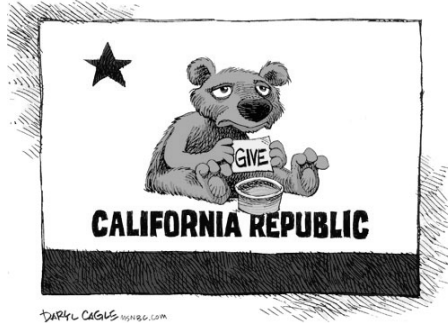


# Overview and State Legislative Update

CSMFO Weekend Training November 13, 2009

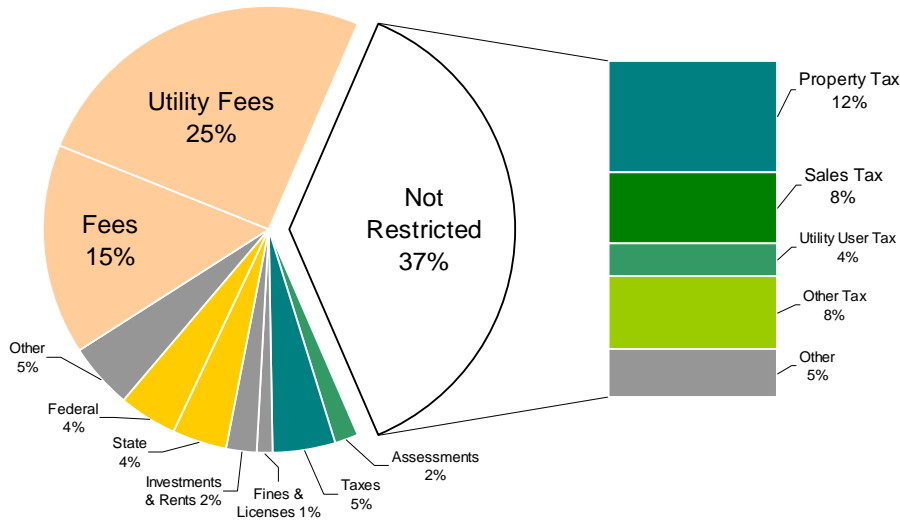


**Michael Coleman**  
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## California City Revenues

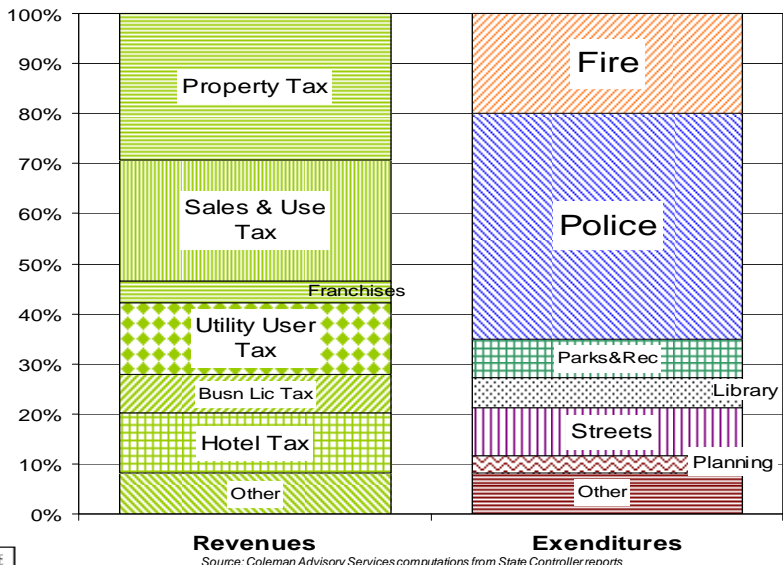


Source: CaliforniaCityFinance.com computations from data from California State Controller (revenues). Does not include data from the following cities that failed to report: Beaumont, Gustine City, Loyalton, San Diego, Taft, and Tulelake.

