

FOCUS

Analysis, Commentary and Updates on Legislative and Policy Issues that Affect California Cities

January 6, 2006
Issue #1-2006

GOVERNOR UNVEILS 20-YEAR STRATEGIC GROWTH PLAN

Gov. Schwarzenegger unveiled a bold agenda for 2006 and beyond in his State of the State speech on January 5. Recalling the infrastructure investments made more than 50 years ago by Gov. Pat Brown and other state leaders, Gov. Schwarzenegger said that it was time to replicate the kind of investments that "made California the powerhouse it is today."
For more, see Page 2.



MORE DETAILS OF THE PROPOSAL

League staff is currently analyzing the Strategic Growth Plan information that was posted on the governor's website immediately following his State of the State speech on January 5. More details will likely be available when his complete budget proposal is released Tuesday, January 10. (See also "Strategic Growth Plan Briefing Packet" at www.governor.ca.gov.)
For more, see Page 3.



TELECOM IN THE NEWS

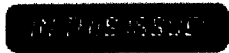
EVENTS AND TRENDS OF INTEREST TO CITY OFFICIALS

Colorado Court Rules City's Cable Franchise Fee is Legal

The Colorado Court of Appeals ruled in December that Colorado Springs' cable franchise fee is legal, rejecting a claim by tax activist Doug Bruce that it is a tax subject to a tax-limitation law that Bruce (an El Paso County Commissioner) authored in 1992. *For more, see Page 2.*

WANT MORE DETAILS
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Visit the League of
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KEEPING UP WITH LEAGUE MEMBERS – SAN JOSE WINS MUNICIPAL ENRICHMENT AWARD!

The City of San Jose was honored for its Dr. Martin Luther King, Jr. Library with the National League of Cities' 2005 James C. Howland Gold Award.

The James C. Howland Awards for Municipal Enrichment recognize and highlight communities that, through effective policies and thoughtful planning, have preserved and/or enriched a high quality of life in cities, towns and villages. Subjective criteria applicants are judged on include the degree to which the program is innovative; the success of the local government in implementing the program; and the extent of the measurable benefit for the general community and local government.

The League congratulates San Jose for its achievement!

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For the complete story, visit www.gazette.com and search for the article entitled "State Appeals Court: City Fees Aren't Taxes."

Telecom Legislation Threatens Public Access TV

An article run by *The New Standard* on December 29 discusses the threat federal telecom legislation could have on public access television funding.

For the complete story, visit www.newstandardnews.net and search for the article titled "Telecom Laws Overhaul Threatens Public-Access TV, Services."

Court Upholds Dismissal of Lawsuit to Prevent Municipal Broadband Project

The 8th U.S. Circuit Court of Appeals has upheld the dismissal of a lawsuit filed by Time

Warner to prevent a municipal broadband project in North Kansas City, Mo.

To read the court opinion, visit www.baller.com, click on "Library" and then click on "Comments, Briefs and Descriptions." Scroll down to "North Kansas City Litigation" and search for the link titled "8th Circuit Rules in Favor of North Kansas City."

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The governor outlined a "Strategic Growth Plan," calling for a \$222 billion investment over 20 years in transportation and air quality, K-12 and higher education, water supply and flood control, and new or expanded prisons and courthouses. Describing the pressing needs in each of these areas, the governor stressed repeatedly, "Let's build it!" (An overview of the proposal is available online at www.governor.ca.gov.)

Funding for the infrastructure proposal would come from bonds, new fees, federal funds and existing general funds. The governor stressed that the proposal includes no new taxes.

Out of \$68 billion in proposed bonds, \$38 billion (about 55 percent) is intended for support for K-12 or higher education. In the area of transportation and air quality, the proposal calls for \$107 billion total investment over the next decade. This amount includes \$47 billion from existing funds, including Proposition 42 and federal funds. Other sources are:

- \$48 billion in new funding is proposed from leveraging existing funds.
- \$12 billion in new bond funds to attract increased federal, local and private funding. These bonds would be approved by California voters in two \$6 billion authorizations in 2006 and 2008.

