

Date of Hearing: April 24, 2024

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Juan Carrillo, Chair

AB 2986 (Wendy Carrillo) – As Amended March 21, 2024

SUBJECT: Local Agency Formation Commission for the County of Los Angeles: East Los Angeles Task Force.

SUMMARY: Requires the Los Angeles Local Agency Formation Commission (LA LAFCO) to establish the East Los Angeles (East LA) Task Force to identify and evaluate potential impacts of incorporation of, or the establishment of special districts within, East LA. Specifically, **this bill:**

- 1) Requires the LA LAFCO to establish the East LA Task Force for the purposes of identifying and evaluating the potential impact of incorporation of, or the establishment of special districts within, East LA.
- 2) Specifies that the task force shall be composed of 11 members appointed by LA LAFCO in consultation with Los Angeles County (LA County).
- 3) Requires the LA LAFCO to issue a solicitation of interest throughout the East LA community and select the representatives to be part of the task force.
- 4) Provides that the task force shall meet quarterly, incorporating robust community engagement, to discuss the potential impacts of incorporation or the establishment of special districts in East LA, including, but not limited to, fiscal impacts, governance structure, public services, community identity, and local control.
- 5) Requires, by December 1, 2026, the task force to complete and submit a report to the Legislature, as specified, on the potential impacts of city and special district incorporation in East LA, including an analysis of advantages, disadvantages, and recommendations for future actions.
- 6) Specifies that the task force shall ensure the report required to be submitted pursuant to 5) above, includes comprehensive community input and engagement.
- 7) Provides that, upon completing its duties, the task force shall cease to exist.
- 8) Specifies that nothing in this bill shall be construed to limit or affect the ability of LA LAFCO or any local jurisdiction's authority or ability to consider or approve proposals for incorporation or the establishment of special districts, as specified.
- 9) Defines "East LA" as the unincorporated area situated within LA County that is designated as East LA by the United States Census Bureau in the most recent decennial census.
- 10) Provides that this bill shall remain in effect only until January 1, 2027, and as of that date is repealed.

- 11) Finds and declares that a special statute is necessary and that a general statute cannot be made applicable because of the unique circumstances surrounding the potential incorporation of East LA.
- 12) Contains additional findings and declarations to support its purposes.
- 13) Provides that if the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made.

FISCAL EFFECT: This bill is keyed fiscal and contains a state mandated local program.

COMMENTS:

- 1) **Bill Summary.** This bill requires the LA LAFCO to establish the East LA Task Force for the purposes of identifying and evaluating the potential impacts of incorporation of, or the establishment of special districts within, East LA. This bill specifies that the task force must have 11 members appointed by the LA LAFCO with representative from throughout East LA. This bill also requires the taskforce to meet quarterly, and it must submit a report to the Legislature by December 1, 2026. Upon completing its specified duties, the task force must cease to exist. This bill is sponsored by the author.
- 2) **Author's Statement.** According to the author, "AB 2986 will establish an East Los Angeles Task Force, bringing together a diverse set of stakeholders to study potential improvements to governance structures and facilitate community participation in East Los Angeles. East Los Angeles has long been recognized for its vibrant community of cultural significance. Incorporation or the establishment of special districts could provide East Los Angeles with a greater ability to address local needs, improve public services, and enhance community development and engagement. However, the potential impacts of these changes, including the fiscal, governmental, and community effects, require thorough examination to ensure that the interests of East Los Angeles residents are fully considered and protected. Therefore, this Task Force will explore the implications and feasibility of incorporating East Los Angeles as a city or establishing a special district."
- 3) **Local Government Boundaries.** The Legislature has the authority to create, dissolve, or otherwise modify the boundaries and services of local governments. Beginning in 1963, the Legislature delegated the ongoing responsibility to control the boundaries of cities, county service areas, and most special districts to LAFCOs in each county. The responsibilities and authority of LAFCOs have been modified in subsequent legislation, including a major revision of the LAFCO statutes in the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 [AB 2838 (Hertzberg), Chapter 761, Statutes of 2000]. The courts often refer to LAFCOs as the Legislature's watchdog over boundary changes.

Local governments can only exercise their powers and provide services where LAFCO allows them to. LAFCOs' boundary decisions must be consistent with spheres of influence (SOIs) that LAFCOs adopt to show the future boundaries and service areas of the cities and special districts. Before LAFCOs can adopt their SOIs, they must prepare Municipal Service Reviews (MSRs) which analyze population growth, public facilities, and service demands. LAFCOs may also conduct special studies of local governments.

