

# PRIORITY FOCUS



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## CHANGES TO PROP. 42 FORMULA FUNDING BEING DISCUSSED

Earlier this week, the Assembly Budget Subcommittee #5 discussed and passed out a proposal to change the Proposition 42 transportation funding formula. Under the proposed formula, the allocation would change to 35 percent for transit, 30 percent for cities and counties (divided evenly) and 35 percent for the State Transportation Improvement Program (STIP).  
*For more, see Page 2.*



## EMINENT DOMAIN REFORM PACKAGE INTRODUCED Legislation Would Ensure Protections for Homeowners and Small Businesses

Californians for Eminent Domain Reform, a broad coalition of homeowner groups, small business representatives and labor, environmental, community and ethnic organizations, unveiled a package of eminent domain reforms earlier this week at a press conference in Sacramento.

Authored by Assembly Member Hector De La Torre, D-Southgate, the package has the support of the League of California Cities board of directors, and includes both a constitutional amendment (ACA 8) and a companion statutory measure (AB 887 – soon to be amended). The legislation is aimed at ensuring homeowners and small businesses are given strong protections against eminent domain. *For more, see Page 2.*



## SB 303 AMENDED, LEAGUE STILL OPPOSED

SB 303 (Ducheny), a bill with major land use implications for local government, was significantly amended in the Senate Environmental Quality Committee recently. Although the amendments addressed a number of changes sought by the League of California Cities, several critical issues remain. As a result, the League remains opposed to the measure. *For more, see Page 3.*

**'Prop. 42' Continued from Page 1...**

There are a number of concerns for cities with the proposal. Most notably, the reduction of the cities' allocation of Prop. 42 funds from 20 percent to 15 percent. Eighty-three percent of the state's population lives in cities. Significant growth, leads to wear and tear on streets and roads, so changing the percentage of funds would be an overwhelming burden on cities' roadways and infrastructure.

The new proposal bases the changes on increased "spillover" funds. Supporters argue that the proposal would capture these funds and put them into Prop. 42, thus increasing the amount of funding cities receive, despite the decrease in percentage. (For a detailed explanation of "spillover" funds see ["The 'Spillover' from the Sales Tax on Gasoline"](http://www.CaliforniaCityFinance.com) on [www.CaliforniaCityFinance.com](http://www.CaliforniaCityFinance.com).)

A key sticking point, however, is that projections have only been done for three years and spillover funds are subject to numerous changes. This would make any alteration of the funding formula a risky proposition for cities, because there is no guarantee that cities would be allocated a consistent amount of money.

The League of California Cities testified in opposition of the proposed shift during the meeting. Asms. Lois Wolk and Laura Richardson also voiced their concerns over changing the existing formula. While the item passed out of the committee, it did so with a commitment from Assembly Speaker Fabian Nunez to meet with stakeholders about the issue.

**Next Steps**

The proposal to alter Prop. 42 formula funding will likely be heard by the Joint Senate Assembly Budget Conference Committee next week. The League will continue to meet with other transportation stakeholders. Stay tuned to *Priority Focus* for updates on this issue as information becomes available.

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**'Eminent Domain' Continued from Page 1...**

A number of speakers from the coalition joined De La Torre at the press conference announcing the measure. Those delivering remarks included League First Vice President Jim Madaffer; Ken Willis, president, League of California Homeowners; Betty Jo Toccoli, president, California Small Business Association; Frank Moreno, president, State of California Mexican American Chamber of Commerce; Tom Adams, board chair, California League of Conservation Voters and Robert L. Balgenorth, president, State Building and Construction Trades Council of California.

Assembly Constitutional Amendment (ACA) 8 would prohibit the use of eminent domain to take an owner-occupied home to convey to another private party and new restrictions on the taking of small business properties for conveyance to private parties.

ACA 8 intended for the 2008 ballot. If placed on the ballot and approved by the voters, the constitutional amendment would:

- Prohibit the state or local governments from using eminent domain to acquire an owner-occupied home (including townhomes and condos) for transfer to another private party
- Prohibit government from using eminent domain to acquire a small business to transfer to another private party, except as part of a comprehensive plan to eliminate blight and only after the small business owner is first given the opportunity to participate in the revitalization plan
- Require state or local governments that used eminent domain on a home or small business property give the original owner a right to repurchase the property if the property isn't used for a public use

If passed, AB 887 would provide enhanced protections for small business owners confronted with eminent domain. The measure includes the following key provisions:

- If a small business does not participate in the revitalization plan it, can choose between relocating or receiving the value of the business. If the small business relocates, it will receive fair market value of the real property (if owned by the small business); plus all reasonable moving expenses; plus expenses to re-establish the business at a new location, up to \$50,000; plus compensation for the increased cost of rent or mortgage payments for up to three years
- If the small business does not relocate and is bought out, it will receive fair market value of the real property (if owned by the small business) and 125 percent of the value of the business if the business could not have been relocated and remain economically viable

Californians for Eminent Domain Reform, the coalition introducing the measure, includes the following members (list current as of May 21):

- League of California Homeowners
- Small Business Action Committee
- California Small Business Association
- California Mexican-American Chamber of Commerce
- State Building & Construction Trades Council of California
- California League of Conservation Voters
- League of California Cities
- California State Association of Counties
- California Redevelopment Association
- California Business Properties Association

For more information on the coalition, visit [www.eminentdomainreform.com](http://www.eminentdomainreform.com). Further updates on the eminent domain reform issue will be reported in *Priority Focus* as information becomes available.

