

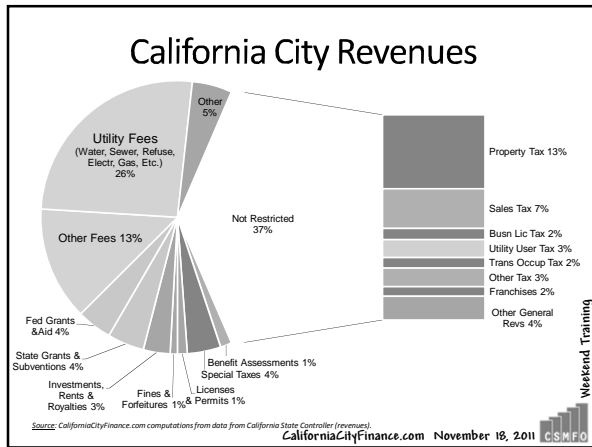
Overview and State Legislative Update

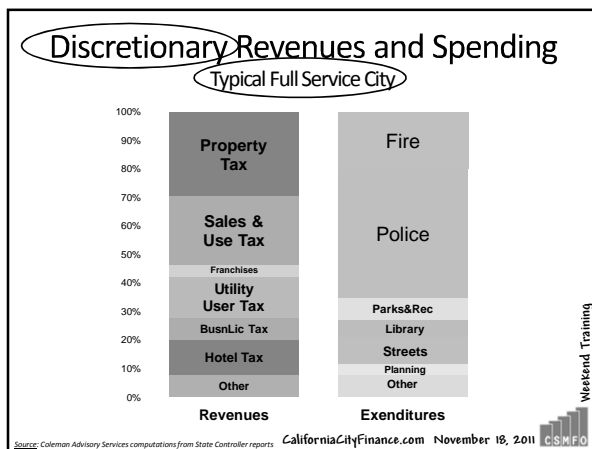
CSMFO Weekend Training November 18, 2011

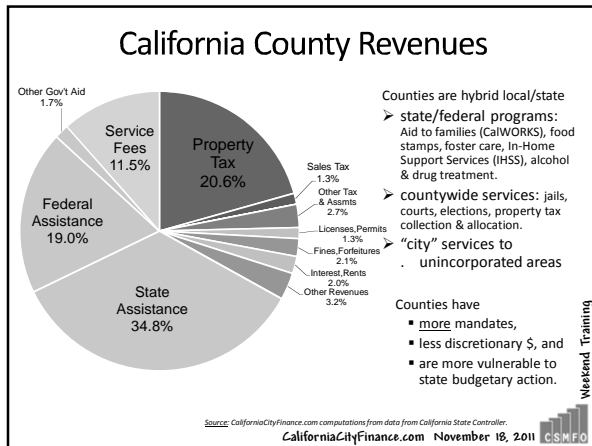


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Approval Requirements: State and Local Fees and Taxes

	Fee	Tax
City or County	Majority of the city council or board of supervisors.	Two-thirds voter approval for a special tax (earmarked), majority voter approval for a general tax.
State	Majority of each house of the Legislature and Governor's approval.	<i>For any law that will increase the taxes of any taxpayer,</i> two-thirds of each house of the Legislature and Governor's approval ...or approval of majority of statewide voters.

*New with Prop 26

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Fees and Charges (Proposition 26 of 2010)

Any levy, charge or exaction of any kind imposed by a local government, is a **tax** except:

- **User Fees:** for a privilege/benefit, service/product
Planning permits, police permits, street closure permits, parking permits in restricted zones, franchises, user fees, public documents copying fees, DUI emergency response fees, emergency medical and ambulance transport service fees, recreation classes, weed abatement.
- **Regulatory Fees:** regulation, permits, inspections
Permits for regulated commercial activities (e.g., dance hall, bingo, card room, check cashing, taxicab, peddlers, catering trucks, massage parlor, firearm dealers, etc.); fire, health, environmental, safety permits; police background checks; pet licenses; bicycle licenses.
- **Rents:** charge for entrance, use or rental of government property
Facility rental fees, room rental fees, equipment rental fees, on and off-street parking, tolls, franchise, park entrance, museum admission, zoo admission, tipping fees, golf green fees, etc.

