

PRIORITY FOCUS



IN THIS ISSUE:

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Page 6: Pension Obligation Bond Program Could Save Over \$110 Million for Local Governments
Page 7: Find a Bill, Legislators, Leg Committee, or Ask League Leg Staff

LEAGUE FOCUSES ON INFRASTRUCTURE AND OTHER STRATEGIC GOALS AT LEGISLATIVE ACTION DAYS

The League of California Cities' Legislative Action Days took place on May 16-17 in Sacramento. More than 450 representatives from California cities attended the two-day event, which featured an update on legislative issues and time for lobbying at the State Capitol.
For more, see Page 2.

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GOVERNOR'S MAY BUDGET REVISION CONTINUES TO SUPPORT CITY PROGRAMS

On Monday, May 14, Gov. Arnold Schwarzenegger released his proposed May revision to the 2007-2008 state budget. The May Revise is positive for cities, with the budget funding a number of critical programs. *For more, see Page 4.*

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ASSEMBLY MAJORITY LEADER ADDRESSES THE LEAGUE OF CALIFORNIA CITIES' AFRICAN AMERICAN CAUCUS

California State Assembly Majority Leader Karen Bass visited with the League of California Cities' African American Caucus on May 16, prior to the League's annual Legislative Action Days event.

Assembly Member Bass met with the caucus to identify how and where local elected and appointed officials can assist in efforts to resolve problems the African American community faces statewide. *For more, see Page 6.*

'Legislative Action Days' Continued from Page 1...

The legislative briefings occurred at the Sheraton Grand Sacramento. League President Maria Alegira kicked off Legislative Action Days by welcoming everyone to Sacramento followed by Executive Director Chris McKenzie's update on the organization's strategic goals and priorities.

After these introductory remarks, a number of guest speakers from the Legislature spoke about issues of importance to local government, including infrastructure, housing and healthy communities.

Sen. Alex Padilla, the League's president in 2006, discussed SCR 31, an initiative declaring May as "Healthy Communities Awareness Month." The senator emphasized the importance of healthy living in California.

"What good is a sidewalk, or a park, unless someone is healthy," Padilla asked the assembled crowd of city officials.

Infrastructure was the hot topic at Legislative Action Days. Sens. Alan Lowenthal and Bob Dutton spoke on SB 286, a measure allocating funds for local street and road projects from Prop. 1B.



"We're going to get this money out the door," Lowenthal said, referring to the bond funding in Prop. 1B. "What we're pushing for [with SB 286] is at least \$1 billion out right away."

League President Maria Alegria and Executive Director Chris McKenzie echoed Sen. Lowenthal, stressing the importance of upholding the promise made to voters to put the bond money to work on projects throughout the state.

McKenzie reminded city officials in attendance to deliver that message to legislators during their individual meetings.

"Our message today is to have them keep the promise they made to the voters and release the \$1 billion to cities," he said. "It's what the voters expect."

Other members of the Legislature who spoke to the League included:

- Asm. Anna Caballero, chair, Assembly Local Government Committee
- Asm. John Laird, chair, Assembly Budget Committee
- Sen. Dick Ackerman, Senate Republican Leader
- Asm. Roger Niello, vice chair, Assembly Budget Committee



Honoring Efforts on Prop. 90

The League made a presentation to Sen. Christine Kehoe and Asm. Dave Jones, honoring them for their work on Prop. 90. The “taxpayer trap” eminent domain measure was defeated last November.

Specifically, the legislators were recognized for their help in raising awareness of how detrimental the measure would be for Californians and their help in fundraising. They received special resolutions to commemorate their efforts.



In the evening, the League hosted its Legislative Reception at the Sheraton. The reception highlighted what California cities are doing to promote healthy communities through parks, recreational programs and other means. In addition, Bill Mabie, chief of staff to Sen. Alex Padilla, made a presentation to acknowledge the 10th anniversary of the Cities, Counties and Schools (CCS) Partnership to Luan Rivera, chair of the partnership.

Transportation and Environmental Issues Highlight Day Two

The second day of Legislative Action Days, May 17, featured three key speakers – Chris Kahn, deputy chief of staff and legislative secretary from the Governor’s Office; Dale Bonner, secretary of the Business, Transportation and Housing Agency and Kyra Ross, the League’s legislative representative on environmental quality issues.

