PRIORITY

FOCUS

Analysis, Commentary and Updates on Legislative and Policy Issues that Affect California Cities

December 2, 2005
Issue #46-2005

The Legislature is in recess until January 4.

Action Alert: **Write the Governor about the Prop. 42 Funding Gap!**

LEAGUE RESPONDS TO FEDERAL TELECOM PROPOSAL

The League of California Cities this week sent a letter to Congressman Joe Barton (TX-6), chairman of the House Energy and Commence Committee, expressing serious concerns with his draft legislation relating to broadband internet transmission services (BITS). The letter was also sent to all California members on the committee. *For more, see Page 8.*

LEAGUE BOARD ADOPTS STRATEGIC GOALS FOR 2006

HEALTHY, SAFE CITIES A STRATEGIC FOCUS

The League board of directors set the course of the organization for 2006 after meeting with the leaders of the League's departments, divisions, policy committees and caucuses on November 18-19. After participating with the League leaders in eight separate discussion groups, the directors considered a list of proposed strategic goals formulated by the discussion groups. The following focus and goals were adopted: *For more, see Page 7.*

WANT MORE DETAILS ON BILLS?

Visit the League of California Cities website at www.cacities.org/billsearch.

PROP. 42 – FILL THE GAP!

The League of California Cities and the California State Association of Counties (CSAC) are asking city and county officials to contact Gov. Arnold Schwarzenegger and urge him to fund the local street and road maintenance program under Proposition 42 in FY 2006-07 and FY 2007-08. *For more, see Page 8.*

IN THIS ISSUE:

NEW U.S. COMMUNITIES PROGRAM HELPS CITIES PURCHASE HOMELAND SECURITY PRODUCTS

The League of California Cities, together with the U.S. Communities Government Purchasing Alliance (a national purchasing program sponsored by the League), the National League of Cities, and other local government associations, is proud to announce the availability of a wide range of homeland security products and equipment through a new competitively-bid national contract with Hagemeyer North America.

Through the U.S. Communities program, most local governments may piggyback on a contract competitively bid by another public agency to purchase equipment and services at reduced prices. The Hagemeyer contract with U.S. Communities offers best national pricing (39 percent off published prices) on the following homeland security products and equipment:

- Personal protective equipment
- Explosive device mitigation and remediation equipment
- Search and rescue equipment
- Interoperable communications equipment
- Detection equipment
- Decontamination equipment
- Physical security enhancement equipment
- Terrorism incident prevention equipment
- Logistical support equipment
- Medical supplies
- Reference materials
- Other public safety, law enforcement and fire equipment

The cost for many of these homeland security products may also be eligible to be reimbursed through a grant program from the U.S. Department of Homeland Security Office of Domestic Preparedness. For more information on Federal Homeland Security grants, contact the California's Office of Emergency Services or visit the Office of Domestic Preparedness website at www.ojp.usdoj.gov.

"The League is pleased to be a sponsor of U.S. Communities," said Chris McKenzie, League executive director. "Working through our network of state municipal leagues, we are able to provide our members with opportunities for both cost savings and administrative savings in typical government purchases, and to bring the best government pricing to all California cities, large or small."

The U.S. Communities program offers significant saving to cities at many levels. It can reduce spending through better pricing made possible by the aggregate purchasing power of local governments nationwide. Today, more than 9,000 cities, counties, schools and other public agencies utilize U.S. Communities contracts. There is no fee for a city to participate in the U.S. Communities program and no minimum spending requirement.

This program is one that city managers should review and share with police and fire departments and purchasing managers.

U.S. Communities also offers office and school supplies, office and classroom furniture, electrical and data supplies, computers and technology equipment, janitorial supplies, flooring, and parks and playground equipment.

For general information about the program, registration details, and to view the U.S. Communities product offering, visit the U.S. Communities website at www.uscommunities.org. Information about the program is also available by contacting League Administrative Director Dan Harrison at (916) 658-8267, or via e-mail at dharrison@cacities.org.