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**'SB 303' Continued from Page 1...**

Recent amendments included the elimination of both the super majority vote requirement to change zoning on a project and the narrowed definition of "health and safety." The Senate Environmental Quality Committee, however, was concerned that the effect of the bill would be to raise the housing element to a higher level within the general plan than any other element.

Several environmental organizations had argued for "parity" for the open space elements – essentially seeking the same certainty for nondevelopment of habitat and farmlands that developers were seeking for the development of areas zoned for housing.

After hearing from a number of organizations on the measure, the Senate Environmental Quality Committee added new requirements to the open space element that mirrored the requirements for the housing element. Under the amendments, local agencies would have to update their open space element every five years and submit it to the Department of Resources for a determination that it was in substantial compliance with state law.

### **Ducheny Visits with the League's Board of Directors**

Sen. Ducheny spoke to the League's board of directors on SB 303 at the organization's board meeting in Sacramento last week. The senator explained that she was concerned about infill issues and finding a solution to California's housing problems. Several board members described specific concerns about the housing element process.

In the end, the League believes both sides understood the other just a little more, and the League appreciates the effort Sen. Ducheny made to reach out to the League.

SB 303 will next be heard in the Senate Appropriations Committee, on Tuesday, May 29. It's difficult to predict what will happen with the bill. There is a good chance that it will move to the suspense file, since the measure has significant cost impacts that have not yet been addressed, but that outcome is far from certain at this point.

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### **Prop. 1B Update: Assembly and Senate Budget Subcommittees Differ on Funding Allocation Recommendations**

The Assembly and Senate Budget Subcommittees on Transportation met this week to make their recommendations for the allocation of the \$2 billion included in Proposition 1B for cities and counties (split evenly at \$1 billion each). While the League of California Cities is advocating for the full \$1 billion to cities in FY 2007-08, both subcommittees had very different recommendations.

The Senate recommendation was to provide \$400 million split evenly between cities and counties. This represents just 20 percent of cities' guaranteed allocation. The Assembly recommendation was consistent with the Governor's May Budget Revision, which proposed an allocation of \$600 million, split evenly between cities and counties.

Because the subcommittees disagree, the issue was referred to the Joint Budget Conference Committee (comprised of members of both Assembly and Senate subcommittees), to reconcile the differences on the allocation question. The Joint Budget Conference Committee is tentatively scheduled to begin deliberations on Friday, June 1.

The League continues to advocate that cities have projects ready to go. Accelerating payments to cities to fund these projects will meet the goals of both the Governor and legislative leadership. It also keeps faith with the voters by delivering much needed transportation improvements to every community in California.

Any delay in receiving bond funds will result in project delays. Additionally, minimizing appropriations levels will likely lessen the purchasing power of the bonds and it will limit the ability to construct many mid and large-size projects.

#### **Take Action!**

The League is asking cities to contact the Governor's office to request the full \$1 billion appropriation in FY 2007-08. A sample letter is located at [www.cacities.org/infrastructure](http://www.cacities.org/infrastructure).

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### **Federal Update: Rep. Albert Wynn Introduces H.R. 2447 - the Energy and Environment Block Grant Act of 2007**

H.R. 2447, the "Energy and Environment Block Grant Act of 2007," was introduced this week by Representative Albert Wynn, D-Md. This bill supports the efforts of cities, counties and states to curb greenhouse gas emissions with critical funding to help increase energy efficiency and reduce energy consumption.

The League has sent in a letter of support to the House and Energy and Commerce Committee urging co-sponsorship of Wynn. This legislation is based on the U.S. Conference of Mayor's (USCM) priority recommendation in the USCM 10 Point Plan: Strong Cities, Strong Families for a Strong America.

H.R. 2447 proposes the following:

- Establishment of an Energy and Environment Block Grant program at the Department of Energy, patterned after HUD's successful Community Development Block Grant
- Building upon successful local and state efforts to help U.S. increase energy efficiency and reduce energy use to curb greenhouse gases

- Emphasizing a bottom-up, community-based approach to help the nation meet its energy and climate protection goals

#### **Key Elements:**

Secretary of Energy allocates funds directly to cities, counties and states for:

- One-time seed money (100 percent federal funding) to support the development of an energy efficiency and climate protection strategy
- Subsequent annual funding (100 percent federal funding) to support actions and programs that reduce energy use and lower greenhouse gas emissions, as set forth in local and state strategies approved by the Secretary
- Cities of 50,000 or more, counties of 200,000 or more, and every state receives annual formula funding

