity of the contribution ceilings. The attorneys arguing for its repeal against the backdrop of the Missouri case is that limits in a state with the population of Missouri should not be applicable in a state with a population the size of California. Other challenges refer to the restrictions on political parties and time limits on when contributions can be sought.

Should Prop 34 fail, and the court uphold all or part of Prop 208, there is likely to be a further appeal to the Supreme Court, and a minimum of three years before the issue is finally resolved. If Proposition 34 wins, contributions will be limited to $3,000 for state legislative races (compared to $250 to $500 under 208, depending on whether or not the candidate agrees to spending limits), and $20,000 for governor (compared to $500 to $1,000, depending on whether or not the candidate agrees to spending limits under 208). All other statewide candidates under 34 are limited to $5,000, while they are restricted the same way the governor is under Prop 208. Contributions from small contributor committees are twice the limits on individuals under Prop 208, and $6,000, $20,000, and $10,000 respectively for legislature, governor, and other statewide offices under Prop 34.
The big change is in party fund raising. Under Prop 208, the parties are able to accept $25,000 for primaries and $50,000 for general elections for the Assembly. The limit is $50,000 to $100,000 for State Senate and the Board of Equalization (which oversees taxation); $1 million to $2 million for governor, and a quarter of a million to half a million dollars for all other statewide candidates. Prop 34 sets no contribution limits for individuals to the parties for any race.

Political Action Committees (PACs) are limited to $5,000 a year under Prop 208; $25,000 a year if limited to a candidate, but no limit if the money is to be used for any other purpose. There are similar limits imposed on independent expenditure committees (with a $5,000 limit set under Prop 34), and aggregate limits on total contributions from individuals, corporate, and union PACs of $25,000 for two-year cycles to all state candidates and political parties. Again, there is no aggregate limit in Prop 34. Without belaboring the point, while Prop 34 would seriously limit the money being contributed in California in the recent past when there were no limits in place, it is a much more liberal law than Prop 208. It would improve reporting by increasing disclosure requirements, including immediate on-line reporting of certain contributions and expenditures.

Ever since the campaign finance laws at the Federal level were challenged in the 1976 case of Buckley v. Valeo, the Supreme Court has held to the proposition that money in our society is equated with communication and, therefore, it is protected under the First Amendment. Associate Justice John Paul Stevens suggested in a concurring opinion this past year that “money is property, not communication.” His words were greeted with wild elation by campaign finance reformers because he opened the door for getting to an issue that has grown more troubling over the years. It was made more obvious during the 2000 presidential campaign when there seemed to be no ability to control the amount of money in politics, and – consequently – the growing influence of private money in government.

Should Prop 34 fail at the polls, and Prop 208 not be upheld (even after going on further appeal), there is a possibility that another coalition of reformers will propose yet another approach on campaign finance reform: total public financing. The “Clean Money” approach has been enacted in several New England states and Arizona, and passes constitutional restraints on free speech limitations by the requirement that spending limits are agreed to voluntarily. It meets the basic goal of cutting necessary ties between “special interests” and those running for office, but its success will depend on whether or not voters are ready to agree to pay politicians to run for office. When public financing has been on the ballot, it usually wins. But incumbents are, of course, the most uncomfortable with it because it gives their challengers an equal playing field to gain name recognition.

And if the Clean Money campaign wins, California politics will face an even more complicated picture because term limits and public financing are alternative approaches to the broader public policy question of promoting fair and competitive elections. Applying both remedies may not work to the advantage of the voter since it will leave relatively little time to get to know who the candidates are. But that is a problem for the future.
DEVELOPING ISSUES

Energy

While water is always an issue, the effort to deregulate the electric industry is the 800 pound gorilla that has the potential to reek havoc in state politics in the coming year. The process began when San Diego State Senator Steve Peace, almost single-handedly, drew up a bill to deregulate electricity, which is to say to separate the functions of generation, transportation, and distribution. The issue was controversial from the beginning, but once the legislation was passed, it survived an initiative appeal in 1998. Other states are considering, or have begun entering into the process, but California was first, and San Diego Gas and Electric (now part of Sempra Energy, which also owns the Southern California Gas Company) led off before anyone else.