For more information on the homeland security products and equipment, contact Hagemeyer North America at (888) 745-6486 or via e-mail at uscommunities@hagemeyerna.com.

For more information on this and other League issues, visit www.cacities.org.

REDEVELOPMENT SCRUTINIZED IN LATEST LEGISLATIVE HEARING

While Congress was passing federal budget language that would restrict the use of federal funds for economic development projects involving the use of eminent domain (see "Federal Update," p.4), five state legislative committees met in the State Capitol in mid-November to examine a range of redevelopment issues – including eminent domain.

The legislative hearing was the second of two interim hearings on redevelopment reform held this fall. The second hearing focused on redevelopment reform proposals prepared by Legislative staff. A briefing paper on the proposals appears on the Senate Local Government Committee's webpage at www.sen.ca.gov/locgov.

It appears that several legislators involved intend to pursue a redevelopment reform agenda when the Legislature reconvenes in January. For example, in her opening comments, Sen. Christine Kehoe, chair, Senate Local Government Committee, stated that "five or six" bills on redevelopment would be considered in January.

Invited witnesses to the hearing included five representing the California Redevelopment Association (CRA): Anne Moore, CRA president and executive Director of the Sacramento Housing & Redevelopment Agency; Brent Hawkins, CRA general counsel from McDonough, Holland & Allen; Murray Kane from Kane, Ballmer & Berkman; Lee Rosenthal from Goldfarb & Lipman; and John Shirey, CRA executive director.

Despite an advertised agenda that stated public comment would be limited to 15 minutes, the members allowed hours of public comments. Approximately 35 witnesses spoke out against redevelopment.

The legislative staff briefing paper prepared for the hearing included 52 proposals. CRA prepared written responses to all 52 proposals, and has posted a copy on the CRA website (www.calredevelop.org).

CRA observers left the hearing with one observation that should not be lost on all supporters of redevelopment: several key members of the State Legislature in leadership positions are no longer focused solely on eminent domain issues arising out of the public's negative reaction to the U.S. Supreme Court's decision in ***Kelo v. New London****,* but instead are poised to act on legislation next year that will further restrict the use of redevelopment in California.

Members of the Legislature that attended all or a portion of the joint hearing included Senators Christine Kehoe (District 29), Roy Ashburn (District 18), Dave Cox (District 1), Allan Lowenthal (District 27), Bob Margett (District 29), Tom McClintock (District 19), Nell Soto (District 32), and Tom Torlakson (District 7); and Assemblymembers Joe Baca (District 62), Dave Jones (District 9), Gene Mullin (District 19), Simon Salinas (District 28), and Alberto Torrico (District 20).

"Redevelopment and Blight," the summary report from the October 26 hearing in San Diego, is now available on the CRA website at www.calredevelop.org, along with a two-page flyer explains how you can order your copy of the report.

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THIRD QUARTER 2005 NATIONAL SURVEY OF ECONOMIC DEVELOPMENT PROFESSIONALS RELEASED

The National Survey of Economic Development Professionals released its 2005 third quarter survey recently.

Conducted by metro-level economic development representatives nationwide, current survey results revealed an upswing in announcement activity, although overall prospects declined during the third quarter of 2005.

In addition, the survey found that:

- Prospect and announcement activity during the next six months is expected to de-

Continued on Page 6

FEDERAL UPDATE: TRANSPORTATION AND HOUSING PROGRAMS APPROPRIATIONS BILL PASSED

The U.S. Congress is set to return from its Thanksgiving recess in December. The House of Representatives reconvenes on December 5, while the Senate will resume on December 12.

During the fall, Congress approved a number of bills, including the passage of the Fiscal Year (FY) 2006 Transportation-Treasury-Housing and Judiciary appropriations bill. Details on this development, and others, can be found below:

Congress Approves FY 2006 Transportation-Treasury-Housing and Judiciary Appropriations Bill

On November 18, Congress passed the FY 2006 Transportation-Treasury-Housing and Judiciary appropriations bill (H.R. 3058). This bill funds federal transportation and housing programs. The bill rejected the Bush Administration's proposal to eliminate the Community Development Block Grant (CDBG) and 17 other community and economic development programs into a new $3.7 billion Strengthening America's Communities Initiative block grant. However, CDBG funding was reduced by nearly 9 percent, from $4.11 billion in FY 2005 to $3.75 billion.

