



County of Santa Cruz

0053

COUNTY ADMINISTRATIVE OFFICE

701 OCEAN STREET, SUITE 520, SANTA CRUZ, CA 95060-4073

(831) 454-2100 FAX: (831) 454-3420 TDD: (831) 454-2123

SUSAN A. MAURIELLO, J.D., COUNTY ADMINISTRATIVE OFFICER

November 6, 2001

Agenda: November 20, 2001

BOARD OF SUPERVISORS
County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

2002 COUNTY LEGISLATIVE PROGRAM

Dear Members of the Board:

Each year your Board adopts a County Legislative Program which describes the County's legislative priorities for the upcoming legislative session. The report presents the proposals of County departments and agencies for County supported legislation both at the State and federal level. In addition, the Legislative Program serves as the agenda for your Board's annual meeting with our State and federal representatives which will be held this year on December 10, 2001.

The annual legislative meeting provides an opportunity for your Board to discuss with our local legislators various issues facing the County for the coming year. The County is very fortunate to have representation both at the State and federal levels by legislators who are familiar with local government, and in particular county government, and we greatly appreciate their initiation and active support of local government issues.

In addition to current legislative representation by Congress member Sam Farr, Congress member Mike Honda, Senator Bruce McPherson, Assembly member Fred Keeley and Assembly member Simon Salinas, the County of Santa Cruz will enjoy representation at the federal level from Congress member Anna Eshoo as a result of the 2001 redistricting of Congressional boundaries. Congress member Eshoo has been a member of Congress since 1992 and has focused much of her energy on health care and environmental issues. We welcome her and **look** forward to continuing our excellent relationships with our current State and federal legislators.

UPCOMING STATE LEGISLATIVE CHALLENGES

The 2002 State Legislative Session is the second year of the current two year session and it will be a challenging one. The Legislature will be returning to address significant policy and program issues that will require bipartisan cooperation during the upcoming election year, including:

- actions to address the serious economic decline throughout the State, including the increasing unemployment rate and statewide housing needs;
- a plan for managing the anticipated **\$8 - 14 billion** deficit currently projected for the State budget;
- continued efforts to manage the investor-owned utility system within the State in order to stabilize the energy supply and rates for residences and businesses;
- a plan for addressing the implementation and financial impact of various homeland security measures and other disaster response procedures put in place since September 11, 2001; and,
- once again, addressing the state-local fiscal relationship in a meaningful way rather than balancing the State's budget through cuts to local government.

With regard to the State's anticipated budget deficit, it should be noted that one year ago the State was projecting a \$10 billion budget surplus for the State. At that time there was a heightened expectation among counties that the myriad studies, hearings, and committees that had recommended reforms of the state/local fiscal relationship, coupled with the unprecedented State budget surplus, would yield some comprehensive changes providing greater stability to local governments. Unfortunately, this did not occur in the previous session and it is far less likely now in light of an unprecedented State budget deficit. The struggle for the upcoming State legislative session, given the State's history of using local governments as the State's overdraft account, will be protection of our financial resources, rather than reform.

CSAC CONSTITUTIONAL AMENDMENT TO PROTECT LOCAL GOVERNMENT REVENUES

This continuing concern among county representatives has driven the California State Association of Counties (CSAC) and the California League of Cities to develop a ballot measure for a State Constitutional amendment designed to protect local government revenues and require reimbursement for mandated costs. The amendment language and a summary sheet are included as Attachment 1. The measure was submitted to the Attorney General for official title and summary on October 31, 2001 and it is anticipated that the required signatures would be gathered in time to place the measure on the November, 2002 ballot.

The key elements of the Constitutional amendment are:

- a prohibition on the State from imposing new costs on local governments without reimbursement;
- a prohibition on the diversion of local revenues for other State purposes without full reimbursement, including the transfer of property taxes;
- the establishment of new local government accountability standards; and,
- allowance for the Legislature to suspend reimbursements for a limited period by a two-thirds vote.

**BOARD OF SUPERVISORS
2002 COUNTY LEGISLATIVE PROGRAM**

**AGENDA: November 20, 2001
Page 3**

The amendment does not provide for any immediate relief from the property tax transfers that have been ongoing from the early 1990's, known as the ERAF transfers, nor does it provide for any additional funding, revenue authority, or program realignments between the State and local governments. It does, however, assert the rights of local governments to maintain locally generated revenues for local needs, and provide renewed protection against the imposition of unfunded State mandates.

POSSIBLE LOCAL UTILITY TAX REPEAL AND LOCAL ECONOMIC CONDITIONS

Against the fiscal background described above, the County is also faced with:

- A measure on the March, 2002 ballot that would repeal the County's utility tax resulting in the loss of over \$9 million per year in local discretionary revenue. The County Administrative Office has provided your Board with a report on the program impacts that would result from the loss of this extremely critical revenue source for all County services.
- The potential loss of State funding for health services, human services, and law enforcement from the estimated 15% decrease in State agency funding due to the State's projected deficit. The loss of the utility tax would also eliminate critical matching funds for State and federal programs that would compound the loss of State funds and further exacerbate the reduction in County services.
- A decrease in the County's general purpose revenues such as the transient occupancy tax, sales tax, and interest earnings as a result of the general economic downturn. Although these locally generated revenues were estimated conservatively for the 2001-02 fiscal year, the County is now anticipating an annual revenue shortfall based upon first quarter receipts.

As is well proven, it is in times of economic downturn that the services provided by local government, and counties in particular, are most acutely needed. Counties provide the health and human service safety net through our county agencies and community based partners that assist individuals and families in times of need. Counties also provide the emergency and public health services that are critical at this time. The convergence of the fiscal events described above place all of these services at risk.

As your Board will recall, a similar scenario was played out during the early 1990's. It was at that time that the State authorized counties to levy the utility users tax with the specific intent to provide counties some equity with cities' revenue raising authority and to provide backfill revenue for reductions in State funding. This revenue source has helped to fulfill the State's intent over the past decade, and has allowed this County to maintain a high credit rating and a level of services responsive to community needs. These funds cannot be deleted from the County budget without serious impact or an alternative funding source. It is also fair to say, that given the negative financial information flowing from Sacramento, an alternative funding source will not be forthcoming from the State. As previously discussed, counties will be very fortunate to retain the State and federal pass through funds we currently receive.

SUMMARY OF FIRST LEGISLATIVE SESSION ACCOMPLISHMENTS AND ACTIVITIES

The previous legislative session was dominated by the State's energy crisis. The Legislature was diverted from many of its usual policy discussions and quickly prepared to address the many complex issues associated with the failure of energy deregulation and corporate restructuring. As a result of months of legislative and administrative intervention, rolling blackouts have now given way to more stabilized rates for electricity and natural gas, out of State wholesalers have stopped the practice of price spiking, and the major investor owned utilities have reorganized and entered into settlement agreements that will allow them to pay their creditors. Controversy still persists regarding the rates for long term energy contracts and this, among many other energy related issues, will be at the forefront of the upcoming Gubernatorial primary.