Deregulation is supposed to let market competition set the price for energy. It was intended to break up the monopoly of utilities, 70 percent of which are privately held in California, and to permit customers to buy their electricity from anywhere in order to encourage price competition. In truth, only the largest of customers would seriously be induced to shop around for cheaper prices, and only they would be worth the effort for those who are selling it. Residents are, in effect, something of a “loss leader” in the field. But residents vote, and therein lies some of the problem as California continues to grow and go through very hot summers and relatively cold winters.

The plan called for the selling off of generating plants and for private utilities to transfer their transmission lines to an independent private non-profit agency called the California Independent System Operator (ISO) that would allocate power as needed around the state. This assumed that there would be sufficient energy to send around at current prices. It turned out not to be the case, and the market consequence was dramatically escalating costs in San Diego, the home district of State Senator Steve Peace. As S. David Freeman, the general manager of the Los Angeles Department of Water and Power – whose agency came out of the summer of 2000 making an average of $5 million a day selling power outside the city – put it, “The idea looked good on paper.” The problem, of course, was much more complicated.

As with campaign finance, energy policy, too, has a story that goes back to the energy crisis of the 1970s, when California’s Public Utilities Commission (PUC) required local utilities to invest in alternative sources of energy production. At the time – and until quite recently – the utilities were organized “vertically,” which is to say they controlled the three parts of generation, transmission and distribution it takes to get your light bulb turned on from a power generating dam in the Colorado River for example. The power plants were built, energy prices went down, and the utilities were left with what is generally referred to as “stranded costs,” i.e., the tremendous debt they went into to build the plants that were not efficient enough to run given the lost cost of energy. The theory in deregulation was that, once the debt was paid off – and the legislation made provision for doing so by passing some of the debt off to customers – the rates would plunge by at least 25 percent.
The theory left the state’s private utilities with a $5 billion debt of “under-collected” bills because the PUC finally moved to cap what they could charge customers in a tight market. This particular debt is the difference between what they could charge and what they actually paid in wholesale electricity prices to keep the state from continuous black or brown-outs.

Public utilities, such as the DWP in Los Angeles, the largest publicly-owned utility in the country, were not required to participate in this process, but they might be subject to customers – large customers, particularly, choosing to buy their electricity elsewhere. Under the looming threat of competition, they, too, cut their debt due to stranded costs and other operating considerations considerably by eliminating costs of $100 million a year in payroll and consultants. In retrospect, probably the most important decision they made was not selling their power plants, which at the time were worth less than the debt.

Come the summer of 2000, the rates increased dramatically in San Diego because of abnormally hot weather throughout the country. Cries for relief from the ratepayers went to Sacramento. The legislature passed a bill providing relief for San Diego, but Governor Davis vetoed it in the fall on the grounds that it would open the door to a much larger bail-out throughout the rest of the state. The DWP was fined $13 million for starting up plants that were not environmentally up to standards. But with a net profit of $140 million from selling electricity to the rest of the state, it is sitting pretty and will be debt-free in 2003, if not sooner. Instead of price increases, Los Angeles city residents will get a 5 percent rate reduction on January 1, 2001, and another reduction in 2003.

There are many explanations for the problem, from the unusual heat, to the fact that California went first – and San Diego was at the front of the line within the state – but the solution in the long run will not be easy. A complication that may be especially difficult to curtail is the incentive for those who have electricity to sell to hold out for a higher price. As one observer described it, there is something of a futures market in electricity, and if one holds out for the periods of spiking – when the grid is under greatest pressure – it will be sold at a higher price. Some sell a day in advance, some sell that day on the assumption that immediate need will bear a higher cost. It is, she said, “a kind of touchy issue in a market economy.” In short, the wholesale market for electricity is not as competitive as de-regulators had assumed.

It is also probable that at least some of the actions of the ISO had an impact over the summer. According to an analysis in the Los Angeles Times, the ISO has the responsibility for making sure there is enough electricity to meet demand (which it was clearly hard pressed to do). Therefore it took on the responsibility of “stimulating development of generation resources” directly – something never anticipated in the deregulation separation of functions. Whether these “peaking” plants are cost effective when they come into use during tight energy needs remains to be seen. The ISO committed to paying $255 million a year for the right to allocate emergency power from them to the grid for up to 500 hours each summer. These costs must be borne by someone. The PUC forbids the utilities from passing them along to consumers (under an agreement that caps consumer bills now until the freeze ends, or March 2002 – whenever the utilities have paid off the stranded costs from the 1970s investment). This issue will remain
highly controversial and potentially quite unstable. Already PG&E in Northern California and Southern California Edison have petitioned the PUC for relief from the cap.4

Another complication is the fact that the price of natural gas is also rising dramatically. Even though California does not face the harsh winters endured in the gas-dependent Northeast, the increase there will affect the availability here. Deregulation looms large in the gas industry as well, although the shock to their system of generation, transmission and delivery will not be quite as dramatic because it is not quite as vertically organized as electricity. There has been something of a separation of functions for some time.

