

Burning Issues in Municipal Revenues

Michael Coleman,
Fiscal Policy Advisor,
League of California Cities
coleman@muni1.com
530.758.3952

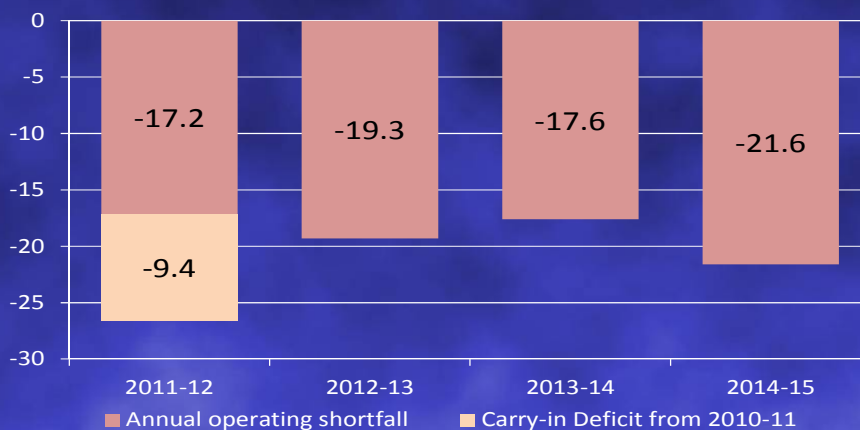


League of California Cities Annual Conference
San Francisco, CA ❖ September 22, 2011

CaliforniaCityFinance.com The California Local Government Finance Almanac



The State Budget Problem FY2011-12



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The 2011-12 State Budget Package

| | |
|--|---------------|
| Reduce Medi-Cal Spending | \$ 2.0 |
| Reduce UC / CSU budgets | 1.4 |
| Fund transportation debt using weight fees | 1.1 |
| Reduce Proposition 98 funding | 0.9 |
| Prop 63 \$ to mental health services | 0.9 |
| CalWORKs spending | 0.8 |
| Courts operations and court construction | 0.7 |
| Develop't'l Services: fed \$, efficiencies | 0.6 |
| State employee compensation cuts | 0.5 |
| In-Home Supportive Services cut | 0.4 |
| State Mandates: Suspend, defer, or repeal | 0.3 |
| Corrections incl Medical Receiver | 0.4 |
| Reduce SSI/SSP grants to federal minimum | 0.2 |
| Redirect \$ Gas Consumption Surcharge | 0.2 |
| Reduce Cal Grant program | 0.2 |
| Other expenditure reductions (net) | 0.5 |
| Total Spending Cuts | \$11.1 |



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The 2011-12 State Budget Package

| | |
|--|----------------|
| <u>Spending Cuts (total)</u> | \$ 11.1 |
| <u>Revenues ...</u> | |
| Score additional baseline revenues | 11.8 |
| Adopt tax shelter amnesty | 0.2 |
| Sales/use tax collection out-of-state retailers | 0.2 |
| Increase Vehicle Reg Fee by \$12 to fund DMV | 0.3 |
| Other revenue measures | 0.6 |
| <u>Shifts and Borrowing ...</u> | |
| Redirect VLF funds from cities & Orange Co. | 0.2 |
| Loans, loan extensions, transfers from special funds | 2.9 |
| Total Budget Actions | \$ 27.2 |



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Calif State Budget FY2011-12

Issues for local agencies

- Cleanup of gas tax swap for Prop 22 and Prop 26 compliance
✓ signed. HUTA continues, including Str&Hwy2103
- Redevelopment Extortion ✓ two bill scheme: death and rebirth.
- City VLF Eliminated ✓ Shifted to fund law enforcement grants
- COPS, booking fees ✓ Funded via MVLF shift & \$12 Veh Reg Fee -SB89
- Local mandates ✓ again suspended, owed reimbursements deferred.
- Sales/Use Tax collection ✓ signed.
- Public Library Funds ✓ \$15m reduction. \$16m on the trigger cut list.
- Williamson Act ✓ state funding eliminated
- State Parks: \$22 m annualized cut. ✓ Closure of 70 parks.
- Corrections and health services realigned to counties
✓ funded by shift of portion of state sales tax



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Calif State Budget FY2011-12

Trigger Cuts would take effect on/after Jan 1, 2012

"Tier I"

- \$200 million University of California and California State Universities
- \$100 million Dept of Developmental Services
- \$110 million In-Home Supportive Services program
- \$92 million to the Dept of Corrections and Rehab (CDCR)
incl \$72.1 million in county charges for youthful offenders sent to CDCR.
- \$30 m Calif Community Colleges backfilled with \$10/unit fee increase
- \$23 million to the Dept of Education re childcare funding
- \$16 million to the Calif State Library related to library grants
- \$15 million Local Vertical Prosecution grants (CaLEMA).
- \$15 million to Medi-Cal.