For Santa Cruz County, the previous session produced legislation of benefit to the County. Of particular note was Assembly Bill 1602 by Assembly member Fred Keeley, entitled the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002. This measure would place a \$2.6 billion parks bond act on the March 2002 ballot and would provide new grant opportunities for local neighborhood and regional park facilities. Another important measure that was approved during the previous session was Senate Bill 459 by Senator Bruce McPherson. This measure was requested by the County and the cities within the County and would allow a prospective first-time home buyer to spend up to **40%** of their household income and still qualify for government assistance programs. This measure is targeted to high housing cost areas such as Santa Cruz County and conforms to private institutions' lending guidelines. In addition, Assembly Bill 807 by Assembly member Simon Salinas provides additional opportunity for farm worker housing by requiring the Department of Housing and Community Development to make grants and loans for "short-term occupancy" housing for migrant workers and their families from existing farm worker grant funds.

Also of note in the previous session was the approval of the State-County Property Tax Administration Grant Program which will take the place of the current property tax administration loan program that was scheduled to sunset at the end of 2001-02, and the approval of additional local law enforcement funding for small and rural counties. Unfortunately, due to the State's degrading economic conditions, several bills with State General Fund costs were vetoed or reduced that will limit or eliminate new funding to counties. For example, Proposition 36 drug testing reimbursement was reduced by half to \$9.6 million which will not be adequate to cover counties costs for this new mandate.

COUNTY LEGISLATIVE PRIORITIES FOR 2002

As previously discussed, the 2002 Legislative Session will be a challenging one for all levels of government. Efforts at the State level will focus on retaining the programs and revenues that are critical to our community's economic security and public safety, including infrastructure financing, public and mental health funding, juvenile justice and law enforcement, housing, and the continued return of property taxes. As your Board will recall, the State began a return of property taxes over a two year period, during 1999-00 and 2000-01, but this effort was stopped in the current fiscal year as the State's own revenues decreased. This does not forebode well for the future. These issues will certainly be at the forefront of the agenda for the upcoming California State Association of Counties (CSAC) Annual Meeting to be held in late November, 2001.

**BOARD OF SUPERVISORS
2002 COUNTY LEGISLATIVE PROGRAM**

AGENDA: November 20, 2001
Page 5

Legislative priorities for 2002 are very similar to the current year. These include:

- The continued return of property taxes and the equalization of counties' financial capacity;
- Continued and increased funding for infrastructure improvements, including roads, court facilities, flood control including Pajaro River levee reconstruction, recycling, and water resources planning;
- Certification of the County's Housing Element and the increase of State and federal housing programs to address housing affordability;
- General Government issues including proposals for retirement enhancements, equity in employee benefits and Public Safety proposals;
- The continued development of CalWORKS follow-up legislation that addresses the need for post-employment services, housing and transportation assistance; and,
- Health care funding, including preservation of indigent health funding.

We have included a brief overview of each of these issues as part of the Legislative Program proposals.

PROPERTY TAX RETURN (ERAF)

Although it is very unlikely that any proposal for local government fiscal relief will be a part of the Governor's 2002-03 Budget it is important to note that the continuing transfer of these funds to the State has seriously eroded the County's ability to meet its community needs. Since the inception of the State Property Tax Transfer in 1992-93 the Santa Cruz County General Fund has sent a total of *\$150 million* in Property Taxes to the State General Fund. During the previous two fiscal years the amount of one time revenues returned from the State has amounted to approximately 1% of our local dollars. As previously discussed, this repayment to counties was a short term phenomena that quickly ceased once a pending State budget deficit was identified.

The table below includes the total amount the County General Fund has sent to the State since 1992-93 and the General Fund Transfer to the State for 2001-02.

**General Fund Property Tax Transfers
Santa Cruz County**

Item	Total Amount Transferred to the State since 1992-93	2001-02 Transfer to the State
■ General Fund Property Tax Transfer	\$ 149,509,679	\$ 21,067,732

Additionally, while all Californians pay the same uniform 1% property tax rate, there is great variation in the capacity of counties to provide services and solve problems at the local level. This inequity needs to be addressed and the financial capacity of counties to solve local problems equalized. The table below illustrates the great disparity created by the current distribution of the local property tax. The table is based on 1995 data distributed by the State Board of Equalization in 1996 and provides a good estimate of the current disparity among counties.

**BOARD OF SUPERVISORS
2002 COUNTY LEGISLATIVE PROGRAM**

**AGENDA: November 20, 2001
Page 6**

County	% of Local Property Tax Retained by County
■ County of Santa Cruz	14%
■ San Francisco County	63%
■ San Luis Obispo	24%
■ Sonoma County	23%
■ County of Orange	6%
■ Statewide Average for Counties	18%

Counties receive approximately 18% of the property tax revenue yet pay over 70% of the administration cost for the property tax system since the State does not make a financial contribution to the cost of the system. Although many approaches have been tried to resolve these longstanding inequities, limited success has occurred, primarily due to the complicated financing scheme between the State and counties, and the shift in fiscal authority to the State from local governments as a result of voter approved initiatives and other legislative measures.

**INFRASTRUCTURE IMPROVEMENTS, INCLUDING ROADS, LEVEES, PUBLIC FACILITIES
AND WATER RESOURCE PLANNING**

► **Transportation and Road Funding**

Virtually all California counties continue to struggle with the level of funds that are available to address critical infrastructure needs. In Santa Cruz County, the needs of our road system are well documented. As part of the 2000-01 and 2001-02 County Budgets your Board allocated a total of \$12 million in one-time funds for road maintenance and reconstruction to address this high priority area. However, currently unscheduled storm damage repair and needed rehabilitation and resurfacing projects will require more than \$20 million in additional funding to address the County's deteriorating road network and provide for necessary storm damage repairs. Additional funding for this high priority area is critical.

In July, 2001 the State Legislature adopted ACA 4 that would create a permanent Transportation Investment Program where funding would be allocated to transportation improvement projects for cities and counties and for transit and mass transportation projects. Currently, the Governor's 2001 budget includes a six-year program (AB 2928) to dedicate sales tax to transportation projects and ACA 4, if approved, would permanently dedicate these funds. ACA 4 will be placed on the March 2002 ballot.

Approval of ACA 4 would greatly benefit the County of Santa Cruz by permanently dedicating funds for needed street and highway maintenance programs and for rehabilitation, reconstruction, and storm damage repair work on County roadways. Language is included, however, that allows the

constitutional amendment to be suspended, in whole or part, for a fiscal year if determined necessary by the Governor and the Legislature for emergency purposes.

► **Army Corps of Engineers Pajaro River Flood Control Project**

Efforts have been underway at the local, State, and federal levels to address flood control issues, in particular those associated with the Pajaro River.

The County of Santa Cruz and the City of Watsonville are working cooperatively, through Zone 7 of the Santa Cruz County Flood Control and Water Conservation District, and with the United States Army Corps of Engineers to replace the existing levees on the Pajaro River. A local public process sponsored by Congress member Farr is currently underway to identify a project alternative which is acceptable to all stakeholders. The results of this process will be conveyed to the Army Corps to assist in keeping project construction on schedule. Current Army Corps levees along the Pajaro River only provide low level protection for floods with less than approximately a 20 year return frequency. Consequently, frequent and devastating flood events, such as that which occurred most recently in 1997, can be expected to continue until a high level, 100 year flood control project can be designed and constructed.