Kahn spoke to the League’s membership on the Governor’s legislative priorities this year, which include prison reform, redistricting reform, addressing the gang problem in California communities, health care reform, and delivering an on-time budget. In addition, Kahn stressed the Governor’s desire to allocate bond funds quickly to help improve the state’s infrastructure and transportation issues.

“The Governor is focused on getting the money out,” Kahn said. “The voters have put faith in us and we have to make good on that.”

Secretary Bonner followed Kahn and spoke extensively on ways to alleviate traffic congestion throughout the state. The new head of the state’s Business, Transportation and Housing Agency discussed many of his main goals for the agency, which included the following:

- Finding more money to invest in California’s infrastructure from the private sector
- Making efficient use of existing resources (the approved infrastructure bonds)
- Consider multi-modal approaches
- Overcoming regional boundaries
- Making the rebuilding process of California irreversible



League Legislative Representative Kyra Ross closed out Legislative Action Days with a presentation on climate change issues in California. Ross discussed AB 32, which has spurred the growing emphasis on the topic.

The following are some issues of importance to local governments:

Transportation

- **Proposition 1B Funds.** The appropriation of Prop. 1B funds increases from \$7.7 billion to \$11.5 billion on a three-year appropriation schedule. This includes \$600 million for Local Streets and Roads in FY2007-08 year (\$300 million proposed for FY 08-09 and \$150 million proposed for FY 2009-10 for a total of \$1.05 billion in a three-year appropriation schedule). For more information on Planned Prop. 1B Implementation, visit www.ebudget.ca.gov, and see page 26 of the Budget Revision.
- **Spillover from Sales Tax on Gasoline.** The May Revision increases take-away from the Public Transportation Account (PTA) by \$200 million, for a total of \$1.3 billion. This amount is proposed to offset General Fund (GF) expenditures for K-12 home-to-school transportation, debt service on transportation-related General Obligation (GO) bonds and transportation services for regional development centers.

PTA spillover revenues occur when growth in revenues from the sales tax on gasoline exceed the growth sales tax revenues from other taxable goods. (Understanding the PTA account can be difficult. For an explanation, visit www.californiacityfinance.com, and access the "Spillover FAQ.")

Proposition 42: The May Revision contains no changes to the Prop. 42 allocations reported in January, which fully funds Prop. 42 as follows:

- \$684 million to the Transportation Congestion Relief Program (TCRP)
- \$699 million to the State Transportation Improvement Program (STIP)
- \$175 million to Public Transportation Account (PTA)

Cities and counties will not receive any local streets and roads maintenance funds from Prop. 42 in FY 2007-08 pursuant to a formula in current law and under a longstanding agreement that provided cities and counties with local streets and roads funds in FY 2001-02 and FY 2002-03. However, per the existing formula, cities and counties will receive approximately double their prior allocations beginning in FY 2008-09.

Public Safety

COPS / Juvenile Justice Grants. The Governor's May Revise proposes to continue the critical Citizens' Option for Public Safety (COPS)/Juvenile Justice Grants Program. The budget funds this program at \$238 million, the same level as 2006-07.

Booking Fees. In accordance with last year's AB 1805, the budget also includes \$35 million for an alternative to traditional booking fees called "jail access fees." This is the same level of funding as last year. For an explanation of AB 1805, visit www.californiacityfinance.com and access the document on "Booking Fees."

Anti-Gang Efforts. Under the Department of Corrections and Rehabilitation, \$8.5 million is proposed in the budget for the Criminal Intelligence Analysis Unit; \$3.3 for Regional Gang Task Forces, creating three pilot programs in Los Angeles, the Bay Area and the Inland Empire. In addition, under the Office of Emergency Services, the May Revision proposes using \$4.9 million of federal funds to establish four new federal anti-gang grants as part of gang suppression efforts; \$446,000 to support a State Anti-Gang Coordinator position; and \$7 million in General Funds for Local Anti-Gang Programs. The details of these proposals will be released in the next few weeks.

Resources and Environment

Air Quality. The May Revise allocates \$111 million from Prop. 1B to fund air quality improvements along California's main highways and trade corridors (port electrification and diesel truck retrofits).

Williamson Act. The \$40 million Williamson Act local property tax backfill program to counties is eliminated in the May Revise.

