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

PRIORITY FOCUS

LEAGUE OF CALIFORNIA CITIES

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Upcoming Events: City Managers Department Meeting – Monterey, Feb. 4-6
Personnel & Employee Relations – San Francisco, Mar. 12-13
Public Works Officers Institute & Mini Expo – Monterey, Mar. 25-27
Planners Institute & Mini Expo – Anaheim, Mar. 25-27

Page 4: Find a Bill, Legislators, Leg Committee, or Ask League Leg Staff

NEW ADMINISTRATION PROPOSAL TO DEFER LOCAL HIGHWAY USERS TAXES, PROPOSITION 42 FUNDS AND MANDATE REIMBURSEMENTS

How Will Your City Services Be Affected?

The League needs information quickly about how individual cities would be affected by a new proposal floated by Gov. Arnold Schwarzenegger's Department of Finance (DOF) to offset state cash flow woes. *For more, see Page 2.*

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LIGHT AT THE END OF THE BUDGET TUNNEL?

As the budget deficit clock outside Gov. Arnold Schwarzenegger's office this week ticked up to more than $8.4 billion, there was news this week that legislative Republicans may be willing to consider revenue increases in exchange for what they consider to be solid budget reforms that control future spending. *For more, see Page 3.*

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LEAGUE HONORS FOUR MEMBERS OF THE CALIFORNIA STATE LEGISLATURE

Hundreds of city officials were in town this week to honor the four legislators the League recognized for their support of local government in 2008 at a special reception. The event was held at the Citizen Hotel in Sacramento following the first day of the 2009 New Mayors and Council Members Academy. *For more, see Page 3.*

'Cash Flow' Continued from Page 1...

Designed as part of a final budget package, the administration drafted legislation that would defer the payment of the following revenues to cities and counties:

1) **Seven-Month deferral of Highway Users Tax Account (HUTA) Funds:** These are revenues paid monthly to cities and counties from the per-gallon motor vehicle fuel tax. The DOF proposal is to *defer* the payment of these funds to cities and counties in the following way:
    - Batch #1: Payments to cities and counties for revenues collected in January, February, March and the first half of April (that would otherwise be paid in February, March, April and May) would be instead paid in September 2009. We estimate this deferral would amount to about $162 million for counties and about $156 million for cities.
    - Batch #2: Payments to cities and counties for revenues collected during the second half of April, May, June and July (that would otherwise be paid in May, June, July and August) would be instead be paid in October 2009. We estimate this deferral would amount to about $165 million for counties and about $160 million for cities.

2) **Three-Month Deferral of Proposition 42 Transportation Revenues:** These revenues are paid quarterly to cities and counties from the state sales tax on gasoline. The DOF proposal is to *defer* payment of the June 2009 (fourth quarter) local government allocations until October 2009. This deferral would amount to about $68 million for counties and $68 million for cities.

3) **Two-Month Delay for Mandate Payments:** The DOF proposal delays the payment date for mandate claims from Aug. 15 to Oct. 15, 2009.

4) **Seven-Month Deferral of State General Fund Aid to Counties:** The DOF proposal also would defer state General Fund payments to counties for a variety of social service programs from February to August 2009.

Current Proposal Mirrors 2008 Deferral. City officials will recall that in 2008 HUTA payments to cities and counties were deferred for the months of April, May, June, July and August and repaid in September (ABX 3 7, Chapter 5, Statues of 2008), with a total value to cities and counties of approximately $500 million. Language in that measure authorized Proposition 1B transportation dollars to be temporarily used to backfill losses, and also authorized the September repayment to be accrued during the 2007-08 fiscal year.

While the DOF proposal includes similar accrual language and permits Prop. 1B funds to be used temporarily for HUTA and Prop. 42 purposes, it must be noted that Prop. 1B and other bond revenues are not being distributed by the state due to inability of the state to issue bonds.

Please Tell Us ASAP: How Will Your City Services Be Affected? While cities were able to weather the 2008 deferral of HUTA funds, the dramatic decline of our economy has since forced cities to make many adjustments to their budgets. The League's fiscal consultant, Michael Coleman, has estimated the city-by-city impacts, available at http://www.californiacityfinance.com/#CITY-STATE.