The Army Corps has completed an economic feasibility study determining that a high level flood control project would have a positive cost benefit. Ultimately, under the Army Corps program, state and local agencies will be responsible for a share of project design and construction costs.

• **State Legislation**

In the past, the State of California has assisted local governments with local matching requirements. We are therefore requesting that State legislation be sponsored to provide for the local match required with the reconstruction of the levees along the Pajaro River within Santa Cruz and Monterey Counties. Assembly Bill 807 established the Pajaro Valley Watershed Management Agency and Proposition 13, the Water Bond, was passed on the March 2000 ballot. These are significant and important steps. However, additional financial assistance is needed to ensure that local match costs will be available as soon as possible.

Another option that should be considered is the transfer of the levees to the State as provided in the State Water Code. This alternative, which has been previously discussed with Monterey County officials, would allow for the maintenance of the levees by the State on an on-going basis. This approach may be the only feasible alternative unless matching funds for the Army Corps project can be secured in a timely manner through federal and State sources.

• **Federal Legislation**

As we have advised your Board previously, staff has been working with Congress member Sam Farr to address the issues of the reconstruction of the levee system back to the intended 100 year level of protection and the attendant costs. The planning, engineering and design of the Salsipuedes/Corralitos stem of the project reconstruction is underway and the Army has committed to rolling in the main stem reconstruction under our current legislative authorization. The Army has also indicated that they will include a significant funding request in the Federal fiscal year budget to allow the design on the main stem to proceed as expeditiously as possible with the goal of a 2004 construction start for both the Salsipuedes, Corralitos and the main stems. Congress member Farr was able to obtain the Army's commitment that this component would be done at 100% federal cost rather than the 50/50 sharing cost sharing usually applied in such projects.

**BOARD OF SUPERVISORS
2002 COUNTY LEGISLATIVE PROGRAM**

AGENDA: November 20, 2001
Page 8

In an effort to address local cost issues, Congress member Farr has been able to secure the Army's commitment that the 1986 cost sharing ratio (75% federal/25% local) would be used rather than the ratio currently used in Army Corps projects (65% federal/35% local). These successes are estimated to have saved the local communities millions of dollars. Nonetheless, Congress member Farr recognizes that the local price tag to replace the levee system back to its intended level of protection will be difficult to raise, given the funding capacity of local agencies and the requirements for voter approvals for increases in taxes and fees.

► **Court Facility Needs**

The State will have a continued opportunity during the upcoming session to decide a remedy for the deteriorating court facilities throughout the State which house the State's operation of the local trial court system. In Santa Cruz County, the County and the Superior Court are working cooperatively with the City of Watsonville to replace aging modular court structures with new court facilities in downtown Watsonville. Financing for this project is being jointly provided by the County and the City of Watsonville, although the funds may not be sufficient for the replacement structure. Cost estimates are being developed and additional funding may be required from the State for this partnership project. Additionally, the Superior Court is in the process of developing a State funded facility master plan that will incorporate the current Watsonville court facility plan and project court facility needs for twenty years in north and south county. This is one of six master plans being developed throughout the State.

The State's Task Force on Court Facilities estimates that current upgrades could be done throughout the State through a one-time allocation of \$2.8 billion. The Task Force has completed their review of all court facilities throughout the State and has developed a final report with recommendations for ownership and financing for the Legislature to consider in the upcoming session.

► **Statewide Water Supply and Demand Planning**

There continues to be critical needs confronting our County in the water management arena. Salt water intrusion, overdraft, degradation of the rivers, streams and waterways are conditions that are found in Santa Cruz County and throughout California. The interests of water agencies and local governments are varied and solving problems can rarely be accomplished or fully addressed at the local level. The systems for resolving regional issues must be clear. In the case of water resources and demand management, statewide leadership on these issues is critically needed.

AFFORDABLE HOUSING

One of the most critical issues facing the County of Santa Cruz is the affordability of housing. Housing costs, both for rentals and home ownership are not affordable for many individuals in the County. Addressing our housing affordability issues is clearly a regional concern involving all levels of government - State, Federal and local. Unfortunately, many State and Federal housing program guidelines, which contain maximum loan limits or maximum home prices that are keyed to broader statewide standards, disadvantage Santa Cruz County due to our high home prices. In addition, many State funded housing programs have been funded on a one-time basis and thus cannot be counted on in years to come. As discussed below, our Legislative Program includes several proposals for County support that would facilitate additional State and Federal subsidies for affordable housing activities and other measures that would address issues related to the Housing Element.

**BOARD OF SUPERVISORS
2002 COUNTY LEGISLATIVE PROGRAM**

**AGENDA: November 20, 2001
Page 9**

Several of these proposals were included in last year's Legislative Program and are worthy of continued consideration.

State Legislation

■ **Supportive Housing Funds and Efforts to Preserve Residential Board and Care Facilities**
Home and Community Based Waiver program: Support should be provided for supplemental funding for the State Department of Health program providing supportive housing for seniors and the disabled.

Supportive Housing Initiative Act: Support should be provided for continuation of full funding for this program which provides for housing and support services for chronically mentally disabled and homeless adults.

Residential Board and Care Facilities: Legislation should be supported to make available one-time money to acquire residential board and care facilities for the purposes of maintaining these facilities to serve the elderly or disabled populations currently dependent on these facilities. Oftentimes residential board and care facilities are sold on the private market and are no longer available to serve the elderly or disabled populations who depend on these facilities. The current real estate market is exacerbating this trend.

► **CalWorks**

The availability of affordable housing is one of the key determinants of success in the CalWORKS program. Legislation should be considered which provides for greater flexibility of CalWORKS funds to address the affordable housing needs of program recipients.

■ **Housing Element**

Improve Standards for State Housing Needs Allocations: At the present time HCD does not take into account local job growth and local constraints on development – such as limited water, sewer and public infrastructure capacity, geologic hazards or sensitive habitats – when allocating housing needs for use in regional fair share housing allocation models. Legislation should be supported that would require HCD to consider local jobs and development constraints when allocating housing needs. This legislation should also require that the State allow local jurisdictions to provide meaningful input into the housing needs allocation process.

Reduce the Importance of the Housing Element for HCD Funding: Santa Cruz County is unable to compete for State funding for certain types of programs each year because HCD has not certified the County's housing element. Legislative efforts to reduce the importance of the Housing Element in awarding these funds would help to address this issue.

► **Funding for Farmworker Housing**

New Migrant Housing Center

Santa Cruz County has a tremendous need for affordable farm worker housing. The State HCD's Office of Migrant Services (**OMS**) owns a migrant housing project that is operated by the Santa Cruz County Housing Authority. This **OMS** center turned away a higher percentage of farm workers in need of housing than any other center in California. Funding for a new OMS center in Santa Cruz County is needed.

Farmworker Housing Grant

Increased funding is needed for Joe Serna Farmworker Housing grant program to provide funding to non-profits and public agencies to develop, rehabilitate and acquire housing for farmworkers.