San Diego’s anger is still hot. There has been talk of going public, and Senator Peace advised residents to tear up their electric bills. Everyone is alert to the fact that there are more shortages to come because of expected growth, and possibly, because of climate instability related to global warming. There are alternatives, including greater energy efficiency, the development of renewable energy, and so on, but they are long-term solutions. As Freeman puts it, “The old order sputtereth, and a new system may come into being.” Smooth and dependable power is essential to the state’s economy. The ISO established to allocate energy in the state on a grid could be abandoned altogether. And if it were, the basic assumptions underlying security in deregulation would be seriously undermined.

Existing energy generating companies do not have the incentives to build new plants now because they are making a fortune, according to several observers. One solution may be to go back to price controls, which would require the PUC to at least get the wholesale price back down to a cost basis. But there are fears that price caps could lead to shortages. Another approach would be to go along with the building of “peaking plants” that operate only when needed. The technology is there to do more, but it will take government action to engage it. Municipally-owned power companies have proposed another alternative that would return California to the pre-deregulation practice of linking wholesale prices to each generator’s actual cost of producing electricity. They would replace the Independent System Operator that runs the grid with a ratepayer-owned system to transmit electricity throughout the state.

The problem for state political leaders is that there is no middle ground. They could go back to cost-based price controls, possibly forever, or at least until there is some stability in the wholesale energy market. But a ceiling on prices could ruin the utilities. And if the ceiling is lifted under the present regime, the consumers could go broke. More elaborate pricing approaches have also been suggested.

Critics now argue that the state’s energy policy is to pray for good weather. That may not be sufficient when voters see such energy price disparities around the state. As one lobbyist not directly involved put it, “This is such a tricky problem because on the one hand, Davis can’t just bail out San Diego, and on the other hand, he can’t afford to have the utilities suffer as a result of decisions that he is making, even though it might be argued they brought this on themselves. And by the way ... we even have the little old ladies who are stockholders.”
In the short-term, there are provisions for the big business customers to pay into a fund to cover the costs of low-income ratepayers. The same sort of proposal is being made by the gas industry. But when the bill was introduced last year it was burdened with so many amendments even its supporters backed away. It will come up again in one form or another, possibly including a permanent cap on low-income rates.

Governor Davis was chief of staff to Governor Jerry Brown when voters adopted Prop 13 -- the sharp limit on property taxes -- in 1978. Any solution for electricity under this very careful middle-of-the-road governor will be equally complicated, and possibly equally controversial. As with Proposition 13, which was due in large measure to the rate of inflation, solution to the cost of energy is not entirely within the hands of California government. It is, however, where the pain will be expressed. Davis has signed some bills to ease the pain of increasing costs: expediting the permitting of new power plants, more conservation and energy efficiency encouragement, and the search for renewable sources of energy. It is likely, however, that the energy issue will be with us for some time to come.

OTHER DEVELOPING ISSUES

Communications

The entertainment and communications industry is heavily based in California and parts of it have become highly political in the past year with issues that are left unresolved in the coming year. One issue is violence in the media. There is growing political pressure to curtail what is generally recognized as a deteriorating situation vis-à-vis media representations of violence (from movies to local television news). Historically, the First Amendment to the U.S. Constitution has kept government at arms length. But the political pressure appears to be so great it may become an issue for state government with one side asking for restraints; the other for protections.

Another issue has to do with access to the Internet. Again, this is a public policy issue that primarily rests with the federal government, if it is a government issue at all. The Federal Communications Commission and the White House have both taken the position of waiting until it all settles out — but the battle is being fought very heavily at the state and local level. An indication of the seriousness and intensity of the fight is the fact that this issue was the largest source of lobbyist income at both state and local levels of government last year.