The proposal also includes plans for a ballot measure to enact a constitutional amendment to permanently protect Prop. 42 funding from future shifts to the state general fund.

(For further information, see "More Details of the Proposal," p.1.)

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Continued Structural Budget Deficit. The governor also stressed the importance of continued fiscal discipline. Reminding his audience of legislators, state constitutional officers, Supreme Court justices and others that the state still has a structural budget deficit, Gov. Schwarzenegger called for a state constitutional amendment to set a 6 percent ceiling for the state's debt service ratio.

He also called for continued efforts at budget reform. Acknowledging that the voters rejected his ballot measure proposal for budget reform (Proposition 76) last November, he asked legislators to "tell me how you would do it."

"Work with me," the governor said. "Autopilot spending will send us into the ground, not into the future. We have not other choice but to prepare for our future."

Infrastructure Funding is a Key League Goal. The League's first strategic goal for 2006 calls for greater state and local investment "in the physical infrastructure of California, including, but not limited to, its roadways, bridges, levees, parks, libraries, and systems for delivering and treating water, wastewater and storm water."

"We applaud the governor's vision, and his willingness to tackle the silent deficit in infrastructure needs that state policy makers have largely ignored for years," said League Executive Director Chris McKenzie. "We also heartened by the infrastructure proposals put forward by Senate Pro Tempore Don Perata's and Assembly Speaker Fabian Nunez, which show a similar commitment to tackle our infrastructure deficit."

"Cities will be carefully watching as details emerge, to ensure that significant portions of infrastructure funding are made available for streets, roads, transit systems, libraries, levees and other local infrastructure needs," McKenzie added.

While the League strongly supports expanded state investment in infrastructure, our initial analysis identifies several areas where city officials will want clarification. These include the following:

Transportation and Air Quality

The proposal assumes \$107 billion in funding for transportation and air quality over the next 10 years, of which \$47 billion would come from existing sources and \$48 billion from new funding sources. The existing funds include those from Proposition 42, which voters passed in 2002 to dedicate the sales tax on gasoline to transportation projects, including funds set aside for cities and counties to repair local streets and roads. The proposal includes plans for a constitutional amendment to "lock in" Prop. 42 funds for transportation purposes – a proposal that the League strongly supports. This change would end the practice of transferring Prop. 42 funds to the state general fund in times of fiscal crisis.

Will Prop. 42 Funds for Local Street and Road Repairs Be Reduced? The current Prop. 42 funding formulas call for the city/county annual share of funds for local street and road repairs to increase, beginning in FY 2008-09, from the current level of \$127 million for cities and \$127 million for counties, to \$280 million for cities and \$280 million for counties. These amounts would then grow over time as revenues in increased.

The Strategic Growth Plan suggests that cities and counties would be capped at their current allocation levels, with the additional funds allocated instead to state projects. The plan notes that reducing the local allocation would require a two-thirds vote.

The League is attempting to clarify this issue with the Department of Finance and with the governor's office.

No Proposal to Change Vote Requirements for Local Transportation Sales Tax Measures. In the area of "new funding sources," the Strategic Growth Plan assumes \$9 billion from "extended/

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new local transportation sales tax measures,” but states that there is no proposal to change two-thirds vote requirements that apply to these local funding measures. Existing League policy supports changes in state law that would make it possible for cities to pass local revenue measures with a simple majority vote.

It is worth noting the Strategic Growth Plan allocates about 55 percent of new bond funds to K-12 and higher education needs – measures that can now be passed at the local level with 55 percent voter support, rather than the two-thirds threshold required for local government revenue measures.

No Funding for Housing, or Housing-Related Transportation Projects. The proposal would fund environmental improvements at ports, highway improvements, expanded rail and transit and other projects. None of projects identified appear to specifically address transit and transportation issues relating to the state’s smart growth goals, involving infill housing or the means to address the jobs-housing balance.

Additionally, the Strategic Growth Plan does not include funding that would address the state’s urgent need for more housing, and particularly more affordable housing.

Water and Flood Control

Cities are heartened by the governor’s proposal to upgrade the state’s flood control infrastructure – an issue of statewide importance. After the recent storms in California, it is clear that much needs to be done both at the state and local levels. While current focus has been on levee systems, flood control is a statewide concern that includes not only levees but also flood control infrastructure for urban streams, creeks and rivers and alluvial fans.