**BOARD OF SUPERVISORS
2002 COUNTY LEGISLATIVE PROGRAM**

AGENDA: November 20, 2001
Page 10

Federal Legislation

■ **Expand CDBG Entitlement**

In 1999, HUD proposed expanding the number of local jurisdictions that are eligible to receive direct Federal funding under the CDBG program. This was to be accomplished by dropping the minimum population for CDBG entitlement communities from 50,000 to 25,000 for cities and from 200,000 to 100,000 for counties. Under this proposal, Santa Cruz County would be eligible to receive an annual CDBG entitlement of approximately \$1.7 million. At this time, the California Department of Housing and Community Development (HCD) receives these funds and distributes them to non-entitlement communities through a competitive grant process. Santa Cruz County is unable to compete for these funds because we do not have an HCD-certified housing element. Legislation is needed that would expand CDBG entitlements as proposed by HUD Secretary Cuomo last year.

■ **Increase Loan Limits for Federal Housing Program**

FHA Single Family Home Loans: FHA insures loans for home buyers and for seniors who obtain reverse mortgages to tap into their equity to maintain their homes and quality of life. Unfortunately, the FHA loan limits are too low for FHA loan programs to work effectively in Santa Cruz County and other high cost areas of California. However, FHA loan limits can be 50% higher in Hawaii, Alaska, Guam and the Virgin Islands. Legislation is needed that would increase the maximum FHA loan limits for California to a level consistent with these other areas mentioned above.

FHA Mobile Home Park Loans. Mobile home parks provide a significant amount of affordable housing in Santa Cruz County and the County has actively supported the conversion of parks to resident and nonprofit ownership. The FHA 207m loans offer fixed interest rates and repayments of up to 40 years to develop, rehabilitate or acquire and rehabilitate mobile home parks. Unfortunately, the program is not viable in Santa Cruz County or practically any other area of California because the maximum FHA 207m loan is not high enough to reflect local land values. In addition, parks that are purchased by residents and nonprofit corporations do not always need the level of rehabilitation that is required for 207m loans.

Legislation is needed to 1) increase the FHA 207m loan limit so that it equals the loan limits for FHA Title 1 manufactured home lot loans and 2) waive the rehabilitation requirement for parks that are purchased by residents and nonprofit corporations.

FNMA and FHLMC Loan Limits: The Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) are Federally chartered secondary mortgage market agencies that make funds available for home loans. Due to the volume of mortgages these agencies buy, the efficiency of their operations and their Federal support, loans funded by these agencies tend to be less expensive than those from other sources. The Fannie Mae and Freddie Mac loan limits for single family homes will increase to \$275,000 in 2001. Unfortunately, home sales prices are considerably higher in Santa Cruz County and other high cost areas of California than these loan limits. Legislation is needed that would increase the Fannie Mae and Freddie Mac loan limits for California to allow the program to be more effective in our community.

GENERAL GOVERNMENT PROPOSALS

► **Retirement Options for Public Employees**

Each year the Legislature considers a wide range of proposals for various public employee retirement programs. During difficult financial times, counties are faced with the prospect of staff reductions that could be accommodated through early retirement if the current PERS early retirement option program was less restrictive. Currently the program requires the permanent elimination of the retiring position which creates an organizational problem for public agencies. We would recommend that this provision be modified or eliminated to encourage the greater use of the PERS early retirement program to address budget constraints. This proposal would be particularly useful as the County and the State face an unprecedented budget shortfall in the coming year. Early retirement programs are practical approaches to addressing employer and employee needs in difficult financial times.

► **Domestic Partners Health Benefit Coverage**

Since 1990, the County of Santa Cruz has offered employees with either a same sex or opposite sex domestic partner the opportunity to provide their partners health coverage. The County has believed that benefits should be equal regardless of an employee's private legal status. This is an issue at the state level and the federal level.

• **State Legislation**

At the state level, in the 1999 legislative session, Assembly Bill 26 was passed--which allows PERS to extend health benefits to same sex domestic partners as well as opposite sex domestic partners over the age of 62. This is great progress, but opposite sex partners under the age of 62 still would not qualify as domestic partners. The new law is also unclear as to its applicability to transgender or transsexual partnerships. This means the current County policy will still not be the same as the state policy. Unless new legislation is adopted which covers opposite sex partners under the age of 62, the County will still have to maintain a separate program to cover the health care of those in that category. Assembly Bill 25 (Migden) was signed into law during the last session which allows at least one opposite sex partner to be under the age of 62 for purposes of health insurance coverage. This measure also provided a State tax exemption for health benefits for domestic partners, equal to married couples. The Personnel Department is therefore requesting that the County sponsor legislation that would change the definition of a domestic partner to include opposite sex domestic partners of any age and clarify the eligibility of transgender and transsexual partnerships.

• **Federal Legislation**

Federal law requires that domestic partner benefits be taxed as income - while health benefits received by legally married couples are not taxable. Legislation should be introduced at the federal level to equalize the federal tax provision for health benefits for County employees receiving domestic partner benefits through PERS, similar to the legislation passed by the State.

► **Reimbursement of Public Agency Legal Costs**

During the previous legislative session, Senate Bill 691 was introduced by Senator McPherson to provide local governments with the opportunity to recover legal defense costs for defending their mobile home rent stabilization ordinances. The bill was intended to discourage frivolous lawsuits against jurisdictions who maintain rent stabilization policies to encourage affordable housing. The bill is pending in the Assembly and should be supported again if reconsidered in the new year.

**BOARD OF SUPERVISORS
2002 COUNTY LEGISLATIVE PROGRAM**

**AGENDA: November 20, 2001
Page 12**

PUBLIC SAFETY PROPOSALS

► **Establishment of a Rural Crime Prevention Program**

The Sheriff-Coroner has requested legislation that would provide for the establishment of a Central Coast Rural Crime Prevention Program. State funds would be allocated for a specialized team of law enforcement personnel and equipment to address the needs of the agricultural community and coordinate the efforts of law enforcement and the agricultural community. Additional State funds were approved this year for rural and small county law enforcement, however, the Sheriff-Coroner's proposal would specifically target agricultural enforcement needs. The Sheriff has indicated that the proposed legislation would be supported by other participating agricultural counties, local farmers, ranchers, the Agricultural Commissioner and the Farm Bureau. The Sheriff anticipates a statewide cost for the program of \$2.5 million. Assistance for the program could be provided through the State Office of Criminal Justice Planning (OCJP).

► **Continued Funding for COPS and Technology Programs**

The Sheriff is requesting legislative support for the California Law Enforcement Technology Equipment Purchase (CLETEP) program, and continued funding for the Supplemental Law Enforcement Services Fund (SLESF) and community policing programs. The Sheriff is also requesting legislative support for continuation of the Federal COPS program which has provided funding for front line law enforcement and necessary equipment. Support is also requested for enhanced staffing for community oriented policing programs and the County's COPS More Technology grants. As previously indicated, Assembly Bill 867 was signed into law in the last session to provide additional funding for 37 small and rural counties for sheriff's services, including Santa Cruz County. Although this is intended to be a continuing program, legislative support will be needed to ensure that these funds are not eliminated as the State deals with its' fiscal shortfall.

► **Continued Funding for Juvenile Justice Prevention Programs**

The Probation Department has requested support for continuing the funding provided by Assembly Bill 1913 and Senate Bill 736 for juvenile justice programs. Assembly Bill 1913 provided a one time allocation of \$121.3 million in funds through the Citizen's Options for Public Safety (COPS) program for local juvenile justice prevention and intervention programs. Senate Bill 736, recently signed into law, makes the juvenile justice and law enforcement COPS programs indefinite. However, these programs are subject to appropriation through the State's annual budget process. Legislative support will also be needed for continuation funding for these programs.

