

The Latest Fiscal Fallout: A City Revenues Update

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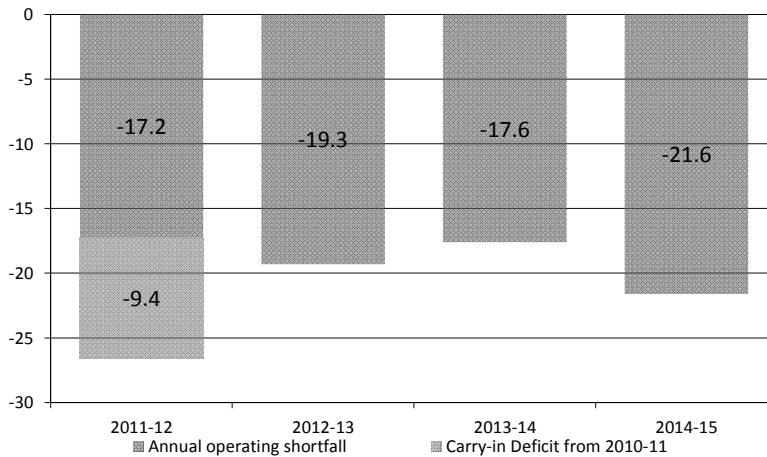


2011 Municipal Finance Institute
Long Beach, CA ❖ November 30 – December 2, 2011

CaliforniaCityFinance.com The California Local Government Finance Almanac



The Way We Were: The State Budget Problem FY2011-12



November 30, 2011

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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



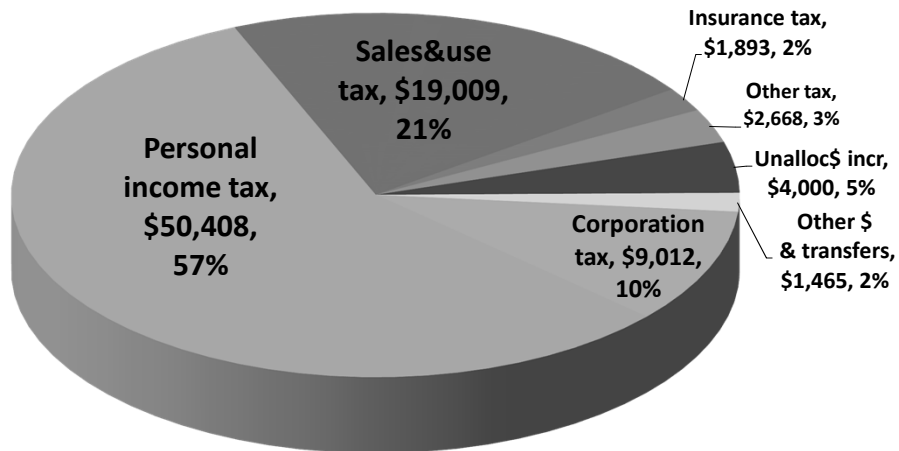
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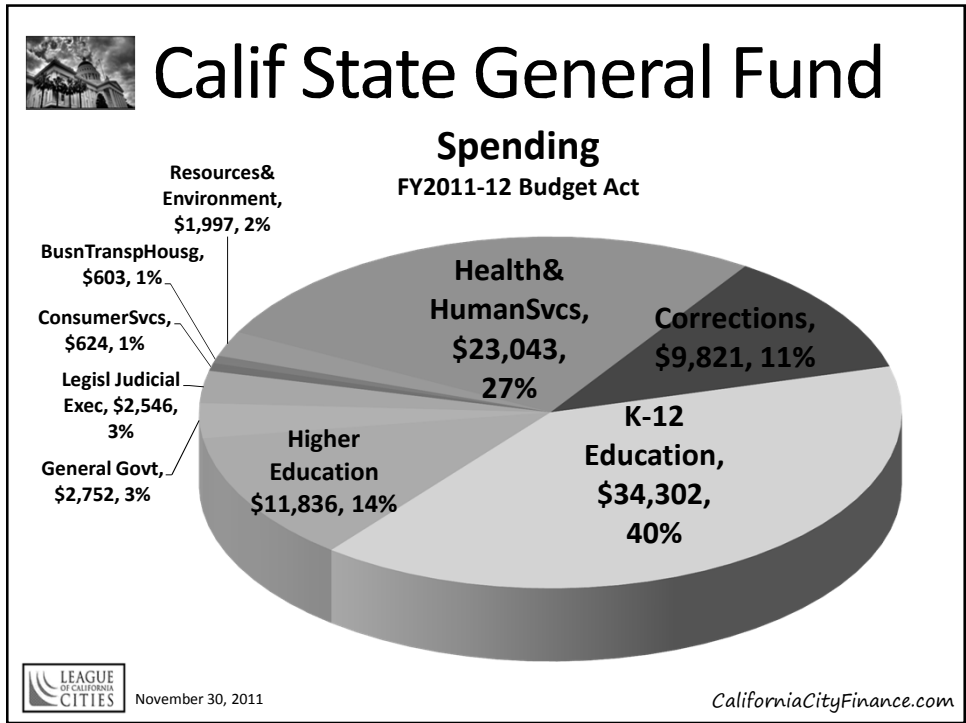
Calif State General Fund