The plan proposes to invest \$35 billion to “maintain and improve our levee and flood control system” and for water supply: \$21 billion from existing federal and local funding sources, \$9 billion from general obligation bonds, and a new

revenue source, the Water Resources Investment Fund, which will generate approximately \$5 billion over 10 years. Of the \$35 billion total, \$6 billion would be allocated to levees and flood protection (\$2.5 billion from bonds), and \$29 billion (\$6.5 billion from bonds) to integrated regional water management projects.

The proposal also states that the Administration will pursue a package of reforms, including ACA 13 (Harman), which is supported by the League. This Administration-sponsored measure is critically needed for local governments to raise revenue to pay for flood and storm water infrastructure improvements and operating and maintenance expenses.

This will be especially important to any federal-state-local funding structure that contemplates a local match component. The League stands ready to work with the Administration and Legislature on this critically important issue.

The California Resources Investment Fund: How Will It Work? As noted above, the Plan proposes a new fund with revenues derived from a new fee collected from each retail water purveyor. Two-thirds of the funds would be returned to locals to fund integrated regional water projects; the state would retain one-third of the revenues for statewide water resource management programs, including surface storage.

League staff will be carefully analyzing the budget details after January 10 to determine more about this new funding proposal: more about how the fee would be collected and dispersed, and the specific types of projects it would fund.

Our Mission

Restore and protect local control for cities through education and advocacy to enhance the quality of life for all Californians.

FOCUS

Analysis, Commentary and Updates on Legislative and Policy Issues that Affect California Cities

January 13, 2006
Issue #2-2006

KEY BUDGET PROPOSALS AFFECTING CITIES

Gov. Schwarzenegger released his proposal for the FY 2006-07 budget on January 10. While the League is still analyzing the proposal, our initial review indicates that there are many positive proposals for California cities. The following summarizes some key issues of interest to cities. *For more, see Page 4.*



WHAT CITY OFFICIALS CAN AND SHOULD DO ABOUT THE BUDGET

The governor's budget proposal is a starting point for what will be many months of discussions within the Legislature on budget priorities. By law, the governor is required to submit a revised budget proposal in May (the "May Revise"), that shows his updated priorities following the more accurate assessment of revenues made possible by the receipt of the April tax payments from individuals and businesses. *For more, see Page 6.*



DRAFT STATEWIDE GENERAL WASTE DISCHARGE REQUIREMENTS FOR SEWER COLLECTION SYSTEMS PUBLISHED FOR COMMENT

The State Water Resources Control Board (SWRCB) has published draft statewide general waste discharge requirements for wastewater collection system agencies. Comments on the draft are due to SWRCB by January 25, and a public hearing has been scheduled for February 8. *For more, see Page 3.*

WANT MORE DETAILS ON BILLS?

Visit the League of California Cities website at www.cacities.org/billsearch.

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CITY OFFICIALS INVITED TO PARTICIPATE IN CCLI

The League of California Cities is pleased to invite all city officials to participate in the second year of the League's exciting new program, The California Civic Leadership Institute (CCLI).

Eight city officials from around the state completed the inaugural 2005 CCLI program, which included a pair of seminars featuring some of the most prominent minds at work in policy and politics in California.

Presented by the League Partners Program, CCLI is designed to educate small groups of city officials on the pressing infrastructure issues facing cities across the state, including housing, energy and transportation, history and primacy of local government in California, and the importance of maintaining local control. The program's goal is to help cultivate future legislators to have a better understanding of these issues, and develop lasting bonds among our state's rising leaders.

Since 2006 is a busy electoral year, the League is offering its 2006 CCLI curriculum to city officials interested not only in this year's elections, but in those several cycles down the road. This year's program agenda is ideal for those already within leadership roles at the League, or for anyone interested in becoming a statewide advocate of local government.

Any mayor, council member or professional city staff may nominate a current city official to participate in the CCLI. Nominations may also come from any of the League's constituency groups, or from the League Partners Program.