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Fees and Charges (Proposition 26 of 2010)

Any levy, charge or exaction of any kind imposed by a local government, is a **tax** except:

- Penalties for illegal activity, etc.
 - Examples: parking fines, code enforcement fees and penalties, late payment fees, interest charges and other charges for violation of the law.
- Charges imposed as a condition of property development
 - Examples: construction permits, development impact fees, fees imposed to remedy the effects of the fee payor's operation that are imposed as a condition of property development.
- Assessments and property related fees imposed in accordance with the provisions of Article XIII D. (Proposition 218)
- A payment that is not *"imposed by a local government"*
 - Includes payments made pursuant to a voluntary contract or other agreement that are not otherwise "imposed" by a government's power to coerce.

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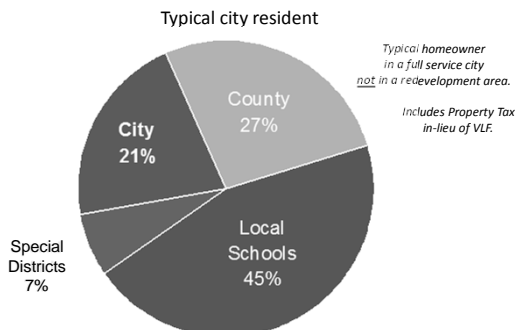
Taxes

- ✓ Charges which pay for public services and facilities that provide general benefits. No need for a direct relationship between a taxpayer's benefit and the tax paid.
- ✓ Cities may impose any tax not otherwise prohibited by state law. (Gov Code § 37100.5)
- ✓ The state has reserved a number of taxes for its own purposes including:
 - cigarette taxes, alcohol taxes, personal income taxes.
- ✓ General & Special
 - General Tax - revenues may be used for any purpose.
 - Majority voter approval required for new or increased local tax
 - Special Taxes - revenues must be used for a specific purpose.
 - 2/3 voter approval required for new or increased local tax
 - Parcel tax - requires 2/3 vote

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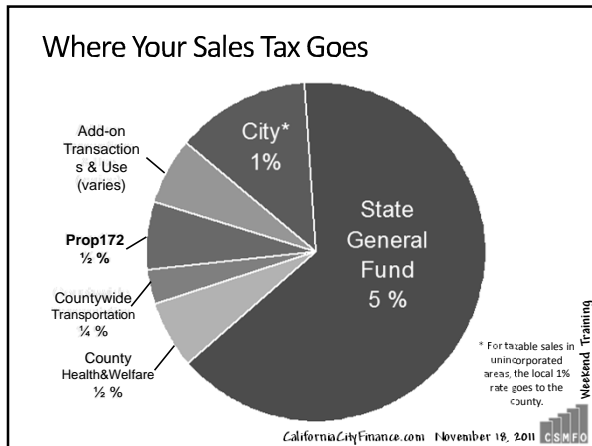
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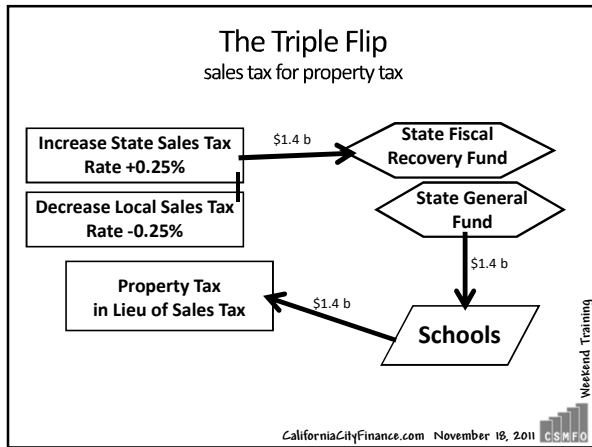
Where Your Property Tax Goes