Revenues
FY2011-12 Budget Act

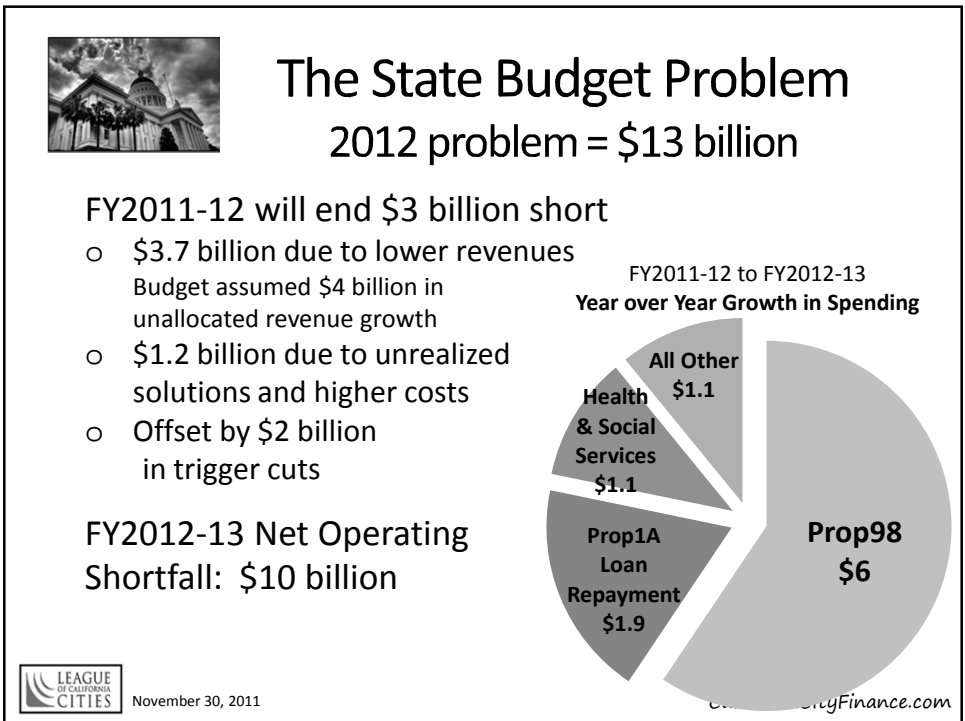
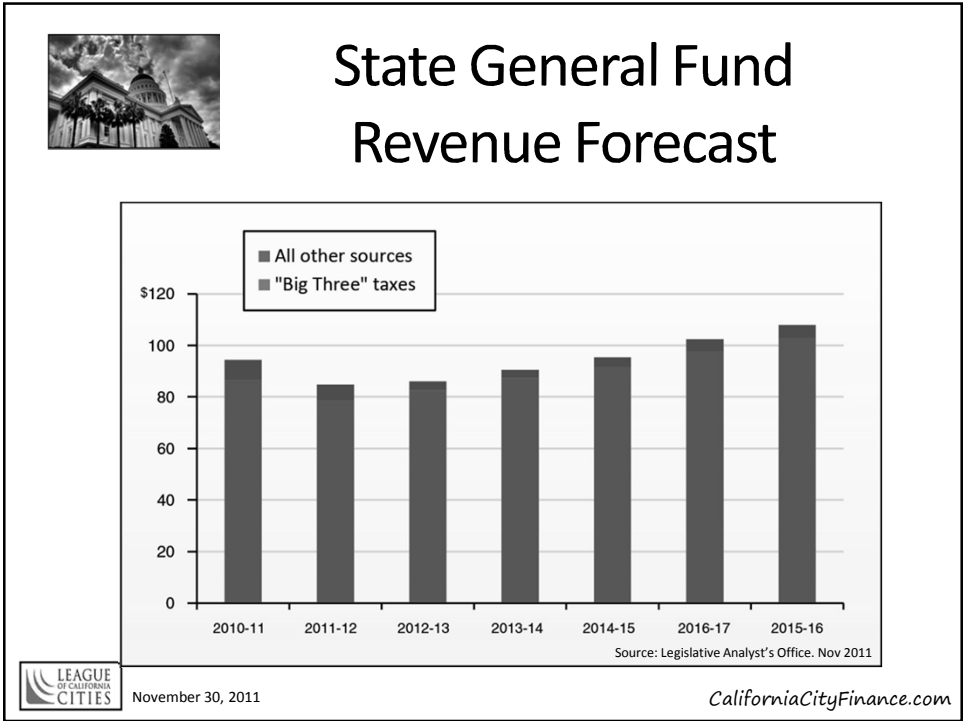