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# Discretionary Revenues and Spending

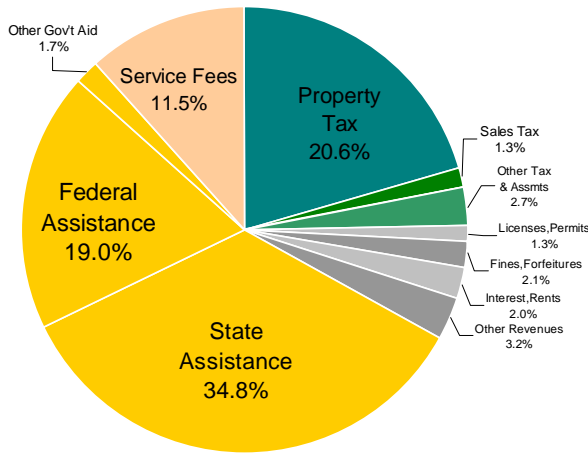
Typical Full Service City



Source: Coleman Advisory Services computations from State Controller reports

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## California County Revenues



Counties are hybrid local/state

- state/federal programs: Aid to families (CalWORKS), food stamps, foster care, In-Home Support Services (IHSS), alcohol & drug treatment.
- countywide services: jails, courts, elections, property tax collection & allocation.
- "city" services to unincorporated areas

Counties have

- more mandates,
- less discretionary \$, and
- are more vulnerable to state budgetary action.



Source: CaliforniaCityFinance.com computations from data from California State Controller.

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# Taxes

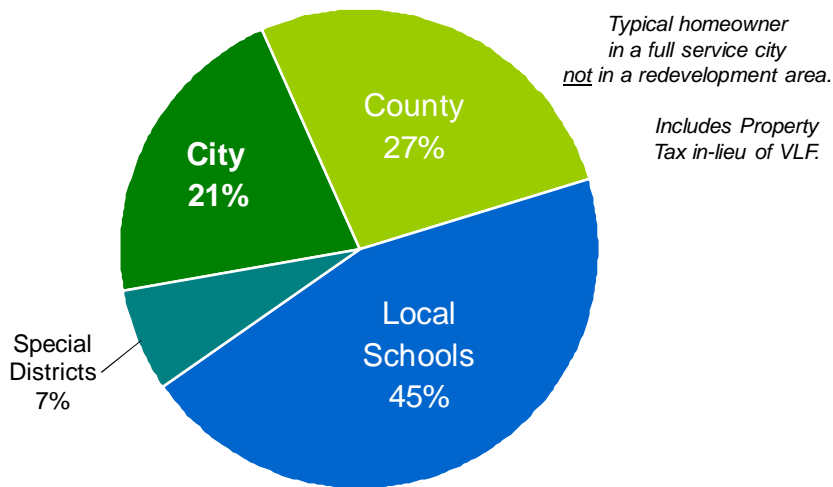
- ✓ A charge which pays for public services and facilities that provide general benefits. No need for a direct relationship between a taxpayer's benefit and the tax paid.
- ✓ Cities may impose any tax not otherwise prohibited by state law. (Gov Code § 37100.5)
- ✓ The state has reserved a number of taxes 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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## Where Your Property Tax Goes