#### **Allocation of Funds:**

- Legislation authorizes \$4 billion in FY 2008, rising to \$6 billion in FY 2012
- Seventy (70) percent of all funds are allocated to formula recipients (i.e. cities of 50,000 or more and counties of 200,000 or more in population)
- Thirty (30) percent of all funds allocated to the states, but each state must pass through at least 70 percent of share to non-formula eligible jurisdictions
- Formula funds to cities and counties are allocated based on population factors (i.e., 50 percent population, 50 percent daytime population) and to states based on population

H.R. 2447 also includes funding for expanding weatherization programs, adopting new energy efficient building codes, conducting energy audits, modernizing traffic lights and lighting, promoting alternative fuels and conservation, and expanding renewable energy sources.

For more information, contact Legislative Analyst Genevieve Morelos at [gmorelos@cacities.org](mailto:gmorelos@cacities.org).

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## **Department of Justice Seeks Applications for Byrne Grants**

### **Funds Could Help Bolster Public Safety Programs in Cities**

The U.S. Department of Justice, Office of Justice Programs' Bureau of Justice Assistance is now seeking applications for funding under the Edward Byrne Memorial Discretionary Grants Programs. Funds awarded under this program can be used by cities to help improve various public safety programs, including drug abuse and crime prevention.

Established in 2006, the Edward Byrne Memorial Discretionary Grants Program helps local communities improve the capacity of local justice systems. It also provides for national support efforts including training and technical assistance programs strategically targeted to address local needs.

The due date to apply for funding is June 25 at 8 p.m. EST. For more information on the program and how to register, visit [www.ojp.usdoj.gov/BJA](http://www.ojp.usdoj.gov/BJA). Scroll down to "Available Funding," and click on "[Edward Byrne Memorial Discretionary Grants Program](#)" to download a brochure.

Questions can also be e-mailed to [Byrne.Discretionary@usdoj.gov](mailto:Byrne.Discretionary@usdoj.gov).

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## Register Now Open for the League's Annual Conference!

### Annual Event Scheduled for September in Sacramento

League of California Cities  
2007 Annual Conference



September 5 - 8, 2007  
Sacramento Convention Center

Registration for the League of California Cities' 2007 annual conference is now open at [www.cacities.org/ac](http://www.cacities.org/ac). The conference will be held in Sacramento on Sept. 5-8.

There is a change in how you register for the conference and hotel rooms this year. All attendees **must** register for the conference first before a hotel room can be booked. Hotel rooms in Sacramento are extremely limited, so please take a moment now and ensure that you and the other individuals from your city are registered for the conference and have housing.

A tentative schedule for the annual conference is located at [www.cacities.org/ac](http://www.cacities.org/ac).

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### 3rd Annual Finance Leaders Summit Held in Sacramento

Leaders of government and nonprofit organizations concerned with local agency finance issues convened in Sacramento on May 17, for the 3rd Annual California Government Finance Leaders Summit.

Participants discussed a number of shared concerns and proposed activities, including:

- Promoting best practices for recruiting the next generation of local agency finance professionals
- Helping local agencies address the fiscal impact of funding public sector retiree health care and other non-pension benefits
- Surveying local agency finance professionals to identify priorities for training, education and professional development
- Developing a clearinghouse of legislative tracking resources

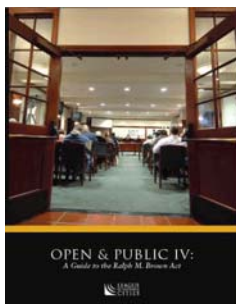
Updates on these activities will be posted on the Institute for Local Government's Web site, [www.ca-ilg.org](http://www.ca-ilg.org), as they occur.

The summit was hosted by the California Society of Municipal Finance Officers, the California Municipal Treasurers Association and the Institute for Local Government (ILG). ILG is the nonprofit research affiliate of the League of California Cities and the California State Association of Counties.

For more information, contact Charles Summerell at (916) 658-8259, or [summerc@ca-ilg.org](mailto:summerc@ca-ilg.org).

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### Open and Public IV Now Available



Open and Public IV: A Guide to the Ralph M. Brown Act has recently been updated. The publication explains the requirements of California's open meeting law in a way so that it is readily understood by local government officials, employees, the public and news media.

The new edition is available for purchase through CityBooks, the League of California Cities online bookstore at [www.cacities.org/citybooks](http://www.cacities.org/citybooks). For more information on how to order Open and Public IV, contact Ginarose Perino at [gperino@cacities.org](mailto:gperino@cacities.org).

## **Find a Bill, Legislators, Leg Committee, or Ask League Leg Staff**

Visit (and bookmark!) the League's [Legislative Resources](http://www.cacities.org/legresources) Web page ([www.cacities.org/legresources](http://www.cacities.org/legresources)). You'll find a roster and contact information for the League's legislative staff; the online Bill Search program, background materials on lobbying your legislators, and more.

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