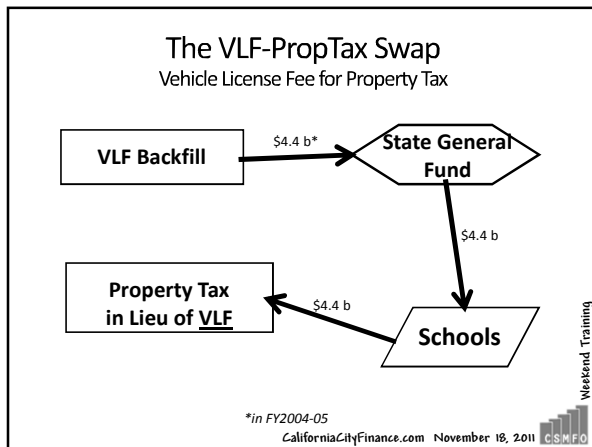


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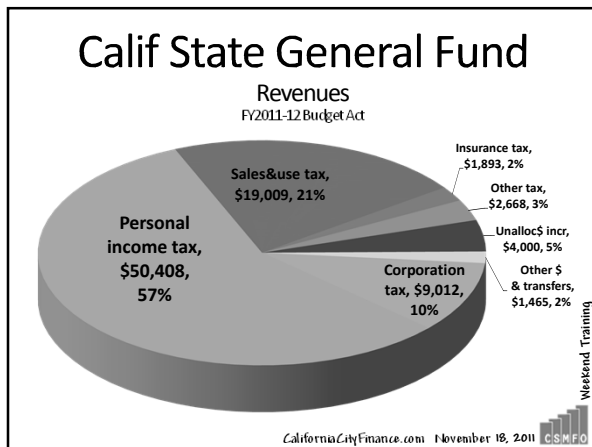
Local Revenue Protection: Prop1A('04), Prop1A('06), Prop22('10)

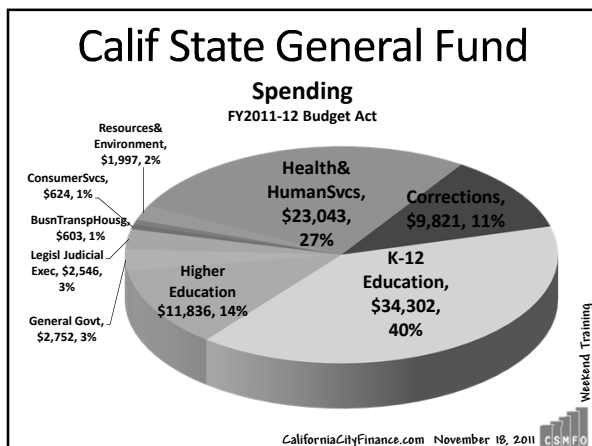


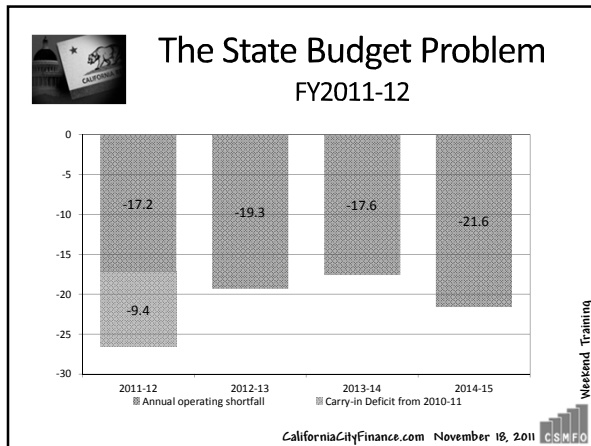
Constitutional Protection for:

- 1. Property taxes: cities, counties, special districts**
Protection includes Property Tax in lieu of VLF (VLF swap)
May reallocate among cities, counties, special districts with a 2/3 vote of both houses
- 2. Local sales tax rate, method of allocation**
Exception: interstate compact or federal law
- 3. VLF 0.65% rate to cities and counties ... unless replaced**
VLF may not be diverted to reimburse a state mandate
- 4. Transportation Funds to locals – no taking, delay or borrowing**
- 5. Redevelopment Tax Increment - may not be diverted for other purposes**
- 6. Prohibitions against unfunded state mandates strengthened**

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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'tl 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

Spending Cuts (total)	\$ 11.1
Revenues ...	
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
Shifts and Borrowing ...	
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



- ✓ SB89 eliminates city VLF
- ✓ PropertyTax in-Lieu of VLF is NOT affected!

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