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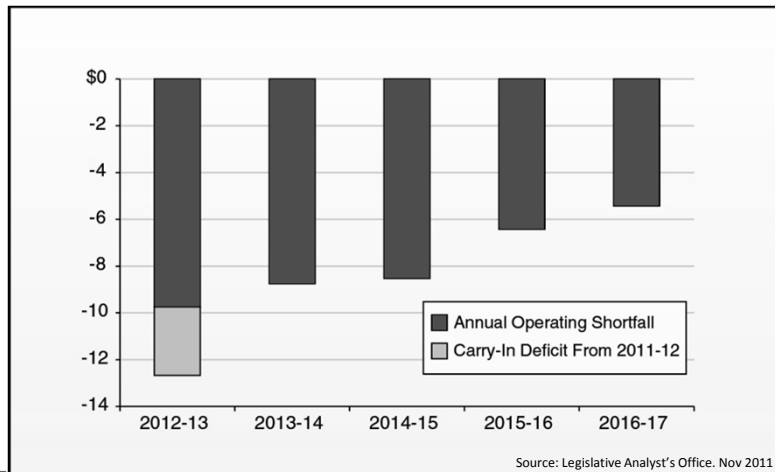
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- ## Calif State Budget FY2011-12
- ### Trigger Cuts would take effect on/after Jan 1, 2012
- “Tier I”**
- \$200 million University of California and California State Universities
 - \$100 million Dept of Developmental Services
 - \$110 million In-Home 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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The State Budget Problem

Current Year Deficit and FY2012-13 Gap



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Calif State Budget FY2011-12

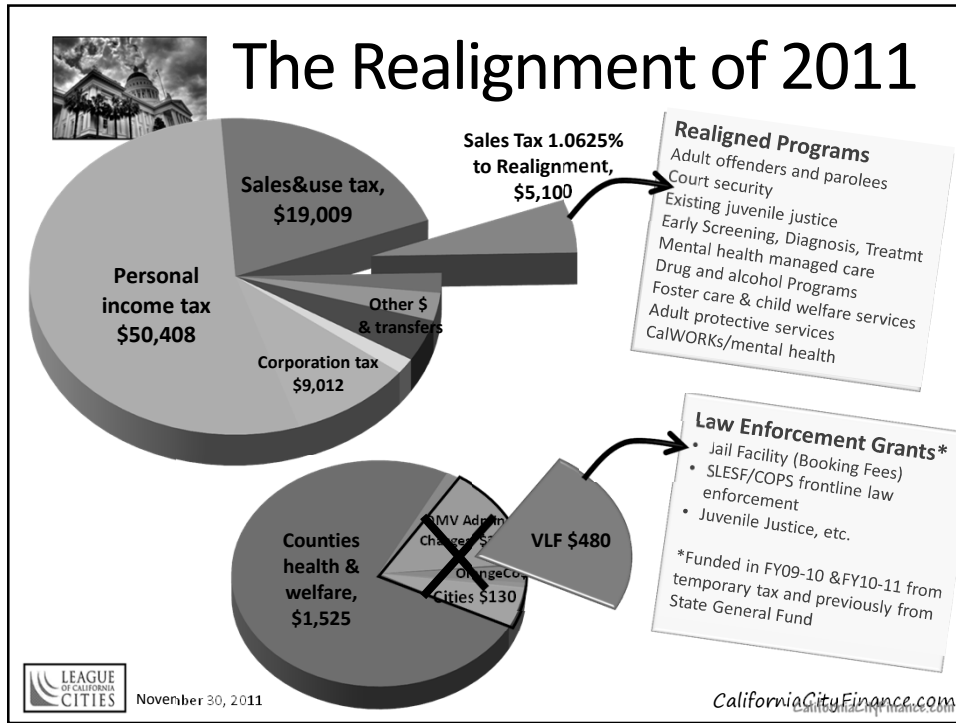
Issues for local agencies

- 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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State Law Enforcement Grants

