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LEGISLATIVE COMMITTEE ON LOCAL GOVERNMENTS
PRIORITY FOCUS

**December 31, 2003
Issue #50-2003**

**LEGISLATURE QUESTIONS GOVERNOR'S AUTHORITY
TO RESTORE VLF BACKFILL**

After the Governor announced his action to continue local government VLF backfill payments for the remainder of the 2003-04 budget year, the Legislature offered its not-so-supportive opinion of the Governor's actions. In a December 23 letter to Department of Finance Director Donna Arduin, Senator Wes Chesbro, Chair of the Joint Legislative Budget Committee, expressed the Committee's doubts about the authority of the Governor to act unilaterally and provide the funding to local government. *For more, see page 2.*



**ORANGE COUNTY DIVISION THANKS GOVERNOR
ON VLF FUNDING**

More than 30 Orange County police, fire and elected officials, including Assembly Members Todd Spitzer and Patricia Bates, gathered for a press conference at Laguna Woods City Hall on December 22 to thank the Governor for his efforts to deal with the fiscal crisis facing local governments.

"I am very proud of Governor Schwarzenegger's actions to support local government," said **Assemblyman Todd Spitzer, Co-Chair of the Assembly Local Government Caucus**. "I am not willing to jeopardize front line police and fire services because of the Sacramento shuffle that continues to bleed us dry of our property taxes." In a crowd full of public safety officers and elected officials, Assemblyman Spitzer pledged that he would continue to fight to make sure local governments stay whole. *For more, see page 3.*

**Hot Bills
Act Now**



The legislature is in Interim Recess. It will reconvene January 5, 2004.

Want more details on these and other bills? Log on to the League of California Cities Web site at www.cacities.org/legtracking.

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Legislature Questions Use of Section 27.00

The Governor referenced Section 27.00 of the 2003-04 Budget Act as a basis for his actions. Chesbro's letter asserts that the Section 27.00 authority is a "limited delegation of legislative powers to allow the Administration to address unexpected circumstances after the passage of the budget." The letter goes on to argue that this section is "... intended to allow adjustments to spending amounts, *consistent with the Legislature's policy objectives* as reflected in the annual budget. It is not intended to provide an alternative to the regular budget process for changing policy decisions." The letter further argues that the Governor's action does not meet the criteria for an "emergency" and that no "specific evidence" has been put forth that justifies the use of this authority.

Under this Section 27.00 authority in the budget act, the Governor argues that he can make a "deficiency appropriation" to meet the obligation to pay the VLF backfill. The Joint Legislative Budget Committee letter argues to the contrary that a deficiency appropriation only allows the Administration to "spend at a rate which would necessitate an additional appropriation" and that to make the appropriation for this purpose "... requires the Legislature to approve an appropriations bill by March 1, 2004."

What Next on VLF Payments?

It is no surprise that the Legislature is unhappy with the Governor's actions. The letter from Senator Chesbro was expected and sets the groundwork for further debate on this issue when the Legislature returns in January.

In the meantime, the Administration is moving ahead with its plan to honor its commitment to local government. It is our understanding that the December 26th payment of VLF backfill revenues to the counties for the social service realignment program was made and that the scheduled January 10 payment to cities and counties will also be made on time.

It is also reported that the Administration plans to continue making VLF backfill payments after the March 1st deadline referenced in the letter from Senator Chesbro because the VLF backfill revenue

is a continuous appropriation and no further legislative action is required.

What should city officials do in light of this controversy? Most city officials we talk with are moving cautiously in this tenuous environment. That seems to a prudent course of action. Certainly no major commitments to new programs or spending should be made during the remainder of at least this fiscal year. Some group with a stake in state general fund programs could challenge the Governor's actions. It is not clear if the Legislature plans to move beyond the objections in the Joint Legislative Budget Committee letter and take its own legal action.

City and county officials have done a good job of making the Legislature aware of the political consequences of taking action to cut or jeopardize local government funding. Reneging on the state's commitment to backfill VLF cuts will be a difficult vote for any Legislator. That doesn't mean we're home free. Nothing is safe as long as the Legislature is in session.

The next stage in this "dance" that will play out over the next 6 months is the Governor's proposed 2004-05 state budget. He is scheduled to release that budget sometime around January 9th. The budget proposal should clearly indicate where the Administration stands on continued VLF backfill payments or some other alternative for local government funding.

Local Services Need Constitutional Protection

The lesson in all of this for local government officials is that the only way to put local government back on a course of fiscal stability is to pass a constitutional protection measure on the November 2004 ballot. If there was ever any doubt about proceeding with a ballot measure, the uncertainty generated about VLF funding in recent weeks reinforces the need to place some reasonable restriction on the Legislature's ability to use local government revenue as its personal ATM machine. Consult the CITIPAC website (www.citipac.org) or your regional representative for more information on how you can help with this effort.

DON'T MISS THE JANUARY ISSUE OF WESTERN CITY MAGAZINE: "HOW DID YOUR LEGISLATOR VOTE" AND "HELPFUL TIPS ON BALLOT MEASURE CAMPAIGNS"

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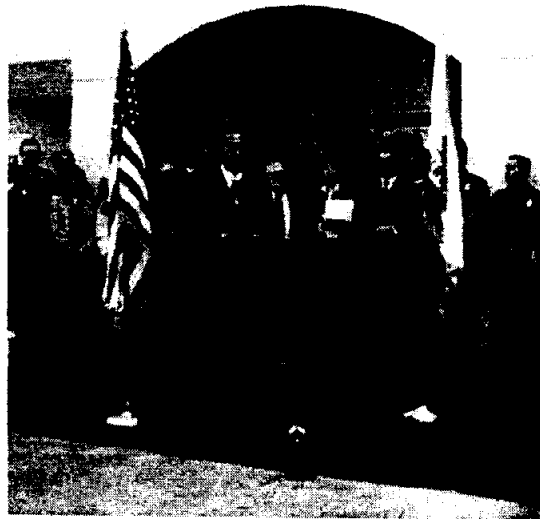
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Other speakers included Assembly Member Patricia Bates, Orange County Division President and Brea Council Member Marty Simonoff, Mayor Pro Tem of Orange, Carolyn Cavecche, Mayor of Laguna Woods, Bob Ring, and Council Member Bert Hack of Laguna Woods. They each thanked the Governor for his action to restore critical VLF funding to cities and counties as well as reminded the Governor and the legislature that California cities and counties need to continually be funded every year by the VLF backfill in order to keep cities such as Laguna Woods open to provide essential services to their residents.



Marty Simonoff, Council Member, Brea and Division President. Other speakers at the Orange County VLF Press Conference were Carolyn Cavecche, Mayor Pro Tem, Orange; Bert Hack, Council Member, Laguna Woods; and Assembly Members Patricia Bates and Todd Spitzer.

"Thank you to the Governor for supporting cities in recovering our VLF fees. However, this may not be enough to survive," said **Bob Ring, Mayor of Laguna Woods**. "I urge the Governor and the Legislature to fully fund the hardship cities. Laguna Woods is considering staff reduction, elimination of the only patrol car, and even disincorporation." Altogether, there are fifteen hardship cities that may not be able to survive without the fully-funded VLF revenues, including Laguna Woods, Aliso Viejo and Rancho Santa Margarita.