Nominations must successfully convey the governance skills and accomplishments of the nominee, and should highlight any and all contributions toward League goals and/or the League's mission of protecting local control. Nominees will then be mailed an application packet, in which they will be asked to compose an essay outlining their individual goals and interests in the program.

The nomination form is available at www.cacities.org/ccli. Nominations should be submitted no later than 5 p.m. on Friday,

February 3, to the League's Public Affairs Department Director, Mike Madrid, at mmadrid@cacities.org or by fax at (916) 658-8240. Please contact Mike at (916) 658-8272 if you have any questions.

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NLC WANT CITIES TO 'TEST DRIVE' NEW NATIONAL CITY NETWORK

National League of Cities' new National City Network (NCN) has issued a request for proposals (RFP) for cities and towns interested in participating in a Pilot Cities Program to test components of NCN.

The new website network implements the vision of Washington D.C. Mayor Anthony Williams, the 2005 president of the National League of Cities (NLC). NCN is designed to be an information-sharing resource among elected city officials, city management and engaged citizens. Components of NCN include a web portal with links to documents and videos, a TV channel, government access cable channels, and other informational tools.

The goal of the Pilot Cities Program is for cities and towns to evaluate the existing features and benefits of NCN and develop and test procedures for creating, aggregating and distributing video content for NCN TV. Those cities that are selected to participate would also take part in evaluating the web portal and giving feedback on the portal's ability to deliver useful information.

Benefits to participating cities will include a guided introduction to NCN features and benefits, including the ability to showcase city-produced content, along with the opportunity to guide and influence the future of NCN.

For more information on the program, and an application form, visit www.nationalcitynetwork.org. The form and information are located under the "Spotlight" section on the right-hand side of the screen, under the heading, "Be a Pilot City in the National City Network." **Proposals will be accepted until Tuesday, January 31.**

STRATEGIC GROWTH PLAN IMPLEMENTING LEGISLATION

The following bills have been introduced to implement the governor's proposed Strategic Growth Plan:

- AB 1831 (Jones) – California Critical Infrastructure Facilities Bond Acts of 2006 and 2010
- AB 1833 (Arambula) - Public Safety Bond Acts of 2006 and 2010
- AB 1836 (Daucher) - Education Facilities Bond Acts
- AB 1838 (Oropeza) - Transportation Bond Acts of 2006, 2008, and 2012: Transportation Contracting
- AB 1839 (Laird) - Water: Flood Protection and Clean, Safe, Reliable Water Supply Bond and Financing Acts of 2006 and 2010
- ACA 4 (Pescia) – Transportation Funding: Sales Tax on Motor Vehicle Fuels
- SB 1163 (Ackerman) - California Critical Infrastructure Facilities Bond Acts of 2006 and 2010
- SB 1164 (Runner) - Education Facilities Bond Acts
- SB 1165 (Dutton) - Transportation Bond Acts of 2006, 2008, and 2012: Transportation Contracting
- SB 1166 (Aanestad and Machado) - Water: Flood Protection and Clean, Safe, Reliable Water Supply Bond and Financing Acts of 2006 and 2010
- SCA 21 (Runner) - State Budget

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You can view the draft requirements online at: www.waterboards.ca.gov.

The Notice of Public Hearing is located at: www.swrcb.ca.gov.

The League of California Cities has sent to city managers and public works directors a summary of the proposed requirements prepared by Tri-Tac, a technical advisory group sponsored by the League, the California Association of Sanitation Agencies and the California Water Environment Association. A summary of key issues to address was also sent, if cities wish to write a letter to the State Board.

In general, the League is supportive of the goals to implement a Sanitary Sewer Overflow Reduction Program to reduce the number and volume of overflows throughout the state. The League, however, will be urging SWRCB not to adopt the proposal as it is currently drafted until a number of important issues are satisfactorily resolved.

Copies of the proposal summary and message points are posted on the Environmental Quality Issues page of the League's website, www.cacities.org/eq.