HUMAN RESOURCES AGENCY ADULT AND CHILDREN SERVICES

The Human Resources Agency continues to be actively involved in ongoing statewide efforts with the County Welfare Directors' Association (CWDA) and CSAC to advocate for legislation that would provide for additional child care funding and support services for CalWORKs participants, program simplification for Food Stamps, information access and protection for Adult Services workers, and housing allocations that reflect cost of living adjustments and address the needs of youth aging out of foster care.

• **CalWORKS**

- Fully fund Stage 2 and 3 child care program. The Governor's decision to veto \$24 million in funding for the State's subsidized child care programs in the FY 2001-02 budget will

**BOARD OF SUPERVISORS
2002 COUNTY LEGISLATIVE PROGRAM**

**AGENDA: November 20, 2001
Page 13**

result in insufficient funds for former CalWORKs families to transition from the Stage 2 to Stage 3 child care subsidy program. Thus after 24 months of post-aid assistance, former CalWORKs participants will be cut off with no subsidies to assure continued labor force participation. Undoubtedly, with the high cost of child care, many of these families will return to aid.

- Post-employment and post-aid retention case management services to former CalWORKs participants who have exited the program due to employment are needed. These services, including transportation, child care, and emergency needs are vital to assisting CalWORKs participants with maintaining their jobs and dealing with related work and family issues that may arise. It would be appropriate to establish a State post-aid retention services program and include post-retention cases in caseload counts for staffing and resource allocations.
- A transitional transportation program for working poor families and CalWORKs participants with incomes under 200% of poverty should be established. The State supports transitional child care and medical benefits for two years after an individual leaves CalWORKs due to employment. Transportation funding for these individuals is also critical to successful job retention.

► **Benefits Service (Food Stamps & SSP)**

- The Food Stamp application and eligibility process should be simplified and the Administrative complexities of the Food Stamp Program should be reduced. Currently the complexities of applying for and maintaining eligibility for the program are a barrier to many eligible people. A process that more closely aligns the Food Stamp application process with that of other public assistance programs would provide increased access to this food security benefit.
- Repeal the non-citizen provisions of the Personal Responsibility and Work Opportunity Act (PRWORA) and revert to the previous Food Stamp regulations which allow all legal non-citizens to receive Food Stamps.

■ **Adult Services**

- Adult protective services workers should be allowed access to the California Law Enforcement Telecommunications System (CLETS) to enable background checks of adults prior to out of home placement of an abused elder or dependent adult. It is critical for the safety and security of the elderly that APS workers be able to verify to the extent possible the safety of a placement with a relative or other care giver.
- The current law allowing designated civil servants and public service providers to suppress their addresses from being released by the Department of Motor Vehicles should be extended to adult protective service workers. Current law protects the privacy of certain officials who work with child abuse cases and this protection should also be extended to adult protective service workers. Legislation to address this issue was introduced in the last session but was unsuccessful. Support should be provided to equalize the treatment of at risk employees relative to confidentiality.

■ **Homeless Services**

- The Emergency Housing Assistance Program (EHAP) formula used to disburse county allocations should be revised to reflect local housing costs, and use of the National Guard armories as emergency winter shelter should be funded through the military budget (as it was in FY1999-2000) rather than through the EHAP program. The current allocation formula is based on poverty and unemployment rates and does not take into account the high cost of housing in certain areas, including Santa Cruz County.

**BOARD OF SUPERVISORS
2002 COUNTY LEGISLATIVE PROGRAM**

**AGENDA: November 20, 2001
Page 14**

- Provide funding for housing and supportive services for youth who have aged out of the foster system to assist the transition into self sufficiency.

HEALTH CARE FUNDING

The Health Services Agency has requested that the County sponsor and support legislation that would provide:

▶ **Indigent Health**

A study of the funding shortfalls for indigent health programs is needed to be performed by the State. Currently, much of the funding responsibility for indigent health programs has shifted from the State to counties. After the passage of Proposition 99, which was intended to provide adequate resources at the local level funds for indigent health, many of these funds have been transferred to cover State sponsored programs. A stable revenue source is needed to provide adequate care for the uninsured. The erosion of these funds by the State has also reduced funding for emergency room coverage for the uninsured patient which has further destabilized emergency room coverage.

■ **Emergency Room Services**

A pilot project to address the need for a long term viable funding structure for emergency room services is needed. In many rural and suburban areas, securing the services of on-call physicians and support services has becoming increasingly difficult. A pilot project that addresses the relationship between services and funding mechanisms on a long term basis is needed to address this growing problem. Assembly Bill 2611 (Gallegos) passed during the 1999-00 legislative session provides for a study of emergency room on-call coverage with recommendations to the Legislature in January, 2002. Legislative support is requested for thoughtful recommendations to improve emergency room coverage.

■ **Additional Funding for the Implementation of Proposition 36**

Proposition 36 which was passed by the voters in November, 2000 provides opportunities for the treatment of drug offenders in lieu of incarceration. Implementation of the program throughout the State began in July, 2001. Statewide projections indicate that treatment funds are being spent at a rate that will exceed the allocation. It may be necessary to alter certain program guidelines or provide additional funding for the program to meet all requirements. Costs for drug testing are anticipated to exceed the allocations approved by the State in the last session by a significant amount. Senate Bill 223 (Burton) allocated \$18 million for statewide costs but the Governor vetoed more than half the amount, citing budget shortfalls. Legislative support should be provided for ensuring that funding is available to meet the requirements of this voter approved program.

■ **Realignment**

The realignment funding methodology provides a stream of State tax revenues to be directed to counties to support health, social services and mental health programs. These funds are derived from sales tax revenues and Motor Vehicle Fees. The program has largely met the original goals of the legislation however issues exist with regard to the adequacy of funds available to support statewide mental health and health programs in counties operating the Medically Indigent Services Program (MISP), such as Santa Cruz County. These concerns along with a number of technical issues should be included in the CSAC legislative agenda and we believe additional funds to support mental health and MISP health programs should be supported.

**BOARD OF SUPERVISORS
2002 COUNTY LEGISLATIVE PROGRAM**

AGENDA: November 20, 2001
Page 15

■ **Various Additional State and Federal Health Proposals Recommended for Support**

There are numerous health-related bills that were passed by the Legislature during the previous session but either held in committee or were vetoed by the Governor. These bills represent excellent concepts and should be supported if considered or reintroduced in the upcoming session.