In addition, the conference agreement, in response to the Supreme Court's *Kelo v. City of New London* decision, would bar the use of funds in the bill for any federal, state or local project that seeks to use the power of eminent domain unless eminent domain is employed for a public use. The bill specifically excludes economic development from the definition of public use.

The House and Senate conferees opted not to include in the final language the blight provision in the Senate's version of the bill, which allowed the use of eminent domain for the removal of blight as well as for public use. Instead conferees chose to narrow the blight definition to include only "*projects for the removal of an immediate threat to public health and safety or brownfields*."

The language also directs the Government Accountability Office in consultation with the National Academy for Public Administration, as well as organizations representing state and local governments and property rights organizations, to conduct a study on the nationwide use of eminent domain. The report is expected to include "*the procedures used and the results accomplished on a state-by-state basis as well as the impact on individual property owners and on the affected communities*," and must be submitted to Congress within 12 months of the enactment of the bill.

The bill also includes $36 billion for highway programs, $8.6 billion for transit programs, and $13.8 billion for the Federal Aviation Administration (FAA). President Bush is expected to sign the bill into law.

Congress Approves Second Continuing Resolution

On Friday, November 18, the U.S. Congress approved H.J.Res.72, a continuing resolution (CR) that will maintain federal Defense and Labor-Health and Human Services-Education programs until Congress is able to pass the FY 2006 appropriations measures that fund these programs. The new CR will extend funding through December 17. As was the case in the previous CR, H.J.Res 72 sets temporary funding at the lowest of three spending levels: the 2005 enacted level, the House-passed 2006 level or the Senate-passed 2006 level. Congress has already passed the other nine FY 2006 appropriations bills. President Bush signed the new extension into law on November 19.

December Action Expected On FY 2006 Labor-Health and Human Services-Education Appropriations Measure

House and Senate conferees on the FY 2006 Labor-Health and Human Services-Education appropriations measure (H.R. 3010) will be forced to revisit conference negotiations on the bill when they return from their Thanksgiving recess. The original measure, which conferees delivered to the House floor on November 17, was voted down by a 209 to 222 vote.

Continued on Page 5

The $602 billion bill supports key health and education programs and is the largest, and often most contentious, of all the annual spending measures. The rejected conference report contained no discretionary program earmarks. Congressional leadership is considering alternatives to gain passage of the bill, which may involve Congress passing a year-long CR for all federal programs under the jurisdiction of the bill. Another option that is being considered would re-conference the Labor-Health and Human Services-Education appropriations bill and attach it to the FY 2006 Defense appropriations bill, which is the only other remaining FY 2006 appropriations measure that Congress must pass prior to final adjournment.

Congress Approves FY 2006 Science-State-Justice and Commerce Appropriations Measure

On November 16, Congress approved and sent to the president the conference report on a bill providing FY 2006 appropriations for Commerce-Justice-Science and related agencies (H.R. 2862). Funding for the Justice Department rose to $21.4 billion, an increase of $784 million over FY05 funding and $1.1 billion above the President Bush's request. Of that amount, $2.7 billion will go to state and local law enforcement assistance, a $287 million decrease from last year's funding but $1.1 billion over the president's budget. Key local law enforcement funding in the bill is as follows:

- Justice Assistance Grants—$321 million (down from $626 million in FY 2005)
- COPS Interoperable Communications—$10 million (down from $99 million in FY 2005)
- COPS Hiring Grants—$0 (down from $10 million in FY 2005)
- COPS Technology Grants—$129 million (down from $137 million in FY 2005)
- Juvenile Justice Formula Grant—$80 million (down from $83 million in FY 2005)
- Juvenile Accountability Block Grant—$50 million (down from $54 million in FY 2005)

Congress Passes FY 2006 Energy and Water Appropriations Bill

Congress approved the conference report on the FY 2006 Energy and Water appropriations bill (H.R. 2419) on November 14. The bill provides $30.5 billion in budget authority, a $749 million increase from the 2005 level, for the U.S. Army Corps of Engineers-Civil, the Department of Interior including the Bureau of Reclamation, the Department of Energy, and several independent agencies. President Bush signed the bill into law on November 19.