Stay Up-To-Date on Bills That May Impact Your City

www.cacities.org/billsearch

Become a regular user of the League's online Legislative Tracking System. The League's website is your gateway to all the information you need: bills sorted by subject areas, showing the bill history, current status, committee analyses, votes, and much more. You can even view League letters of support or opposition, and access the League lobbyist working on the bill.

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(To view the complete proposal, visit the Department of Finance website at www.ebudget.ca.gov. To view Gov. Schwarzenegger's "Strategic Growth Plan Briefing Packet" go to www.governor.ca.gov.)

Fiscal Issues (Prop. 1A ERAF Contributions, Mandate Repayment, Board of Equalization)

- **ERAF III Concludes.** The governor's budget acknowledges that the \$1.3 billion in annual contributions from local governments to the state agreed to as part of the Proposition 1A budget package has come to an end. These shifts will not occur in the FY 2006/07 budget. In essence, they will free up these funds for local programs (\$350 million for counties, \$350 million for special districts, \$350 million for cities and \$250 million for redevelopment agencies).

- **Mandate Reimbursements Resume for Local Governments.** The budget includes \$98.1 million for repayment of deferred payments owed to local government for mandate claims prior to the FY 2004/05 budget year. The state is required to pay back approximately \$1.1 billion over a period of 15 years, pursuant to the FY 2005/06 Budget agreement.

- **New Mandates Unit.** The proposal appropriates \$537,000 financed from proposed mandate cost savings for a unit within the Department of Finance devoted to addressing issues related to reimbursable state-mandated local programs, including the development of policies and processes to improve the mandates system, and ensure fair and equitable payment of costs.

- **Funding for Improved Tax Collection.** The proposal includes \$1.1 million for the Board of Equalization to undertake additional enforcement of sales and use tax collections. The budget estimates that this could result in an additional collection of \$13 million in local sales tax revenues for cities and \$5 million for counties.

- **Mid-Year Budget Authority for Governor.** The proposal includes language giving the

governor mid-year budget reduction authority. This would allow the Director of Finance to reduce General Fund appropriations if necessary to protect the financial interests of the state.

- **PTAP Grants Suspended.** Continued suspension of the Property Tax Administration Program (PTAP) grants through FY 2006-07. The PTAP grants are used by county assessors to enhance their property tax collection efforts.

Transportation

- **Proposition 42.** Fully funded in the FY 2006-07 budget at \$1.4 billion. The budget also includes an additional \$920 million as a repayment of Prop. 42 (sales tax on gas) funds that were borrowed in prior years. Although there is a two-year "gap" in the existing statutory funding formula for local streets and roads, cities and counties will still receive \$255 million for local streets and roads from the repayment funds. The governor has also proposed a constitutional amendment that will permanently protect Prop 42 funds in the future.

- **SAFTEA-LU.** The budget recognizes that California will receive annually approximately 28 percent more in federal transportation funding due to the passage of the Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2005. Over recent months, the League and CSAC have worked together to request "an equitable share" (approximately 60 percent) of the \$208 million increase in funds under the Equity Bonus program to be allocated directly to local governments for local streets and roads.

- **Tribal Bonds.** The budget notes that \$1 billion in outstanding transportation loans, including Prop. 42 monies due from the suspension back in 2003-04, remains dependent upon the sale of tribal gaming bonds. Several lawsuits have impeded the sale of the bonds. The budget assumes the bond sale will now occur in the spring of 2006. Should this become a reality, the monies would be allocated as follows: \$465

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million to the State Highway Account (SHA), \$290 million to the TCRP, \$122 million to the PTA, and \$122 million to cities and counties. However, this date will continue to be adjusted as the legal issues are evaluated.

Public Safety

- \$100 million for local COPS funding ("Citizens Options for Public Safety").
- \$100 million for assorted juvenile justice programs.
- \$96 million in one-time funds for Proposition 36 substance abuse treatment.
- \$40 million for booking fees. This funding is a placeholder for this issue and will require legislation to specify how these funds will be allocated.
- \$22 million in POST training funds, a 4.5 percent increase over prior year.
- \$6.5 million for the Department of Justice to create six new gang enforcement teams, and \$6 million to create three methamphetamine strategy teams, \$1.3 million for to increase investigations of special crimes.
- \$5.1 million for 500 global positioning system devices to track parolees who have been convicted of violent offences.
- \$2.3 million to enhance and support the California Law Enforcement Telecommunication Systems (CLETS).
- \$6 million in local grants to Sexual Assault Felony Enforcement Teams.
- \$1.1 million for Victim-Witness Assistance Fund.