The question is sometimes phrased as “open access,” or as AT&T would put it, “forced access.” Generally, it has been AT&T and the large cable companies on one side versus the independent service providers, and PacBell among others on the other. If a cable company provides high speed access to the Internet, and it uses AOL — or whatever service provider it wants — as its default provider, will it charge customers more money to enable them to use another provider?
Cable companies have said that since they invested the resources to lay cable to customer homes, they should be able to charge extra for other service providers, at least for the first few years. Their opponents argue it is an undue burden on their customers and likely to put them out of business. People become accustomed to one provider and the technology will doubtless be entirely different by the time AT&T is willing to allow free access. AT&T has won several very expensive court battles, but the rewards are so great the opposition is not likely to give up easily.

The reason the issue is potentially local has to do with cable franchises that are licensed by local governments. In some respects, the intensity surrounding this issue has been missed at the federal level because politicians there have not paid much attention to the local lobbying. Their position has been that they will wait for the matter to work itself out. By the time that happens, however, new franchise contracts will be negotiated, and the issue will likely be resolved, but not to the advantage of independent service providers. And by that time, it is also likely that wireless technology will make much of this issue moot. But both sides are watching closely. There is no real truce on this front.

Another aspect of the Internet that garners state and local attention has to do with the sales tax. The current federal government policy of a tax-free Internet ignores the fact that the most controllable local tax (at least in California) is the sales tax. With more and more users doing their buying on line, there is a serious problem for the local government. It is an extraordinarily complicated issue likely to bedevil local and state politics for some time to come given the international nature of the web. But conventional retailers are disadvantaged if their sales are taxed, but web sales are not.

**Transportation**

There are two developments in transportation relative to Southern California that will reach public attention in 2001. One is the Maglev Deployment Program of the U.S. Department of Transportation. Only SCAG, the Southern California Association of Governments, the regional transportation planner for 5 of the 6 Southern California counties (not including San Diego), has applied for funds from this program. The idea would be to employ this new technology in trains to link the region, particularly its airports. It would be a very high speed rail line. However, the technology has never been proven. A Maglev train would levitate above its right-of-way through magnetic repulsion, thus reducing friction. Japan is beginning to experiment with Maglev technology. But California planners continue pressing for some solution to a transportation planning problem that requires residents to approve new roads, which they are increasingly loathe to do.

A second proposal that warrants attention is another proposal of Steve Peace to create a regional transportation planning agency in San Diego. A structure signed into law by Governor Davis, provides for an 11-member San Diego Regional Government Efficiency Commission, assuming it gets voter approval. Five members would be appointed by the governor; the others would represent the existing transportation agencies in San Diego County. If the agency succeeds, it will be a model for the rest of California in its capacity to make regional decisions because it will have land-use decision authority that are now left to local cities and counties.
Those who support the proposal recognize the critical issue an integrated transportation system will play in the growth and development of the region. The question will be – as it always is when regionalism is recognized as an important factor in growth – do the residents really want it. And will local authorities really cede their authority to someone else.

Water

And finally, there is water, not a new issue but one that never seems to be resolved. There is the perennial question of its distribution (with most of it coming from Northern California, quenching the thirst of the far more populated Southern California, with major stop-offs at agriculture in between). And there are questions about water safety in response to a popular movie based on the true story of Erin Brockovich. Brockovich was a legal assistant who uncovered the dangers of chromium 6 in the drinking water of a small California town. There are suits and threats of suits all over the state on that and other safety issues.

The relationship of water to growth has always been at least tacitly understood. But for the first time in recent memory, a judge held up a major development – the Newhall Ranch proposal in Ventura County – until it could prove it had enough water to supply the needs of the expected new residents. It was a great victory for environmentalists who have been fighting the Newhall development for years. However, the division between the have and have-nots in California is very likely to be fought out over such issues in the 21st Century, particularly if the division also reflects an ethnic or racial divide. Growth and lower housing costs are issues that potentially appeal to low-income voters. Environmental issues resonate more with those of higher incomes. And therein lies the state’s major political policy challenge.

Endnotes

1 Message from Governor Gray Davis to the State Senate announcing that he was returning SB 1637 unsigned. SB1637 was a proposal to cap local agencies’ contribution to the Educational Revenue Augmentation. September 30, 2000.

2 Talk at the Center for Governmental and Policy Studies, October 25, 2000.


4 Ibid.