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TOBACCO FUNDS SPENT ON TRAVEL INSTEAD OF CHILDREN

BYLINE: By Troy Anderson Staff Writer

BODY:

Six years after actor-director Rob Reiner won voter approval for a 50- cent-a-pack cigarette tax, millions of dollars raised by the measure in Los Angeles County have been spent on travel and administration but the universal preschool program it was supposed to fund has yet to get up and running.

The First 5 Los Angeles commission and its preschool program - touted as critical to giving tens of thousands of the poor, immigrant and minority 4-year-olds a jump-start toward a good education - has foundered over poor planning, political infighting and conflicts of interest.

A recent state audit found the commission had only spent 15 percent of its funds. Since its creation in 1999, the commission has received \$820 million in tobacco tax revenues. Similar problems have arisen elsewhere in the state in managing the \$3.4 billion the proposition has raised.

`` It was clear from the beginning that Proposition 10 was deeply flawed because it put billions of dollars of spending authority in the hands of people who are not elected," said Larry McCarthy, president of the California Taxpayers' Association.

`` Unfortunately, it is easy to predict that the program is set up to create more problems for taxpayers in the future. From a taxpayer standpoint, Proposition 10 created a new wing of the spending lobby. There are now 58 county commissions that will have a declining revenue source and a spending constituency that sounds like motherhood and apple pie."

The current situation is viewed as very significant by policy experts because it involves billions of dollars generated by a ballot measure spearheaded by a popular Hollywood celebrity. Critics say failure to carry out the promises made to voters could harm the credibility of future celebrity-driven ballot measures and calls for tax increases to fund even popular programs.

Ralph Rossum, director of the Rose Institute of State and Local Government at Claremont McKenna College, said the proposition is another example of the problems with `` ballot budgeting."

`` One would hope it would make the public cautious against continuing to vote approval of things that on the surface seem to be very attractive and have a feel-good dimension to them, but which simply raise taxes on

other people, which in this case is the generally less-affluent smoking population."

After years of confusion and a recent spate of mass resignations of many prominent members of the commission's Los Angeles Universal Preschool Board, officials said they are now hopeful the preschool program - originally set to launch in September - can start in the spring.

"They just hired an executive director (Oct. 26)," First 5 Los Angeles commission spokesman Victor Abalos said. "They've got the ball rolling. They are going to start opening sites in the spring."

Efforts to reach Reiner directly for comment were unsuccessful. A spokesperson said he was busy working on a new film and unavailable.

The resignations of five members of the board of LA-UP - the newly created First 5 L.A. sub-agency that controls how \$600 million will be spent on preschool educations in the next five years - has thrown two years of planning into disarray.

The members resigned because they were "uncomfortable" filing state-mandated conflict of interest statements, disclosing their income and assets, said First 5 L.A. Chair Dr. Neal Kaufman, a pediatrics director at Cedars-Sinai Medical Center.

"That is what they publicly stated as the reason why they chose not to serve on the board," Kaufman said.

Those who resigned from the LA-UP board included child advocate Nancy Daly Riordan, wife of state Secretary of Education Richard Riordan; businessman William Siart, former chairman and chief executive officer of First Interstate Bancorp; Beverly Hills philanthropist Wallis Annenberg, daughter of the late billionaire publishing magnate; Donald Tang, vice chairman of Bear Stearns & Co.; and Vilma Martinez, a civil-rights activist and senior partner at the law firm Munger, Tolles & Olsen.

Nancy Daly Riordan, who co-chaired the advisory committee with Los Angeles mayoral candidate Robert Hertzberg in putting together the universal preschool plan in August 2002, said business leaders originally envisioned the board as a private nonprofit. But it later became clear it would operate as a public entity spending large amounts of taxpayer dollars.

"I think more than anything that people on the board then decided that their expertise really wasn't needed to the extent it was originally thought," Riordan said.