Congress Approves FY 2006 Military Quality of Life and Veterans Affairs Appropriations Measure

On November 18, Congress passed the $82.6 billion fiscal 2006 appropriations bill that funds military construction and veterans' programs (H.R. 2528). The measure has been sent to the president for his signature. $70.2 billion is devoted to the Department of Veterans Affairs. The bill also includes an amendment by Sen. Feinstein that provides an additional $24 million in the Navy's BRAC 1990 account for environmental remediation at previously closed military bases.

Leaving City Office? Retiring?

The League wants to stay in touch! Just because you are leaving your position with the city doesn't mean you stop caring about or wanting to be involved in city issues. Keep abreast of developments affecting cities and the League by becoming part of the League's alumni group. Members will receive periodic updates on city issues and League activities. This is the League's way of saying "thank you" for your public service—there is no fee for this service.

To join, go to www.cacities.org/alumni or send your contact information to dharrison@cacities.org.

OPR SEEKS PUBLIC COMMENT ON COMMUNITY/MILITARY COMPATIBILITY HANDBOOK

The Governor's Office of Planning & Research (OPR) is encouraging local decision makers and planners, developers, the military and interested community members to read and comment on a new draft "Advisory Planning Handbook for Community and Military Compatibility Planning."

This advisory handbook provides information on how communities and the military can develop collaborative processes and plans that will safeguard military readiness, sustain local economies, and protect the health and safety of California's residents.

A draft of the handbook became available for public comment on Thursday, November 30. A complete document can be downloaded from the project's website at www.advisoryhandbook.com.

Comments can be submitted to OPR on the website, through the mail or by fax at (916) 323-3018. All comments are due by 5 p.m. on Friday, December 30. Comments will also be taken at three public hearings to be held in the High Desert, Northern California, and Southern California regions at the following dates, times, and locations:

December 12, 2005
6:30 p.m. - 8:30 p.m.
Kern County Board of Supervisors Chambers
1115 Truxtun Avenue
Bakersfield, CA

December 14, 2005
4:30 p.m. - 6:30 p.m.
State Capitol, Governor's Council Room
1303 10th Street
Sacramento, CA

December 15, 2005
6:30 p.m. - 8:30 p.m.
Mission Valley Branch Library
2123 Fenton Parkway
San Diego, CA

For more information, contact the OPR Handbook Project Manager, Julia Lave Johnston, at (916) 445-0613.

For comments submitted via mail, address them to the following:

Governor's Office of Planning & Research
P.O. Box 3044
Sacramento, CA 95812-3044
Attn: Julia Lave Johnston

ECONOMIC DEVELOPMENT SURVEY from page 3

crease compared to the previous quarter, however there is still a positive feeling about future activity.

- Project Quality displayed mixed results with real estate absorbed and capital investment increasing, while total payroll, average salary, and jobs are decreasing.

- Respondents felt that the national economy became weaker during the last quarter, although their local economies have become stronger.

The survey was created to learn more about economic development industry trends in the United States by accessing the market knowledge of professionals to compare current activity levels and program impacts. The survey includes a series of measures analyzing economic development activity in four categories including marketing levels, project quality/size, current views of economic conditions, and impact of the current economy on economic development programs.

Complete survey results can be found online at www.gpec.org/edsurvey/results.html.

HIGHLIGHTS OF NOVEMBER BOARD OF DIRECTORS MEETING

In addition to selecting 2006 strategic goals, the League board of directors addressed a number of other topics at its November meeting:

Telecommunications and Pension Reform. The board received information and gave direction on these critical issues. The League has active task forces on both topics, providing the opportunity to tap city and industry expertise and advice.