Most boundary changes begin when a city or special district applies to a LAFCO, or when registered voters or landowners file petitions with a LAFCO. In limited circumstances, LAFCOs can initiate some special district boundary changes: consolidations, dissolutions, mergers, subsidiary districts, or reorganizations. Boundary changes generally require four (sometimes five) steps:

- a) First, there must be a completed application to LAFCO, including a petition or resolution, an environmental review document, an agreement on how property taxes will be transferred, and a plan for services that describes what services will be provided at what level and how those services will be financed.
- b) Second, LAFCO must hold a noticed public hearing, take testimony, and may approve the proposed reorganization. The LAFCO may impose terms and conditions that spell out what happens to the assets and liabilities of affected local agencies. If LAFCO disapproves, the proposed reorganization stops.
- c) Third, LAFCO must hold another public hearing to count written protests in order to determine whether an election is needed. Although there are many exceptions, in most cases an election is required if 25% of the voters in a district, or voters representing 25% of the assessed value of land, submit written protests. In nearly all cases, if a majority of voters or landowners protest, the reorganization also stops.
- d) Fourth, if an election is required, it occurs among the affected voters, requiring majority voter approval.
- e) Finally, LAFCO's staff files formal documents to complete the reorganization.

Formations of special districts are generally conducted as authorized in the principal act of the special district, except that the LAFCO typically serves as the conducting authority. If a change of organization consists of an incorporation, the LAFCO must order the change of organization subject to confirmation of the voters. A protest proceeding must not be conducted.

- 4) **Incorporations.** City incorporations have a specific process in order to be initiated and the LAFCO must make findings in order to approve a proposal that includes an incorporation. LAFCO law requires a petition for the incorporation of a city to include the signatures of not less than 25% of the registered voters residing in the area to be incorporated or not less than 25% of the number of landowners within the territory proposed to be incorporated who also own not less than 25% of the assessed value of land within the same territory. Any affected local agency in the area proposed for incorporation may also become the applicant by adopting a Resolution of Application. For any proposal that includes an incorporation, the executive officer of the LAFCO must prepare a comprehensive fiscal analysis. The analysis shall review and document each of the following:
 - a) The costs to the proposed city of providing public services and facilities during the three fiscal years following incorporation, as specified.
 - b) The revenues of the proposed city during the three fiscal years following incorporation.

- c) The effects on the costs and revenues of any affected local agency during the three fiscal years of incorporation.
- d) Any other information and analysis needed to make findings, as specified.

For any proposal that includes an incorporation, the executive officer of the LAFCO shall, at the request of an interested party, and prior to issuing the report and recommendation, request the Controller to review the comprehensive fiscal analysis. LAFCO law also requires the commission to not approve or conditionally approve any proposal that includes an incorporation, unless the LAFCO finds, based on the entire record, that:

- e) The proposed incorporation is consistent with LAFCO law, including, but not limited to, specified policies.
 - f) It has reviewed the spheres of influence of the affected local agencies and the incorporation is consistent with those spheres of influence.
 - g) It has reviewed the comprehensive fiscal analysis and the Controller's report.
 - h) It has reviewed the executive officer's report and recommendation and the testimony presented at its public hearing.
 - i) The proposed city is expected to receive revenues sufficient to provide public services and facilities and a reasonable reserve during the three fiscal years following incorporation.
- 5) **East Los Angeles.** East LA is an unincorporated area situated within LA County. United State Census Bureau data from the 2020 decennial census shows that East LA has a population of 118,786, approximately 95.5% of whom are Hispanic or Latino. According to the LA LAFCO, incorporation of East LA has been attempted since 1961. The most recent incorporation attempt was in 2012 and was denied by the LA LAFCO.
- 6) **Policy Consideration.** LAFCO law dictates how LAFCOs are funded. Existing law requires LAFCOs to adopt annually, following noticed public hearings, a proposed budget by May 1 and final budget by June 15. LAFCOs are funded by the cities, counties, and, in 30 counties, special districts. The LA LAFCO notes that the bill's requirements are an unfunded mandate and would cost an estimated \$750,000 to implement. LA LAFCO's adopted 2023-2024 budget is approximately \$1.6 million. In light of the estimated costs to implement this bill, the Committee may wish to consider if funding should be provided to the LAFCOs in order to conduct the study required by this bill.
- 7) **Author Amendments.** Due to time constraints, the Author has requested that the Committee adopt the following amendments:

56387. (a) ~~The~~ Upon an appropriation by the Legislature pursuant to Subdivision (f), the Local Agency Formation Commission for the County of Los Angeles (LALAFCO) shall establish the East Los Angeles Task Force for the purposes of identifying and evaluating the potential impacts of incorporation of, or the establishment of special districts within, East Los Angeles.

(b) (1) The task force shall be composed of 11 members appointed by LALAFCO in consultation with the County of Los Angeles.

(2) The LALAFCO shall issue a solicitation of interest throughout the East Los Angeles community and select the representatives to be part of the task force pursuant to paragraph (1).