"Tier II"

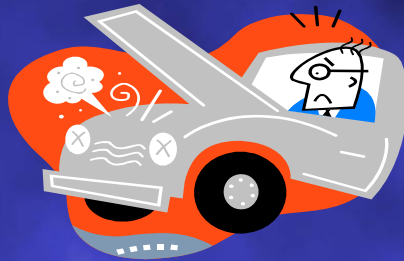
- \$1.5 billion- reduce the 2011-12 school year by up to 7 days
- \$248 million home-to-school transportation
- \$72 million to the California Community Colleges.



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Rough Road for City VLF



- ✓ SB94 vehicle registration delay affects July payout
- ✓ SB89 eliminates city VLF
- ✓ Property Tax in-Lieu of VLF is NOT affected!
- ✓ "VLF in Excess" R&T11001.5(b) catch-up payment, more coming.



State Law Enforcement Grants

*Funded in FY09-10 and FY10-11 from Temporary Tax
Funded Previously from State General Fund*

| | Apportionment | | Allocation FY2011-12 |
|--|---------------|----------|-------------------------|
| Jail Detention Facility Grants | | fixed \$ | \$ 35,000,000 |
| SLESF: jail constr/ops | 5.15% | 23.54% | \$ 11,029,596 |
| SLESF: Distr Atty | 5.15% | ^ | \$ 11,029,596 |
| SLESF: COPs Frontline Law Enf | 39.70% | ^ | \$ 85,024,267 |
| Juvenile Justice Crime Prevention | 50.00% | 23.54% | \$ 107,083,460 |
| Small Rural Sheriffs | | 4.07% | \$ 18,514,430 |
| Juvenile Probation | | 33.38% | \$ 151,845,620 |
| Juvenile Camps & Ranches | | 6.47% | \$ 29,432,030 |
| Cal Emergency Mgmt Agency ¹ | | 9.00% | \$ 40,941,000 |
| | 100.00% | 100.00% | \$ 489,900,000 |



SB89: VLF Shifted to Law Enforcement Grants

prior to July 1, 2011



new as of July 1, 2011



New!
\$12 Veh Reg Fee
increase

DMV Admin
\$300 million



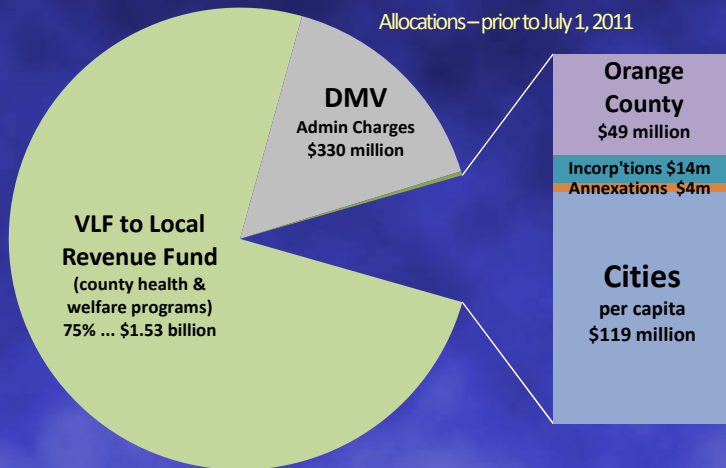
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SB89: VLF Shifted to Law Enforcement Grants