Debt Repayment and Local Government Finances

Economic Recovery Bond Repayment. The May Revise includes a \$1.6 billion increase in Economic Recovery Bonds (ERBs) prepayments, for a total of \$3.1 billion prepayment in the 2007 budget. Prop. 57, the Economic Recovery Bond Act, authorized the state to issue ERBs and established the "triple-flip" mechanism for repayment of those bonds.

Triple-flip uses a quarter-cent of the local sales and use tax for debt service, replacing that money to cities and counties with additional property tax. The Administration plans to fully repay the ERBs by August 2009.

Yacht Tax. The "Yacht Tax" loophole, which would result in GF revenue gains of \$35 million in use-tax obligation, is being permanently closed by the May Revise.

Mandate Claims. The budget has no funding for mandate claims for costs incurred by local governments in FY 2007-08. Payment of these claims would be deferred to FY 2008-09. This is the same proposal as released in the Governor's January 2007 Budget.

Commission on State Mandates Process. The May Revise proposes changing the current process by which the Commission on State Mandates determines mandates and the reimbursement guidelines.

The May revise also includes:

- \$654,000 for additional support to the Public Employee Post-Employment Benefits Commission including contracts with an economist, health care experts, actuaries and other staff and operating resources.
- A \$950,000 appropriation and the creation of 10 new positions in the Public Utilities Commission to be used for implementation of the Video Competition Act, AB 2987 (Nunez/Levine) from 2006.

General Notes on the May Revise

Overall, the May Revise proposes to increase GF spending in FY 2007-08 by \$1.5 billion or 1.5 percent above the level of spending in FY 2006-07. Gov. Schwarzenegger said "we got creative" when putting together the revised budget, which included several new ideas:

- A proposal to sell EdFund - California's student loan guarantee agency -- which would account for a net one-time increase in state revenues of \$980 million.

A proposal to consider selling a long-term license to operate the State Lottery was also in the May Revise. The Administration believes a competitively bid lease would provide billions of dollars in additional fiscal benefits to the state's GF. The Governor cited this as a potential source of revenue to pay off the Economic Recovery.

For a comprehensive nonpartisan summary of the May Revision, visit the Legislative Analyst's Office at www.lao.ca.gov.



Bass delivered a presentation on "The State of Black California," a report commissioned by the State Legislature to develop a public policy agenda for the California Legislative Black Caucus and one that local elected and appointed officials can support.

The report revealed some sobering statistics on the lack of quality healthcare that African Americans receive; the breakdown of the number of African Americans who are homeowners and the community's civic participation.

The majority leader also outlined specific legislation that members of the Legislative Black Caucus have introduced in response to some of the issues that plague the African American community.

One of the caucus' agenda goals is to take action on at least one issue affecting the African American community annually. Examples of these actions could include collaborative efforts on the issues of health and the re-entry into society from the criminal justice system.

The next meeting of the African American Caucus will be in September during the League's annual conference.

To become a member of the League's African American Caucus, please contact Yvette Harris at (916) 658-8253. For further information on the caucus and its activities call P. Anthony Thomas at (916) 658-8279.

Pension Obligation Bond Program Could Save Over \$110 Million for Local Governments

Rising pension costs is an ongoing issue for local governments. The California Communities Pension Board Program was established to help alleviate the unfunded liability that cities and counties face. The program is projected to save more than \$110 million in future pension costs for California local governments.

The program offers:

- Streamlined Bond Issuance Process
- Minimal internal staff requirements
- A team of experts to handle the details

The Pension Obligation Bond Program has refinanced \$410 million in CalPERS unfunded liabilities for 21 cities and two counties since 2004. The expected cumulative savings from the Pension Bond Program is over \$110 million, or \$68 million on a present value basis (discounted at the true interest cost for individual transactions).

Cities and counties that have issued POBs through California Communities include:

Auburn	Downey	Novato	Port Hueneme
Baldwin Park	Kings County	Oroville	Riverside
Benicia	Marina	Pacific Grove	San Marino
Butte County	Merced	Palm Springs	Seaside
Claremont	Millbrae	Paradise	Yuba City
Daly City	Monterey Park	Pinole	

For more information on the program, contact Terrence Murphy at tmurphy@cacommunities.org or (925) 933-9229, ext. 223. You can also call toll free at (800) 635-3993, ext. 223. Visit California Communities online at www.cacommunities.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). 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.