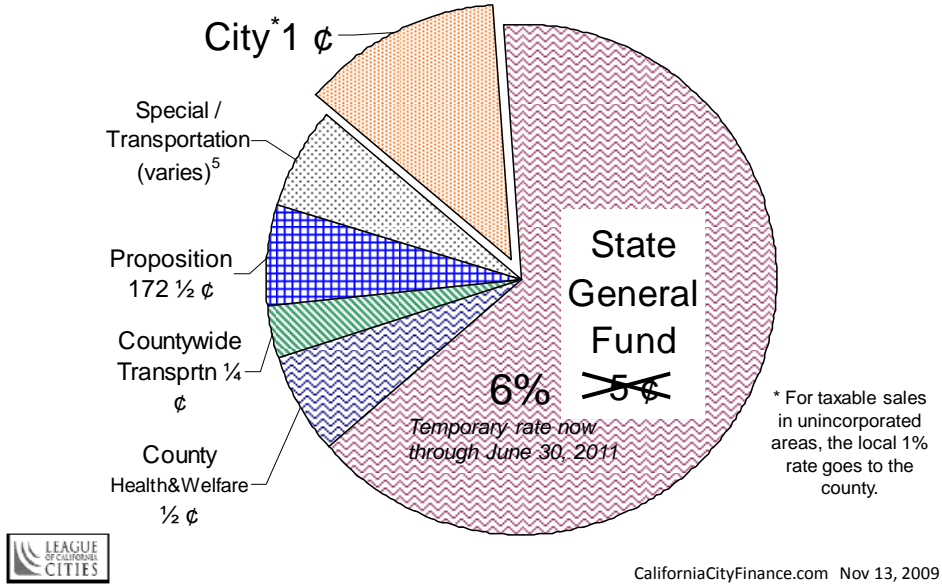
Typical city resident



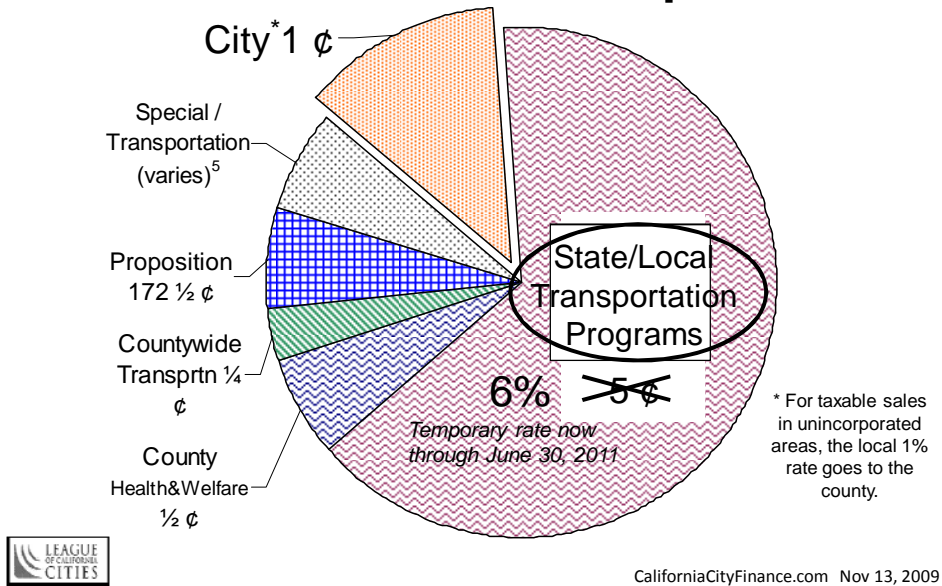
**Source:** Coleman Advisory Services computations from Board of Equalization and State Controller data.