Emergency Preparedness

- \$49 million to be allocated through the

Health and Human Services Agency for a variety of programs to bolster state and local public health capacity to address disease outbreaks and natural or man-made disasters:

- o \$21.8 million to limit pandemic flu outbreaks.
- o \$14.3 million for emergency preparedness public awareness campaign.
- o \$4.2 million for training to plan and train for disasters and terrorist attacks.
- o \$5.5 million for disease surveillance.
- o \$2.3 million for protective equipment for ambulance personnel.
- o \$1.8 million for three medical assistance teams.

Flood Control

- \$35 million for levee maintenance, primarily in the Central Valley and Delta areas of Northern California.
- The governor's Strategic Growth Plan includes a proposal for \$9 billion in general obligation bonds over ten years, to fund both flood control and water supply programs: \$3 billion for the 2006 ballot and \$5 billion for the 2010 ballot. These bonds are in addition to the funding included in the governor's proposed budget. Each bond will include two components:
 - o Flood control infrastructure, primarily in the Central Valley, including floodplain mapping, levee repair and restoration, including funding for past and anticipated flood control subvention payments. Trailer bill language is currently being drafted and should be available soon.
 - o Water supply projects that will include funds for regional water management, safe drinking water, storage and other projects. (See "Strategic Growth Plan Implementing Legislation," p.3.)

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Water

• \$56.6 million in local assistance funds, derived from past voter approved bonds Proposition 50 and Proposition 13, to be allocated through the State Water Resources Control Board for various local water quality improvement projects.

Indian Gaming

• \$30 million in local assistance funding to local government agencies impacted by tribal gaming.

• \$5.3 million in funding for the Division of Gambling Control within the Department of Justice to better meet state regulatory requirements pursuant to the Gambling Control Act.

Other

• **Healthy Families Programs.** The proposal includes \$20 million for grants to counties to conduct outreach activities to encourage eligible children to enroll in either Medi-Cal or Healthy Families Programs. (The League will be suggesting that the proposal be modified to include cities as eligible recipients.)

• **Electronic Waste Recycling.** \$1.5 million and 13.8 positions have been added to the Department of Toxics Substances Control to enhance enforcement of the Electronic Waste Recycling Act of 2003.

• **Libraries.** Continued funding at baseline to the Public Library Foundation at \$14.3 million, continued funding at baseline to the California Library Services Act at \$14.3 million, continued funding at baseline to the Library Services and Technology Act at \$12.5 million.

• **Minimum Wage.** Governor's proposal for a \$1 per hour minimum wage increase over the next two years. This could have minor impacts on local parks and recreation and summer-job programs.

• **Housing.** The budget decreases funding at the Department of Housing and Community Development by \$176 million, some attributable to the decline in Prop. 46 housing bond funds. An additional \$3.4 million is appropriated to address health and safety issues at state constructed migrant housing centers.



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League staff will continue to analyze the budget proposal, and particularly the details of the Strategic Growth Plan. Once the proposal is analyzed, the League may have alternative suggestions for how to structure a bond package.

In the meantime, city officials can and should talk to their legislators about why the appropriations and repayments to locals in the governor's proposal are good for their city. Tell your legislators what you are likely to do if these funds are available and the difference they will make in providing services to your residents.

Cities have given considerable amounts of money in past years to help the state — and they continue to do so, with the ongoing shift of ERAF I and II funds. As full partners with the state, responsible for providing services to approximately 80 percent of all Californians, cities need the provisions contained in this proposal.

Urge your legislators to protect the provisions that repay cities, or appropriate funds for Citizens Options for Public Safety (COPS), libraries, booking fees and other fundamental service needs. And thank the governor for his efforts to make cities whole, and to fund critical local services.

In addition, urge your legislators and the governor to move quickly to put an infrastructure bond package on the June 2006 ballot.