

State Budget Update

A CSMFO Teleconference

June 18, 2009

2:00pm-3:00pm

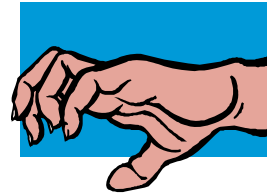
Michael Coleman
Fiscal Policy Advisor
League of California Cities
coleman@muni1.com
Tel: 530-758-3952

Dan Carrigg
Legislative Director
League of California Cities
carriggD@cacities.org
Tel: 916-658-8222

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CaliforniaCityFinance.com



Summary of City \$ in Play

State Subventions ~~(General Fund)~~

- COPS (\$107) Juv. Justice (\$107)
- Booking Fees / Jail Facility (\$35m)
- Other LawEnf grants (\$250m)
- Williamson Act (\$35m)

New
0.15%
VLF
rate

Redevelopment Agencies

- Property Tax shift (\$350m/yr)
Unconstitutional?

Special-Funded Subventions

- State \$ to cities & counties only -

- Prop. 172 Public Safety (\$180m+)
- Vehicle License Fee (\$150m+)

Borrowable

- Property Tax
(\$2b cities/counties/spec. districts)
- Highway Users' Tax
(\$1.05b cities&counties)
- Prop. 42 Streets&Roads
(\$600m cities & counties)
- Mandate payment deferrals
(\$91m/yr cities/counties /special districts for pre FY04-05 costs)

State
General
Fund

Programs

Counties

\$

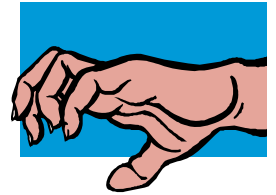
Cities

New Scheme May'09

- Highway Users' Tax (~\$1b)

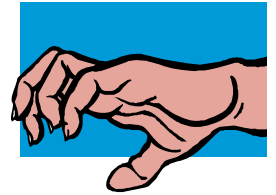
Redirect to pay state GF debt

Unconstitutional!



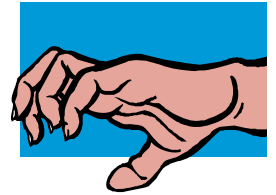
Other Important Issues

- State Funding Shifts to Fees: *Adopted by Conference Committee.*
 - ✓ OSHA & Div of Labor Standards
 - ✓ Bureau of Forensic Services
- Proposed Corrections Policy Changes: *Open*
 1. Change sentencing options to require some felonies to only be punished as misdemeanors;
 2. Allow for early release and house arrest;
 3. Eliminate most inmate and parolee rehabilitation programs;
 4. Additional savings through various changes to corrections policies;
- Bureau of Narcotic Enforcement reduced by \$20 million. *Adopted by Conf Committee.*
- Justice Action Grants: CalEMA to distribute an additional \$66 million in federal stimulus grants. *Open*
- Emergency Response Funding: Allocate \$76 million from a new 4.8 percent surcharge on insurance policies to partially fund CAL Fire and local response agencies. Local agencies would receive reimbursement for costs incurred for responding to emergencies as part of the state's mutual aid system. *Open*
- Transit: Transfer \$336 million in transit spillover revenue to General Fund relief. Redirect \$315m in Public Transp Account \$ to pay debt service on transit bonds. *Adopted by Conference Committee.*



More Important Issues

- Proposition 1B Transportation Funds: release of remaining streets and roads \$.
Adopted by Conference Committee.
- State Mandate Funding *Adopted by Conference Committee.*
Numerous mandates suspended. See
http://www.lao.ca.gov/handouts/state_admin/2009/Non_Education_Mandates_06_11_09.pdf
 - Several mandates were either not suspended, or were modified including:
 - Open Meeting Act, not suspended.
 - Elections mandates, not suspended.
 - Animal adoption, reduced to three days.
 - Redrafted sexually violent predator mandate.
 - Repealed crime victims mandate to conform to Marcy's Law.
- State Parks: \$15 charge for a state parks pass on all motor vehicle registrations would permit free entry to every motor vehicle registered in California and would avoid the closure of any parks. *Adopted by Conference Committee.*
- Bottle Bill Program: negative balance of \$157 million. City & county recycling grants \$10 million/yr and the state's bottle and can CRV recycling program. Proposed: proportional cuts & no grants if fund is in deficit. *Open*
- Proposal to shift \$300m DMV VLF charges to counties to pay for realigned costs/programs. DMV costs then covered by new regulatory fee on vehicle registrations.
- AB155 (Mendoza) Municipal Bankruptcy [oppose]



Cash Flow Woes:

City Funds May Be Subject to Payment Delays

Local and county administered revenues are not affected:

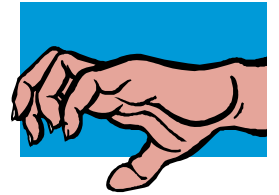
- Property Tax
- Property Transfer Tax
- UUT, TOT, BLT, fees, etc.
- Property Tax in lieu of VLF
- PropTax in lieu of sales tax (Triple Flip)

Locally imposed - state administered taxes are not affected:

- Sales & Use Tax

State imposed taxes with local allocations may be affected:

- Highway Users Tax Acct. (Motor Veh. Fuel Tax / Gas Tax)
 - Also subject to budgetary borrowing under Calif.Const.Art.XIX
- Proposition 42 Streets & Roads Funds.
 - Also subject to budgetary borrowing under Calif.Const.Art.XIXB
- COPS & other law enforcement grants
 - now funded from special 0.15% VLF for law enforcement.
- VLF, Prop 172?



Resources

- League of California Cities cacities.org
- City Advocate Weekly
(click link under “Newsroom” on right side of the League’s main page)
- At CaliforniaCityFinance.com/#CITY-STATE, see:
 - ✓ Estimated Impacts of a \$2B Property Tax Borrowing
 - ✓ Projected FY2009-10 Highway User Tax City Allocations
 - ✓ Proposition 42 Local Streets and Roads City Allocations
 - ✓ Proposed Suspended Mandates
 - ✓ Citizens Option for Public Safety (COPS)
- LAO, Dept of Finance, Legislative info:
CaliforniaCityFinance.com/#STATEBUDGET