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# Where Your Sales Tax Goes

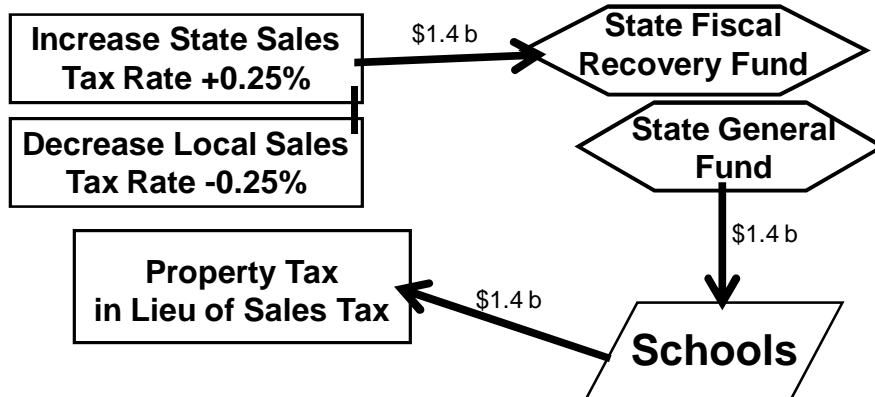


# Prop42: Most State Sales Tax from Gasoline Goes to Transportation



## The Triple Flip

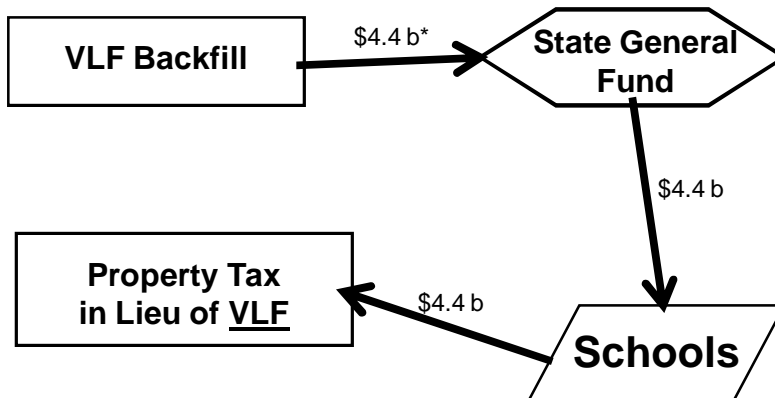
sales tax for property tax



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## The VLF-PropTax Swap

Vehicle License Fee for Property Tax



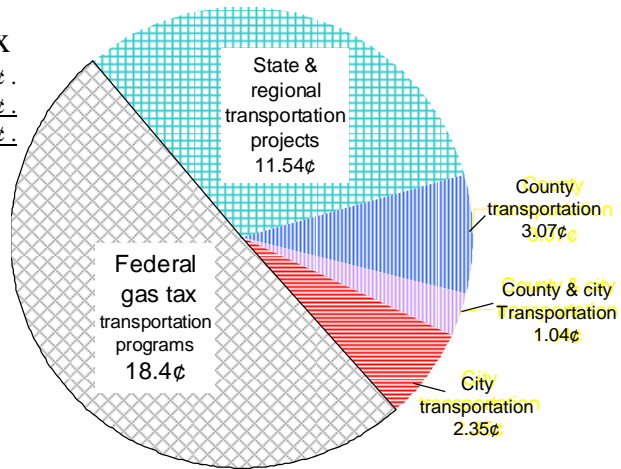
*\*in FY2004-05*

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# The Gasoline Excise Tax (AKA Highway User's Tax)



**Gasoline Excise Tax**  
 State 18.0¢ .  
 Federal 18.4¢ .  
 Total 36.4¢ .  
 per gallon

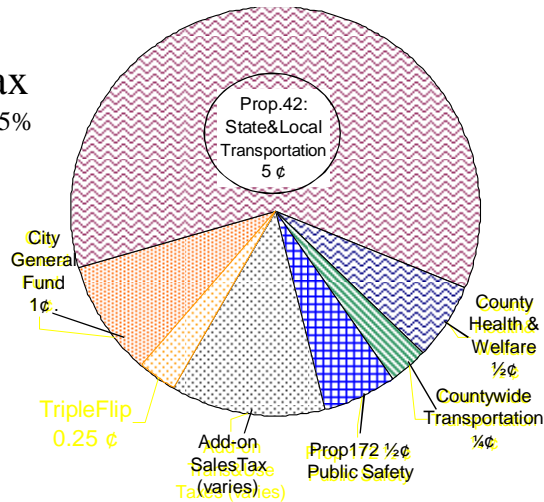


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# Gasoline Sales Tax (AKA Prop 42 Gas Tax)



**Sales Tax**  
 7.25% to 8.75%



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# City Funds at Risk of State Action

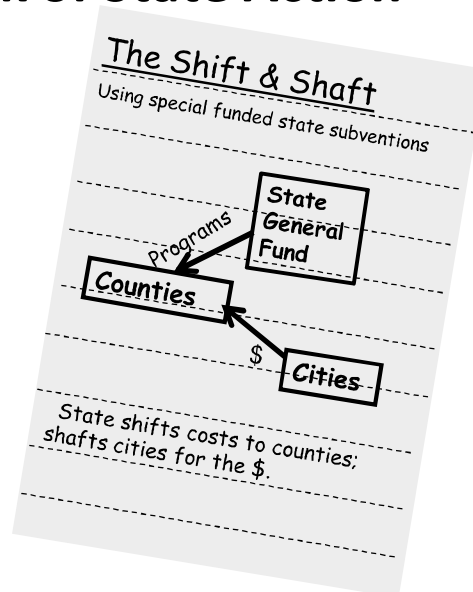
## State Subventions (General Fund)

- Law enforcement grants (\$500m)

## Special-Funded Subventions

- State \$ to cities & counties only -

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



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# City Funds at Risk of State Action

## Proposition 1A (2004) State Property Tax Borrowing

- Governor must declare "fiscal hardship."
- Legislature must enact by 2/3 vote;
- Limited to 8% of the property tax revenues within each county;
- Must enact a law directing the repayment with interest within three years;
- May not enact another until previous borrowing is repaid;
- May not enact more than twice in ten years.