(c) (1) The task force shall meet quarterly, incorporating robust community engagement, to discuss the potential impacts of incorporation or the establishment of special districts in East Los Angeles, including, but not limited to, fiscal impacts, governance structure, public services, community identity, and local control.

(2) ~~By December 1, 2026, the deadline described in subdivision (g),~~ the task force shall complete and submit a report to the Legislature, in compliance with Section 9795 of the Government Code, on the potential impacts of city and special district incorporation in East Los Angeles, including an analysis of advantages, disadvantages, and recommendations for future actions.

(3) The task force shall ensure the report required to be submitted pursuant to paragraph (2) includes comprehensive community input and engagement.

~~(d) Upon completing its duties required under subdivision (c), the task force shall cease to exist.~~

~~(e)~~

(d) Nothing in this section shall be construed to limit or affect the ability of LALAFCO or any local jurisdiction's authority or ability to consider or approve proposals for incorporation or the establishment of special districts in accordance with this division.

~~(f)~~

(e) For purposes of this section:

(1) "East Los Angeles" means the unincorporated area situated within the County of Los Angeles that is designated as East Los Angeles by the United States Census Bureau in the most recent decennial census.

(2) "LALAFCO" means the Local Agency Formation Commission for the County of Los Angeles.

~~(g) This section shall remain in effect only until January 1, 2027, and as of that date is repealed.~~

(f) The creation of task force described in subdivision (a) shall be contingent upon an appropriation by the Legislature in an amount sufficient to reimburse the LALAFCO for its costs to implement this section.

(g) (1) The report described in subdivision (c) shall be submitted to the Legislature no later than 18 months after receipt of funds from the Legislature pursuant to subdivision

(f).

(2) Upon completing its duties required under subdivision (c), the task force shall cease to exist.

(3) This section shall become inoperative upon the completion and submission of its report to the Legislature pursuant to subdivision (c).

- 8) **Arguments in Support.** An individual writing in support states that, "East L.A., as an unincorporated community, has limited influence over planning and economic development, public services, and public dollars. Incorporation can provide community control over these and other vital issues facing East L.A., including enhancing the ability to attract and retain local businesses and strengthen East L.A.'s voice in County decision-making. There have been unsuccessful attempts to incorporate East L.A. During this time, several of East L.A.'s surrounding communities were incorporated.

“Several of East L.A.’s institutions were severed from the community by the incorporation of neighboring cities, including Commerce Center on Whittier Boulevard and East Los Angeles Community College. Moreover, East L.A.’s most recent attempt at incorporation was negatively affected by SB 89 (2011), which took away about \$200 million in funds previously allocated to cities through the State’s Vehicle Licensing Fee (VLF). While California provided other communities that had recently incorporated the needed revenue to avoid a shortfall, California needs to reconcile how the VLF cut hampered the incorporation of East L.A., which was in the middle of its incorporation effort.”

9) **Arguments in Opposition.** According to the LA LAFCO, “LAFCO respectfully raises the following concerns about AB 2986:

- **Cost:** The effort would require a substantial commitment of time, resources, and costs for staff (estimated at \$100,000) and legal counsel (estimated at \$200,000); LAFCO would need to hire a financial consultant (estimated at \$300,000); and there are additional costs for public outreach, notice, and documentation (estimated at \$150,000). (NOTE: Separate from LAFCO’s costs, AB 2986 would require that Los Angeles County incur significant costs to provide comprehensive financial data solicited from all County departments for LAFCO to analyze).
- **Funding:** Because AB 2986 provides no funding for its implementation, the bill is an unfunded mandate placed upon LAFCO, and one which could only be financed by increasing annual assessments on the County of Los Angeles, the eighty-eight (88) cities in Los Angeles County, and the fifty-one (51) independent special districts in Los Angeles County.
- **Diversion of Resources:** The effort would divert staff and legal resources from addressing an existing backlog of proposal (applications), as well as the start of a five-year process to draft MSRs and SOI Updates for 72 cities and 65 special districts.
- **Outcome:** This would be the fourth time a proposal to incorporate East Los Angeles has been filed with LAFCO: two were defeated by the voters (1961 and 1975), one did not garner the required number of petition signatures (1963), and one was denied by the Commission (2012). The 2012 proposal documented that a new City of East Los Angeles would not be economically viable, as the new city would face a shortfall of \$19 million its first year. There is no evidence available now to demonstrate that a future cityhood effort would yield a different outcome.
- **Stakeholder Interest:** Since the denial of cityhood incorporation for East Los Angeles in 2012, no East Los Angeles stakeholder has contacted LAFCO about a potential city incorporation.

“For the reasons stated herein, LA LAFCO oppose AB 2986.”

REGISTERED SUPPORT / OPPOSITION:

Support

5 Individuals

Opposition

Los Angeles County

Los Angeles LAFCO

18 Individuals

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