Allocations—prior to July 1, 2011

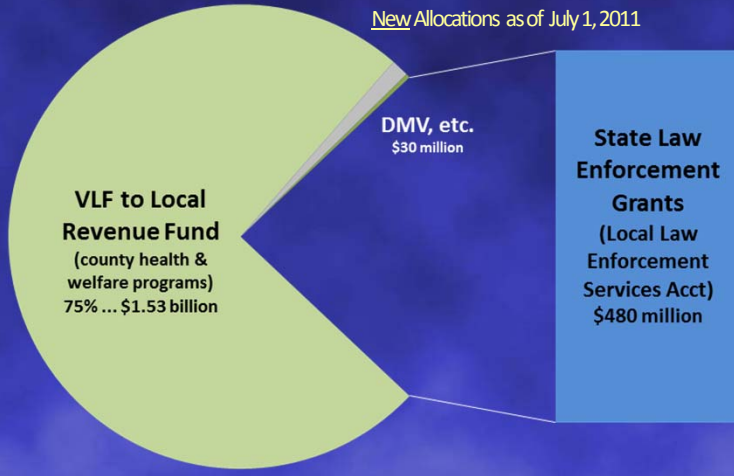


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SB89: VLF Shifted to Law Enforcement Grants



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SB89: VLF Shifted to Law Enforcement Grants

Motor Vehicle License Fee Account Allocations



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ABx1_41 (Solorio): Restoring the VLF, preserving Law Enforcement Grants

STALLED

- Reinstates the special 0.15 percent VLF rate effective Jan. 1, 2012
- Restores VLF allocations to cities, annexations and incorporations, and Orange County.
Fully restores FY2011-12 and subsequent year allocations.
- Beginning FY 2012-13, reinstates Bureau of Narcotics Enforcement and Bureau of Investigation and Intelligence.
These programs assist local law enforcement by investigating of the "worst of the worst" including child exploitation, officer-involved shootings, and organized crime groups, as well as narcotics enforcement through regional offices targeting major drug dealers, violent career criminals, and clandestine drug manufacturers.
- Ensures full funding of the Law Enforcement grant programs including COPS/SLESF from a new, secure revenue stream.
- Provides additional state General Fund revenue to offset the Prop. 98 obligation impacts.



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MOE for COPS – Police ABx1_16 and SBx1_4

SIGNED!

"As a condition for the receipt of those (COPS law enforcement grant) funds, a city shall maintain its overall funding for frontline municipal police services at or above the 2010-11 fiscal year level." (Amendment to Gov Code Sec 30061c)

- Existing language prevents supplanting – has worked for 15 years. (Gov Code Sec 30062)
- Many cities would have to cut other vital municipal services including fire, parks, and libraries - already reduced.
- Many cities will instead refuse their COPS grants, defeating the intent of the program.
- MOE only applies to cities – not to other local agencies that receive the same grant money
- **As amended, SBx1_4 would "chapter-out" this language.**



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Fiscal Legislation of Note

Municipal Bankruptcy

AMENDED
LEAGUE NOT
OPPOSED

- **AB 506** (Wieckowski, D-Fremont): Prohibits local gov't filing Ch.9 Bankruptcy without first receiving permission from a state appointed "neutral" evaluator (*a.k.a. arbitrator*).

Public Service Contracting

TO
GOVERNOR
REQUEST
VETO

- **AB 438** (Williams, D-Santa Barbara): Imposes restrictive requirements on public-private contracts for library services. Impedes local determination of the most efficient & effective way to provide services.
- **AB1087** (Brownley, D-Santa Monica): Authorizes county to audit a city seeking to end a public safety services contract (city finances, revenues, ability to run its own public safety department).

STALLED

Pre-paid Wireless Taxes & Fees

STALLED

- **AB 1050** (Ma, D-San Francisco): Convene a stakeholder group to develop a method of collecting state and local taxes, fees and surcharges from pre-paid end-use consumers.

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Fiscal Legislation of Note

Post-Bell Bills

DEAD &
GONE

- **AB 229** (Lara, D-Bell Gardens): State Controller (SCO) local audit oversight.
 - Financial audits must be filed with the SCO and must comply with US Comptroller's Gov Auditing Standards
 - Must hire from list of auditors approved by SCO, cancel multi-year contract if auditor delisted, change lead auditor partners after 6 yrs, hold 10% of fee till SCO certifies audit.
 - SCO may hire auditor at agency expense if audit not filed on time, access audit work papers.
- **AB 253** (Smythe, R-Santa Clarita): Establish State Controller's committee on reporting and accounting procedures.
- **AB 187** (Lara, D-Bell Gardens): State Auditor's High Risk Local Agency Audit Program.
- **SB 186** (Kehoe, D-San Diego): Authorize SCO audits at city expense to ensure compliance with state law, grant agreements, local ordinances, and determine fiscal viability.
- **SB 449** (Pavley, D-Agoura Hills): Authorize SCO to audit any local agency. Preliminary review, audit, financial review committee.

STALLED

SIGNED

STALLED

STALLED

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