*Funded beginning FY2011-12 from VLF
 Funded in FY09-10 and FY10-11 from Temporary Tax
 Funded Previously from State General Fund*

SB89, AB118 Local Law Enforcement Services Acct			
<i>Effective July 1, 2011</i>			
	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

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Government Reform Initiatives

“California Forward”

- ☛ Declares *“the shared purpose of state and local governments is to promote a prosperous economy, a quality environment, and community equity.”*

Local Government

- ✓ Improving results & accountability: Performance-based budgeting required.
- ✓ Encouraging Collaboration: Community Strategic Action Plans.
 - Dedicates ~\$180 million / yr as incentive.
 - Could include exemption from related state laws / regulations.

State Government

- ✓ Two year, performance based budget
- ✓ Legislative review of every state program every 5 years
- ✓ Major new programs / tax cuts (\$25 million +) must ID funding or cuts
- ✓ The state budget and all legislation must be in print 3 days before action.



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Government Reform Initiatives

Calif State Assn of Counties (CSAC) Realignment

- ✓ Requires State to provide local governments with ongoing funding to pay for the costs of realigned programs.
 - *No additional funding to pay city or special district costs*
 - *May weaken mandate reimbursement related to realignment*
 - *No fix of VLF take*
- ✓ Prohibits State from passing any new law/regulation that imposes additional costs on local governments, unless State provides funding.
- ✓ Requires audits by the State Controller.



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Government Reform Initiatives

“Think Long Committee”

Nicolas Berggruen’s committee of sixteen

State Tax System overhaul:

- ✓ Apply the state Sales & Use Tax (SUT) to services. Reduce state SUT by 0.5%. Eliminate most SUT exemptions except R&D.
- ✓ Reduce Personal Income Tax (PIT). Eliminate most tax credits and all itemized deductions except for mortgage interest, property taxes, charitable contrib. Reduce marginal PIT & Corp Tax rates, expand PIT standard deduction.
- ✓ Reduce Corp Tax deductions except R&D. Single sales factor formula mandatory.

State budget:

- ✓ multi-year budgeting, rainy day fund
- ✓ \$1.5 billion to counties for realigned public safety, \$1 billion to cities general purpose block grant.



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Education

- ✓ High performing school districts get more flexibility in use of funds.
- ✓ Incentives to charter schools in disadvantaged areas.
- ✓ Eliminate teacher seniority as basis for layoffs.
- ✓ Shift tenure threshold from two to five years.
- ✓ Improve performance evaluation systems.
- ✓ Remove Prop98 “maintenance factor”