Legislative Year in Review. Dominated by the November Special Election, 2005 yielded the lowest number of new bills signed into law in recent history — just 729, well below a typical year. Cities fared very well. Highlights included:

- **Proposition 1A**. It worked — no additional local budget raids were approved.
- **Early repayment of the 2003 VLF Gap Loan** — few could anticipate the state repaying its debts, not just on time, but early.
- **Full funding for Proposition 42** transportation funds.

Possible Proposition 42 Reform Campaign. The board again affirmed its desire to secure and protect permanent funding for transportation projects under Proposition 42. To achieve this, the board authorized staff to explore possible co-sponsorship of a Prop. 42 reform initiative on the 2006 statewide ballot.

Board Adopts 2006 League Budget. The board adopted the League budget for calendar year 2006. The budget includes a 5 percent dues increase, which will allow the League to maintain momentum and direct the full measure of League resources to the strategic priorities selected for 2006. The League is well financed overall and has adequate reserves, but the board approved a number of actions and directed staff to implement a plan over the next three years to ensure a balanced budget.

Cities for Healthy Kids. In a 2003 action, the board approved the League working with the California Teachers Association and the California Association of Health Plans in a joint effort to enroll poor children in the federal Healthy Families health insurance program. Phase I of this program has just been funded by the WellPoint Foundation. This will consist of focus groups to identify how best to work with cities to identify those kids who are eligible for no or low-cost health insurance. The board reviewed project plans, authorized the executive committee to serve as the project oversight committee and authorized the creation of a technical advisory committee. For more information, contact Yvonne Hunter at (916) 658-8242 or yhunter@cacities.org.

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LEAGUE from page 1

Strategic Focus in 2006: To support policies that directly promotes the development and redevelopment of healthy and safe cities.

Strategic Goals: Building on the progress made on similar goals in 2005, the board determined that, again in 2006, the League and its divisions, departments, caucuses and policy committees will focus it's advocacy work on the following:

- **Infrastructure**: Expanded funding for state and local investment in the physical infrastructure of California, including, but not limited to, its roadways, bridges, levees, parks, libraries, and systems for delivering and treating water, wastewater and storm water.

- **Housing**: Expanded housing supply and affordability for al Californians, consistent with the planning and environmental quality objectives of the League's Principles for Smart Growth and the League's mission to restore and protect local control.

- **Redevelopment**: Protection of redevelopment funding and authority, the critical tools necessary for local investment in future affordable housing and the infrastructure so necessary for the continued expansion of the California economy.

PROP. 42 from page 1

Background. Since its enactment, with the exception of the current fiscal year, the disappointing history of the Prop. 42 program has been one of the state using its authority to suspend the program each year and then taking the money to help reduce general fund deficits. During the first years of the Prop. 42 program, local governments were loaned money from the State Transportation Improvement Program (STIP) to cover two years of local street maintenance costs under the program. Local governments received this Prop. 42 "in-lieu" money while the money for state projects was suspended, again to reduce state general fund deficits.

In order to receive these initial funds, local governments were required to pay back the STIP in fiscal years 2006-07 and 2007-08 by foregoing any Prop. 42 revenues. Consequently, under current law, cities and counties will not receive additional Prop. 42 funds until FY 2008-09, when cities are expected to receive $280 million, based on expected gas tax revenues of $1.4 million. That leaves a gap of between $254-280 million (based on the gas tax revenues) for the each of the next two years.

Where We Are Today. Because the state's fiscal situation has improved significantly, and the governor and his staff are busy preparing the 2006 state budget, now is the ideal time to urge the governor to propose a budget that "fills the gap" in Prop. 42 funding of local streets and roads.

With a $13 billion backlog in road and bridge rehabilitation projects, city and county streets and roads desperately need this transportation money to maintain the public's investment in the transportation system. If these streets and roads are allowed to further deteriorate, the reconstruction of the road is vastly more expensive than the cost of routine maintenance.

The League urges city officials to write the governor, asking him to "fill the gap" in Prop. 42 funding. Tell him about the projects in your city that will be stalled if the Prop. 42 funding gap is not filled. Also, please send copies of your letter to your legislators, so they are aware of your request to the governor.