We need your help to fully tell the story of how local services would be impacted by this proposal. *Specifically, what would your city do to manage this proposed deferral of funds? What programs and projects would be affected? How will this affect your residents?*

Please send a brief response to Dorothy Johnson at djohnson@cacities.org by **5:00 p.m. Tuesday, Jan. 27.**

'Budget' Continued from Page 1...

Republicans have indicated for weeks that they would be willing to discuss revenue increases, but only after the Legislature has passed reforms that cut programs and limit future spending. The change is that the Republicans are signaling that they would be willing to vote for a comprehensive package that includes both tax increases and reforms.

Quoted in the *Sacramento Bee*, Assemblyman Anthony Adams, R-Hesperia, said, "The reforms have to be there. (We must be able) to tell constituents, 'Look, we had to raise taxes, we had to go forward, but we've fundamentally altered the way in which Sacramento is going to be budgeted – and we will not have these problems again because of it.'"

Administration Floats Proposal on Deferring Transportation and Mandate Payments to Local Agencies. The League is asking city officials to provide us with information on how their city would be affected by an administration proposal to defer payments to local agencies of local highway users taxes, Prop. 42 funds and mandate reimbursements. (Visit http://www.californiacityfinance.com/#CITY-STATE for "**New Administration Proposal to Defer Local Highway Users Taxes, Proposition 42 Funds and Mandate Reimbursements".)**

State Controller Chiang Refuses to Go Along with State Worker Furlough. Also this week, State Controller John Chiang announced that he would not cut state workers' paychecks as requested by the Governor, unless directed not to do so by the judge hearing a lawsuit brought by state workers. The lawsuit challenges the Governor's order to state workers to take off two days a month without pay.

The controller's decision is welcome news to state workers, but eliminates a budget-cutting tool the Governor had hoped to use to minimize pressure on the state general fund.

The Governor and "big four" legislative leaders were scheduled to meet today to continue budget discussions.

Tax Reform Commission Begins Work. Also this week, the Commission on the 21st Century Economy held the first of three meetings yesterday in La Jolla to formulate a plan to overhaul California's tax system. The commission plans to focus on changes that will reduce the volatility in the state's revenue system, due in large part to the state's dependence on income taxes paid by a relative few high-income taxpayers.

The commission will also consider extending the sales tax to services as a means of ensuring more long-term growth in its revenues and making the state less dependent on income taxes.

'Special Reception' Continued from Page 1...

League President Judy Mitchell thanks Assembly Member Tom Berryhill for his work with cities during 2008.

League President Judy Mitchell, Mayor of the city of Rolling Hills Estates, presented the awards honoring Assembly Member Tom Berryhill (R-Modesto), former Assembly Member John Laird (D-Santa Cruz), Assembly Member Lori Saldaña (D-San Diego) and Sen. Lois Wolk (D-Davis). All four were recognized for their leadership and support of local government during the 2008 legislative session.

Assembly Member Berryhill was recognized for his response to metal theft, an issue that has been plaguing farmers in his Central Valley district as well as cities around the state.

Former Assembly Member Laird was recognized for continuing to keep the needs of cities in mind during his work on the state budget, and for his efforts to pass his AB 2466. This law is important to local government because it generates additional public investment in renewable power by authorizing a public agency to receive full credit against its electric bill for any surplus power produced by an eligible renewable generating facility is a legacy for cities and the environment.

League President Judy Mitchell thanks former Assembly Member John Laird, now a member of the California Integrated Waste Management Board, for his work with cities.

Assembly Member Saldaña was honored for her balanced leadership as chair of the Assembly Committee on Housing and Community Development. The League honor also recognizes her leadership in authoring AB 2280, which improves the functioning of Density Bonus Law, an incentive-based law designed to reward developers of affordable housing.

Sen. Wolk was recognized for her solid support of local government during her six years in the California State Assembly. In 2008, then Assembly Member Wolk assisted cities with the passage of AB 642, which allows cities to use one firm to both design and build projects such as waste water facilities, solid waste management facilities or water recycling facilities.

The four legislators were also featured in the January issue of *Western City* magazine, which can be accessed at www.westerncity.com.

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

Visit (and bookmark!) the League's Legislative Resources 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.