"The fact is it may take a little longer than we originally anticipated, but I don't think anybody could have anticipated how challenging this was going to be. This has never been done anywhere else in the country."

The resignations follow a brouhaha last summer when the Board of Supervisors and Reiner engaged in weeks of infighting over who would serve on the board. The supervisors sought greater control over the program while Reiner worked to limit county interference.

In a compromise deal, the supervisors were able to each appoint a representative on Aug. 12 to the 13-member LA-UP board, including Siart, who has since resigned.

Of the commissions in Los Angeles, San Diego, Kern, El Dorado and Santa Clara counties, a state audit released in July found they had spent as little as 15 percent in Los Angeles County to as much as 67 percent in El Dorado County on various early childhood development programs, noting that many maintained "significant fund balances" as of June 30, 2003. First 5 L.A. had a surplus of \$630 million at that time.

Auditors criticized First 5 L.A. for how much it spends on administration - 9 percent of its revenues - and on travel. They noted the commission spent more on travel - \$70,423 in 2002-03 - than other counties' commissions and has no maximum on lodging expenses.

In terms of administrative costs as a percentage of total expenses, First 5 L.A. spent 21 percent - second only to 32 percent in Santa Clara County.

"Clearly, they have no sensitivity to the efficient use of taxpayer dollars," said Jon Coupal, president of the Howard Jarvis Taxpayers Association. "Whenever there are these feel-good programs like the tobacco tax program, you can bet your last cigarette that the money will not be spent wisely."

Auditors also found that upon identification of a potential conflict with several of its commissioners, the commission circulated a memo informing other commissioners of the potential conflict.

`` Commissioners with the potential conflict then recused themselves from participating in the decision-making process," auditors wrote.

The audit found many of the 58 commissions statewide lack adequate contracting practices and should do a better job of collecting data on the programs they fund to ensure they are truly helping children.

`` Lacking data on program outcomes, the commissions cannot yet tell whether funded projects have had a positive impact," auditors wrote. `` The state commission's research director estimated that it will be another two years before enough data will have been collected to report usable performance outcomes."

The innovative preschool program in the county would help many of the county's 153,000 4-year-olds attend preschool - only 50 percent of which are enrolled today.

Low-income families would be able to send their children to preschool for free and would be able to use a five-star quality rating system to help them choose the best preschool. Officials are discussing what more affluent families may be charged and are considering a sliding-scale fee system. The program is also expected to provide training to hundreds of `` well-compensated" preschool teachers.

Reiner's proposition was based on research that found nearly 90 percent of brain development occurs before age 4. Proponents say more than \$10 is saved in government costs for crime, welfare and special education for every \$1 spent on early education.

Rafael Gonzalez, vice-chair of LA-UP, said officials are working to find new members for the board. The new LA-UP executive director, Graciela Italiano-Thomas, will start in December. She recently concluded seven years as chief executive officer of Centro de la Familia de Utah. She holds an Ed.D. from Pepperdine University.

`` It may seem like it's taking a long time, but the fact is we have this great 10-year plan to ensure at the end of the day our children are going to receive high-quality educations," Gonzalez said.

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WHERE MONEY WOULD GO

First 5 Los Angeles, which takes in \$134 million annually, has earmarked money for the following local programs:

--\$100 million for universal preschool.

--\$100 million for Healthy Kids health insurance for those ineligible for Medi-Cal or Healthy Families programs.

--\$50 million for child abuse prevention.

--\$263 million on a variety of program grants for child-care provider education, parent education packages and home visitations, school readiness, family literacy projects and First 5 L.A. Connect, a telephone help-line service.

INFORMATION

By calling (888) FIRST5-LA - (888) 347-7855 - parents can get help and referrals for a variety of parenting issues, including free or low-cost preschool, prenatal care, health insurance, child care, vaccinations, nutrition and much more. More information is also available at dailynews.com.

GRAPHIC: 2 boxes

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