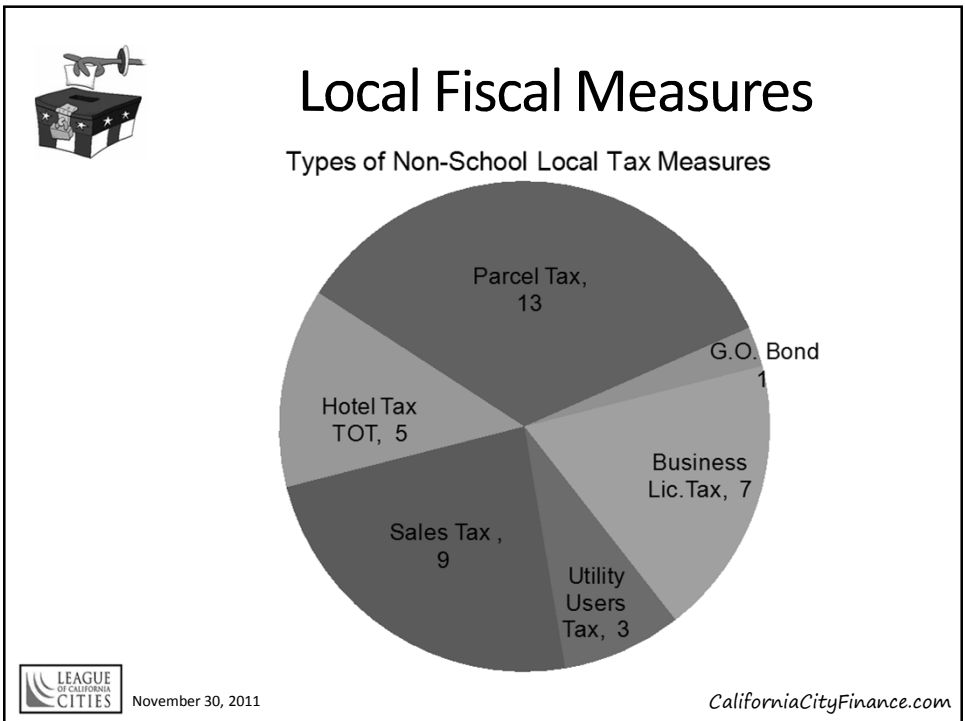
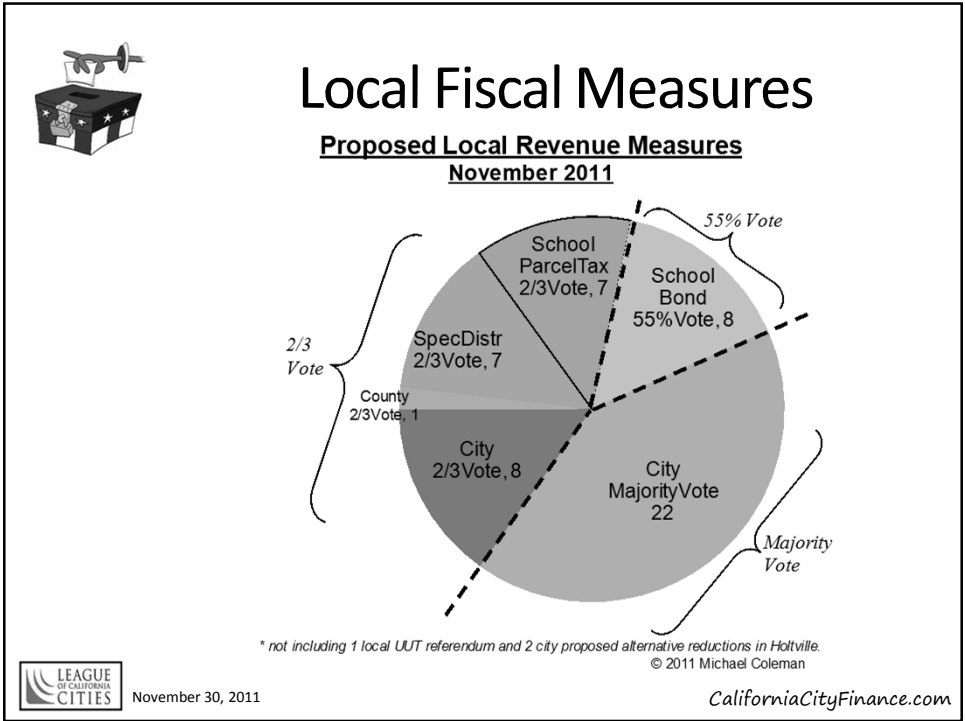
Citizens Council for Government Accountability

- ✓ Independent, non-partisan long-term vision: long-term capital spending projects, infrastructure, water, energy and state educational master plan.
- ✓ Promote performance and ensure accountability.
- ✓ Empowered to propose state ballot measures incl. Constitutional amendments.



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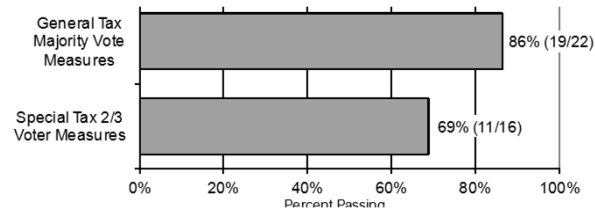




Local Fiscal Measures

Local Revenue Measures November 2011

	Total	Pass	Passing%
City Majority Vote	22	19	86%
County Majority Vote	0	0	
City 2/3 Vote	8	4	50%
County 2/3 Vote	1	1	100%
Special District (2/3)	7	6	86%
School ParcelTax2/3	7	5	71%
School Bond 55%	8	6	75%
Total	53	41	77%



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