## Redevelopment Agencies

- Property Tax shift

**Unconstitutional?**

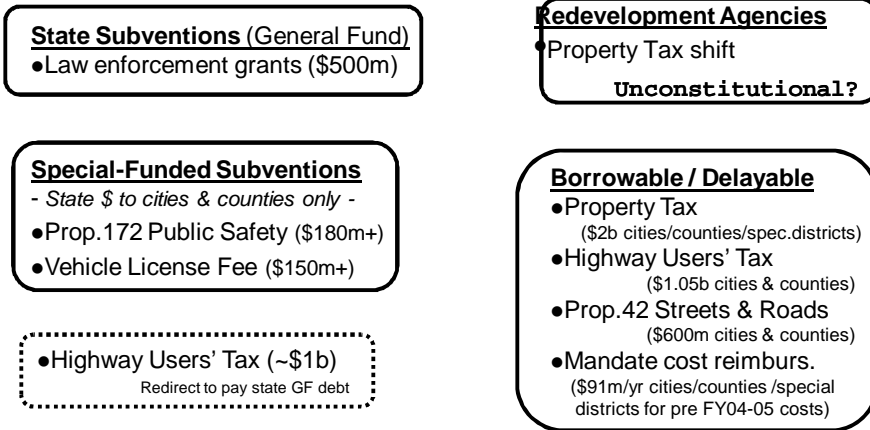
## Borrowable / Delayable

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



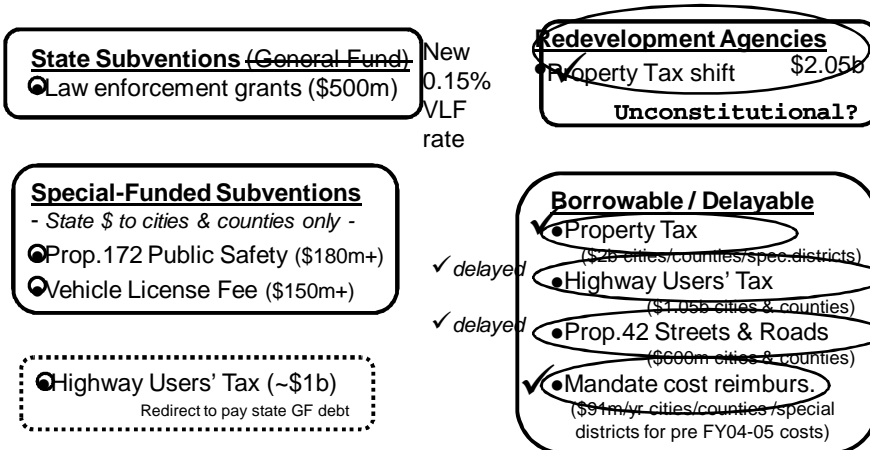
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# City Funds at Risk of State Action



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# City Funds at Risk of State Action



✓ = action taken by Legislature



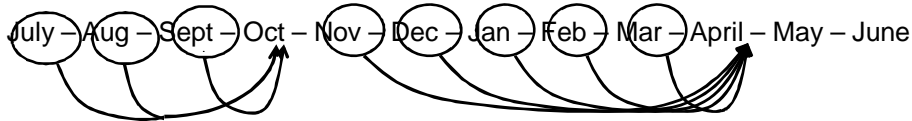
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# State Road Funds Payment Delays

Enacted 2009-10 Budget



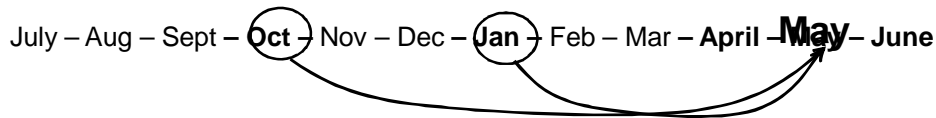
✓ Gas Tax (HUTA) monthly payments delayed



Exempted: Counties under 40,000 population.

May use Prop 1B transportation bond funds temporarily for cash flow

✓ Prop42 TCRP quarterly payments delayed



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## Revenues 101:

### The Essentials of Municipal Financial Resources



Available for purchase at CityBooks

#### Recommended resources:

The California Municipal Revenue Sources Handbook, 2008 edition by Michael Coleman. League of California Cities. 2008

Understanding the Basics of City and County Revenue by Charles Summerell. Institute for Local Government. 2008\*

Cal Facts, California's Economy and Budget in Perspective – State and Local Finances. Legisl Analyst's Office 2006\*

A Primer on California City Finance by Michael Coleman. *Western City*. Mar 2005\*



\*available on-line at ... CaliforniaCityFinance.com Nov 13, 2009