A sample letter is available for download on the League's website at www.cacities.org.

FEDERAL TELECOM from page 1

The "BITS" legislation would establish a new regulatory framework for a range of telecommunications-related technologies, including the delivery of video over the Internet.

The letter articulates key principles that the League argues should be included in future drafts on telecommunications reform to protect California cities' ability to protect public rights-of-way and provide basic services to residents and businesses. The League also expressed its willingness to work with the committee as future drafts are released.

In September 2005, the House Commerce committee staff released a bi-partisan staff draft bill. The League and national stakeholders did not feel that the first draft was ideal, but through the congressional representation, the League continued to work with staff to ensure that have local concerns met.

In early November, however the committee released the latest draft, which was a significant revision of prior versions of the bill. The League and other national organizations expressed great concern over provisions that would limit video franchise fees to 5 percent of subscriber revenue instead of 5 percent of gross revenues, and limit local governments' ability to enforce public safety. Congressman Barton had authored the previous two drafts.

A full copy of the League's letter to Congressman Barton can be found on the League website at www.cacities.org.

Key Principles for Reform. The following are some of the principles that the League believes must be considered as part of reform:

- **Preserving Valuable City Services** - It is essential that California cities retain current revenue sources in any federal telecommunications reform legislation in order to maintain basic services to our residents.

- **Maintaining Municipalities' Authority in**

Continued on Page 9

FEDERAL TELECOM from page 8 ......

Franchise Agreement Negotiations - Local governments are committed to ensuring that consumers benefit from any federal telecommunications reform policy. To maximize consumer benefit it is important for local governments to maintain the ability to work with providers through franchise agreements to ensure the provision of key services, including public, education and government channels, and that local emergency alerts and institutional networks are tailored to meet specific local needs.

- **Ensuring Service Availability to All Consumers** - Any federal telecommunications overhaul policy needs to: address "digital divide" concerns by preventing "redlining" that picks higher income neighborhoods for service, while excluding less-profitable, lower income neighborhoods; and specify "build-out" requirements for providers.

- **Supporting Local Government's Ability to Regulate Use of Public Rights-of-Way** - Local governments are important and proven stewards of the public rights-of-way, and are pivotal in helping to prevent public safety issues resulting from overcrowding and improper use; ensuring local emergency (911) services are provided; as well as addressing customer service and local business concerns related to misuse of public rights-of-way.

Next Steps. The House Commerce Committee continues to work on a new draft of a telecommunications re-write bill. The committee is aiming to have a mark-up on a third draft during the week of December 12 (see "Upcoming Senate Commerce Committee Telecommunications Re-Write Schedule").

City officials are urged to monitor these developments closely, as the outcome of telecommunications reform could dramatically impact local revenues and cities' ability to provide essential services. For more information on this issue, please visit the Telecom page on the League's website (**www.cacities.org/telecom**).

UPCOMING U.S. SENATE COMMERCE COMMITTEE TELECOMMUNICATIONS RE-WRITE SCHEDULE

Tuesday, January 24, 10 a.m.
Video Franchising - Live Webcast
Full Committee Hearing

Tuesday, January 24, 2:30 p.m.
Video Content – Live Webcast
Full Committee Hearing

Thursday, February 7, 10 a.m.
Competition and Convergence – Live Webcast
Full Committee Hearing

Tuesday, February 14, 10 a.m.
State and Local Issues and Municipal Networks –Live Webcast
Full Committee Hearing

Thursday, March 2, 10 a.m.
Wireless Issues/Spectrum Reform – Live Webcast
Full Committee Hearing

Tuesday, March 14, 10 a.m.
Voice-Over Internet Protocol (VOIP) - Live Webcast
Full Committee Hearing

Tuesday, March 14, 2:30 p.m.
Wall Street's Perspective on Telecommunications – Live Webcast
Full Committee Hearing

NOTE: All hearings can be accessed via the website on the date of the hearing at www.commerce.senate.gov.