The measures include:

- Expansion of community college programs for nurses and medical assistants (Assembly Bill 87-Jackson, Senate Bill 457- Scott, Senate Bill 317- Ortiz)
- Restrictions on authority for insurance providers to delegate payment for emergency services which often results in non-payment for these services (Senate Bill 103- Speier)
- a Additional standards for non-profit hospitals related to charity care. A report from the State Office of Health Care Planning and Evaluation is due to be released in December, 2001 which will likely recommend tighter standards. After the report is released, it is anticipated that legislation will be introduced.
- Residential housing and expanded treatment funds for individuals who are uninsured or under insured in mental health converge. (Senate Bill 599, Assembly Bill 334, Senate Bill 891, Senate Bill 931)
- A requirement for employers to provide employees with an informational document on the Healthy Families/Medi-Cal programs and to provide for Healthy Families premium payments to be made through payroll deductions (Assembly Bill 1974- Migden)
- a Funding for supplemental payments to critical access hospitals (Assembly Bill 2102-Strom-Martin)
- a Stable, ongoing funding for local school based Healthy Start programs. These are services that have proved very effective at providing health and social services to school children and their parents. (Senate Bill 179- Alpert)

Federal Legislation

- a Support for Medicare pharmacy benefits as an entitlement for seniors and an addition to Medicare with low co-payments.
- Support for funding of Local Health Authorities to implement changes related to the new federal requirements of the Health Care Portability and Accountability Act (HIPAA). This is a major federal mandate with significant cost implications for all health financing systems.
- Support for legislation to increase flexibility for California's Healthy Families Program to enroll eligible parents of enrolled local Healthy Families Children.

Expansion of Recycling Opportunities

The Department of Public Works has requested support for legislative proposals to increase recycling opportunities, including measures that improve the marketability of recycled products. These include efforts to ensure the continued recyclability of plastic containers, which has experienced a declining rate of recycling in the last year. Continued support is requested for Senate Bill 1069 which addresses plastic recycling issues. Another area of concern is electronics waste. Currently, state agencies, recyclers, and non-profit groups including the California Integrated Waste Management Board are joining with major electronic product manufacturers to develop recycling and reuse strategies and we would recommend that our legislators support these efforts. Support should also be provided for minimum content legislation which would provide a strong market for used oil and an incentive for oil to be more widely recycled. These efforts would help to eliminate the improper disposal of waste motor oil.

**BOARD OF SUPERVISORS
2002 COUNTY LEGISLATIVE PROGRAM**

AGENDA: November 20, 2001
Page 16

SUMMARY AND RECOMMENDATIONS

Many of the proposals presented in the 2002 County Legislative Program will be sponsored by CSAC and other statewide affiliate organizations due to their statewide policy implications. Proposals that we are requesting our legislators to consider for introduction are summarized below:


- ▶ Matching funds for Pajaro River levee project;
- ▶ Funding for New Migrant Housing Center;
- ▶ Retirement Options and Domestic Partner Health Benefit Coverage;
- ▶ Establishment of a Rural Crime Prevention Program as requested by the Sheriff-Coroner;
- ▶ Modification to the Funding Cycle for Emergency Housing Program; and,
- ▶ Pilot projects for emergency room services.

Subsequent to your Board's approval of the 2002 Legislative Program we will be discussing each of these proposals in detail with the legislative staff prior to the upcoming legislative session.

In summary, **we** are pleased to present our 2002 County Legislative program to our State and federal representatives and we acknowledge them for their tremendous leadership on legislative issues that are critical to the County's financial health and operational stability. We also want to acknowledge the fine work of our County departments who continue to be active participants in the State and federal legislative process. Finally, we look forward to working cooperatively with CSAC and other State and federal associations on the many issues that are presented in this annual legislative report.

It is therefore Recommended that your Board consider the 2002 County Legislative Program and subsequent to your Board's review and approval, forward the program to our State and federal representatives and to our State and federal associations for their consideration.

Very truly yours,



SUSANA A. MAURIELLO
County Administrative Officer

cc: Each Department Head
Senator Barbara Boxer
Senator Dianne Feinstein
U. S. Representative Sam Farr
U. S. Representative Mike Honda
U. S. Representative Anna Eshoo
Senator Bruce McPherson
Assembly Member Fred Keeley
Assembly Member Simon Salinas
California State Association of Counties
National Association of Counties

SAM:CHG:S:\Legisprog\LegProg02\LegProgram2a.wpd

THE LOCAL REVENUE ACCOUNTABILITY ACT

More than 20 years ago, California voters overwhelmingly approved a state constitutional amendment intended to prohibit State Government from imposing new costs on local governments unless the state fully reimburses local governments for those additional costs. Recently, however, a series of court rulings and actions by State Government have created loopholes undermining the voter-approved law and jeopardizing funding for essential local services such as police, fire and emergency medical services, public health, library services, and road and street repair. The Local Revenue Accountability Act is designed to close these loopholes and uphold the People's intent with regard to uses of local revenues. Specifically, the measure:

Reaffirms the Will of the People that State Government is prohibited from imposing new costs on local governments without reimbursing local governments for those additional costs.

Protects Funding for Police, Fire, Public Health and Emergency Services by prohibiting the State Government from taking away or diverting local revenues used by local governments to pay for these essential local services. The measure requires the State Government to fully reimburse local governments for the increased costs of new state-imposed programs, higher service levels, increases in local government costs for state-local programs, or state-imposed reduction or transfer of local government revenue. For example, the measure would require reimbursement when the Legislature:

- Increases local government's proportionate share of jointly funded programs; or
- Reallocates existing property, sales, utility, business license, hotel and other local taxes, fees, assessments or revenues from one local government to another or to a state-created fund (as occurred during the property tax shift in 1991-92); or
- Cuts the amount of revenue local governments receive from Vehicle License Fees, fines and forfeitures and dedicated funds for local public health and social services.

Establishes New Local Government Accountability Standards and public right-to-know requirements for the government spending and budget process, including annual audits to help assure that state and local government spending complies with public spending priorities.

Provides Flexibility in Emergency State Budget Situations by allowing the Legislature by a two-thirds vote (on a measure separate from the budget) to suspend reimbursement for such diversions in any two fiscal years in a 10-year period. *

Protects Funding for Essential Local Services w/o Jeopardizing

State Funds This measure does not affect the State's obligation to fund the Proposition 98 guarantee for education, **does** not change or cap the growth of the existing ERAF tax shift and does not prevent future realignment of state-local programs.

Allows for Continued Dialogue and Reform of State-Local

Revenue Allocation by protecting existing revenues and providing a secure environment to facilitate future policy and reform discussions regarding state and local revenue distribution.

* In another option filed with the Attorney General, the measure would allow suspension of reimbursement for one fiscal year and up to two additional fiscal years if approved by the voters at the next statewide election.

0071

SA2001RF0037, AMDT#1-NS

LOCAL REVENUE ACCOUNTABILITY ACT**Section 1. Short Title.**

This amendment to the California Constitution shall be known and may be cited as the Local Revenue Accountability Act.

Section 2. Findings and Declarations

(a) More than 20 years ago, California voters overwhelmingly approved a state constitutional amendment that was intended to prohibit the State Government from imposing new costs on local governments unless the state fully reimburses local governments for those additional costs. Recently, however, a series of court rulings and actions by State Government have undermined that voter-approved law.

(b) These recent court decisions and State Government actions are allowing the state to circumvent the people's intent by forcing local governments to provide services without fully reimbursing the local governments for the additional costs. In addition, they are allowing the state to take or shift local property tax revenues away from local governments to pay for state programs. Thus, the State Government can now take away local tax revenues anytime it chooses, forcing local governments to either raise local fees or taxes to maintain local services at acceptable levels or reduce the budgets and staff levels for local services.

(c) Local governments provide many vitally important services to California citizens, including police, fire and emergency medical services, public health and library services, and road and street maintenance and repair. To fund these local services, local governments depend primarily on revenues raised by local taxes and fees.

(d) The Local Revenue Accountability Act is proposed to uphold the people's intent with regard to uses of local revenues and to restore local control over local taxes and fees by:

- reaffirming the people of California's intent that the State Government is prohibited from imposing new costs on local governments without reimbursing local governments for those additional costs;

(2) requiring the State Government to fully reimburse local governments for the increased costs of new state-imposed programs, higher service levels, increases in local government costs for state-local programs, or state-imposed reduction or transfer of local government revenue;

0072

(3) prohibiting the State Government from **taking** away or diverting local revenues that are used **by** local governments to pay for local services such as police, fire and emergency medical services;

(4) reaffirming and maintaining the State Government's obligation to support school districts and community college districts; and

(5) creating new government accountability and public right-to-know requirements for the government spending and budget process, and annual audits to help assure that state and local government spending complies with public spending priorities.

(e) In recognition that there may occasionally be special circumstances when increased flexibility in the state budget may be necessary, this measure will allow the Legislature to enact, by two-thirds vote, an emergency suspension of its local government reimbursement requirements for up to two fiscal years in any ten year period.

Section 3. Article XIII B, § 1.5 of the California Constitution is hereby amended to read as follows:

Sec. 1.5 The annual calculation of the appropriations limit under this article for each entity of local government shall be reviewed as part of an annual financial audit. In conjunction with the annual calculation of the appropriations limit under this article or the accountability process provided in section 6.5, each entity of local government shall provide the public with the opportunity to review the amount of reimbursement received by the local government pursuant to Section 6 in the prior year, in order that effective oversight of the Legislature and state agencies' obligations to reimburse local government can be accomplished at the local level.

Section 4. Article XIII R, § 6 of the California Constitution is hereby amended to read as follows:

~~SEC. 6. Whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the State shall provide a subvention of funds to reimburse such local government for the costs of such program or increased level of service, except that the Legislature may, but need not, provide such subvention of funds for the following mandates:~~

- ~~—(a) Legislative mandates requested by the local agency affected;~~
- ~~—(b) Legislation defining a new crime or changing an existing definition of a crime; or~~
- ~~—(c) Legislative mandates enacted prior to January 1, 1975, or executive orders or regulations initially implementing legislation enacted prior to January 1, 1975.~~

Sec. 6 (a)(1) Except as otherwise provided in paragraph (2), the State shall reimburse each local government, by providing a subvention of funds, for the costs, reduction in revenue or funds, or the amount paid by or charged to that local government, whenever the Legislature or any state agency, whether by statute or by regulation, does any of the following!:

- (A) Mandates a new program or higher level of service on any local government.
 - (B) Increases a local government's proportionate share of funding of a program funded jointly by the local government and the State.
 - (C) Reduces, or reallocates, or redistributes from one local government to another or to a state-created fund for any purpose, revenues or funds derived from the ad valorem property tax or from any local tax, fee, or assessment.
 - (D) Reduces or eliminates or fails to appropriate that amount of revenue required to be allocated by the statutory allocation formula set forth in the Vehicle License Fee Law (Part 5 commencing with Section 10701 of Division 2 of the Revenue and Taxation Code), as it read on January 1, 2001.
 - (E) Changes the requirements to distribute revenues to local governments as set forth in Sections 1463 to 1465.6, inclusive, of the Penal Code and Article 3 (commencing with Section 40200) of Chapter 1 of Division 17 of the Vehicle Code, as those statutes read on January 1, 2001.
 - (F) Modifies the allocation formulas prescribed by Chapter 6 (commencing with Section 17600) of Part 5 of Division 9 of the Welfare and Institutions Code, as that chapter read on January 1, 2001.
- (2) The Legislature may, but need not, reimburse by providing a subvention of funds for the following mandates:
- (A) Legislative mandates requested by the local agency affected.
 - (B) Legislation defining a new crime or changing an existing definition of a crime.
 - (C) Legislative mandates enacted prior to January 1, 1975, or executive orders or regulations initially implementing legislation enacted prior to January 1, 1975.

(b)(1) The provisions of subdivision (a)(1)(B) through (F) may be suspended by the Legislature in a ten year period for two fiscal years only by the enactment of an urgency statute, other than the annual Budget Act, as described in subdivision (d) of Section 8 of Article IV. During that ten year period, the Legislature may not enact a statute suspending the provisions of subdivisions (a)(1)(B) through (F), if the provisions of any or all of those subdivisions have been previously suspended for two fiscal years.

For purposes of this section, "a ten year period" shall commence on the date of the enactment of the statute that imposes the suspension pursuant to this subdivision (b)(1).

0075

(2) If the provisions of subdivision (a)(1)(B) through (F) are suspended in a manner contrary to the provisions of paragraph (b)(1), any statute or regulation that imposes the conditions that otherwise would require a subvention of funds pursuant to subdivisions (a)(1)(B) through (F), shall be inoperative during the period of that violation.

(3) If the Legislature or any state agency, whether by statute or regulation, imposes the conditions described in subdivision (a)(1)(B) through (F) during calendar year 2002, such action(s) shall be construed as a suspension of the subvention requirement of subdivision (a)(1)(B) through (F) for purposes of subdivision (b)(1).

(c) The amount of any subvention to a local government required by subdivision (a)(1)(C) shall be equal to the actual amount reduced, reallocated, or redistributed, not to exceed the amount of revenue received, in the fiscal year immediately preceding the first year the statute or regulation requiring the subvention took effect, by the local government from which the revenues are reduced, reallocated or redistributed. This amount shall be adjusted annually to the current fiscal year by the change in the cost of living, as defined in paragraph (2) of subdivision (e) of Section 8, and the change in population as defined in Section 7901 of the Government Code, as that section read on January 1, 2001.

(d) Except in the case of a suspension pursuant to subdivision (b), for any claim filed by a local government to enforce this section for a mandate imposed after January 1, 2002, the State bears the burden of proof that a subvention of funds is not required by this section.

Section 5. Article XIII of the California Constitution is hereby amended by adding Section 6.5 to read as follows:

Section 6.5 Each local agency shall design and conduct an accountability process which provides the public with the opportunity to have input into the development of each fiscal year's goals for services and priorities for spending taxpayer dollars, including funds received pursuant to Section 6, and which produces a written description of those service goals and spending priorities. Subsequent to the close of its fiscal year, each local agency shall issue a written report describing how its provision of services achieved its goals and how its expenditures conformed to its spending priorities, noting any deviations from the goals for services and spending priorities and the reasons thereof. At the end of its fiscal year, each local agency shall undergo a financial audit and shall present the findings of the audit at a public meeting

The requirements of this section do not supersede, preempt or otherwise modify budget process provisions of a city or county charter adopted by the voters of such city or county either prior to or subsequent to the effective date of this section.

0076

Section 6. Construction. This measure shall be liberally construed to effectuate its purpose of requiring the State to reimburse local governments whenever the State increases the responsibilities of local governments or reduces the existing funding of local governments. This measure shall not be construed to provide independent authority to the Legislature or any entity of state government to reallocate revenues or funds derived from locally adopted taxes, fees, assessments, or charges and shall be applied in a manner that does not have a fiscal impact upon the amounts of revenue otherwise required to be applied by the State for the support of school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution.

Section 7. Severability. If any part of this measure or the application to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications that reasonably can be given effect without the invalid provision or application.

0077

SA2001RF0037, AMDT#1-NS

LOCAL REVENUE ACCOUNTABILITY ACT**Section 1. Short Title.**

This amendment to the California Constitution shall be known and may be cited as the Local Revenue Accountability Act.

Section 2. Findings and Declarations

(a) More than 20 years ago, California voters overwhelmingly approved a state constitutional amendment that was intended to prohibit the State Government from imposing new costs on local governments unless the state fully reimburses local governments for those additional costs. Recently, however, a series of court rulings and actions by State Government have undermined that voter-approved law.

(b) These recent court decisions and State Government actions are allowing the state to circumvent the people's intent by forcing local governments to provide services without fully reimbursing the local governments for the additional costs. In addition, they are allowing the state to take or shift local property tax revenues away from local governments to pay for state programs. Thus, the State Government can now take away local tax revenues anytime it chooses, forcing local governments to either raise local fees or taxes to maintain local services at acceptable levels or reduce the budgets and staff levels for local services.

(c) Local governments provide many vitally important services to California citizens, including police, fire and emergency medical services, public health and library services, and road and street maintenance and repair. To fund these local services, local governments depend primarily on revenues raised by local taxes and fees.

(d) The Local Revenue Accountability Act is proposed to uphold the people's intent with regard to uses of local revenues and to restore local control over local taxes and fees by:

- reaffirming the people of California's intent that the State Government is prohibited from imposing new costs on local governments without reimbursing local governments for those additional costs;

(2) requiring the State Government to fully reimburse local governments for the increased costs of new state-imposed programs, higher service levels, increases in local government costs for state-local programs, or state-imposed reduction or transfer of local government revenue;

(3) prohibiting the State Government from taking away or diverting local revenues that are used by local governments to pay for local services such as police, fire and emergency medical services;

0078

(4) reaffirming and maintaining the State Government's obligation to support school districts and community college districts; and

(5) creating new government accountability and public right-to-know requirements for the government spending and budget process, and annual audits to help assure that state and local government spending complies with public spending priorities.

(e) In recognition that there may occasionally be special circumstances **when** increased flexibility in the state budget may be necessary, this measure will allow the Legislature to enact, by two-thirds vote, an emergency suspension of its local government reimbursement requirements for **up** to two fiscal years in any ten year period.

Section 3. Article XIII, § 1.5 of the California Constitution is hereby amended to read as follows:

Sec. 1.5 The annual calculation of the appropriations limit under this article for each entity of local government shall be reviewed as part of an annual financial audit. In conjunction with the annual calculation of the appropriations limit under this article or the accountability process provided in section 6.5, each entity of local government shall provide the public with the opportunity to review the amount of reimbursement received by the local government pursuant to Section 6 in the prior year, in order that effective oversight of the Legislature and state agencies' obligations to reimburse local government can be accomplished at the local level.

Section 4. Article XIII, § 6 of the California Constitution is hereby amended to read as follows:

~~SEC. 6. Whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the State shall provide a subvention of funds to reimburse such local government for the costs of such program or increased level of service, except that the Legislature may, but need not, provide such subvention of funds for the following mandates:~~

- ~~—(a) Legislative mandates requested by the local agency affected;~~
- ~~—(b) Legislation defining a new crime or changing an existing definition of a crime; or~~
- ~~—(c) Legislative mandates enacted prior to January 1, 1975, or executive orders or regulations initially implementing legislation enacted prior to January 1, 1975.~~

Sec. 6 (a)(1) Except as otherwise provided in paragraph (2), the State shall reimburse each local government, by providing a subvention of funds, for the costs, reduction in revenue or funds, or the amount paid by or charged to that local government, whenever the Legislature or any state agency, whether by statute or by regulation, does any of the following:

0079

- (A) Mandates a new program or higher level of service on any local government.
 - (B) Increases a local government's proportionate share of funding of a program funded jointly by the local government and the State.
 - (C) Reduces, or reallocates, or redistributes from one local government to another or to a state-created fund for any purpose, revenues or funds derived from the ad valorem property tax or from any local tax, fee, or assessment.
 - (D) Reduces or eliminates or fails to appropriate that amount of revenue required to be allocated by the statutory allocation formula set forth in the Vehicle License Fee Law (Part 5 commencing with Section 10701 of Division 2 of the Revenue and Taxation Code), as it read on January 1, 2001.
 - (E) Changes the requirements to distribute revenues to local governments as set forth in Sections 1463 to 1465.6, inclusive, of the Penal Code and Article 3 (commencing with Section 40200) of Chapter 1 of Division 17 of the Vehicle Code, as those statutes read on January 1, 2001.
 - (F) Modifies the allocation formulas prescribed by Chapter 6 (commencing with Section 17600) of Part 5 of Division 9 of the Welfare and Institutions Code, as that chapter read on January 1, 2001.
- (2) The Legislature may, but need not, reimburse by providing a subvention of funds for the following mandates:
- (A) Legislative mandates requested by the local agency affected.
 - (B) Legislation defining a new crime or changing an existing definition of a crime.
 - (C) Legislative mandates enacted prior to January 1, 1975, or executive orders or regulations initially implementing legislation enacted prior to January 1, 1975.

(b)(1) The provisions of subdivision (a)(1)(B) through (F) may be suspended by the Legislature in a ten year period for two fiscal years only, by the enactment of an urgency statute, other than the annual Budget Act, as described in subdivision (d) of Section 8 of Article IV. During that ten year period, the Legislature may not enact a statute suspending the provisions of subdivisions (a)(1)(B) through (F), if the provisions of any or all of those subdivisions have been previously suspended for two fiscal years.

For purposes of this section, "a ten year period" shall commence on the date of the enactment of the statute that imposes the suspension pursuant to this subdivision (b)(1).

(2) If the provisions of subdivision (a)(1)(B) through (F) are suspended in a manner contrary to the provisions of paragraph (b)(1), any statute or regulation that imposes the conditions that otherwise would require a subvention of funds pursuant to subdivisions (a)(1)(B) through (F), shall be inoperative during the period of that violation.

(3) If the Legislature or any state agency, whether by statute or regulation, imposes the conditions described in subdivision (a)(1)(B) through (F) during calendar year 2002, such action(s) shall be construed as a suspension of the subvention requirement of subdivision (a)(1)(B) through (F) for purposes of subdivision (b)(1).

(c) The amount of any subvention to a local government required by subdivision (a)(1)(C) shall be equal to the actual amount reduced, reallocated, or redistributed; not to exceed the amount of revenue received, in the fiscal year immediately preceding the first year the statute or regulation requiring the subvention took effect, by the local government from which the revenues are reduced, reallocated or redistributed. This amount shall be adjusted annually to the current fiscal year by the change in the cost of living, as defined in paragraph (2) of subdivision (e) of Section 8, and the change in population as defined in Section 7901 of the Government Code, as that section read on January 1, 2001.

(d) Except in the case of a suspension pursuant to subdivision (b), for any claim filed by a local government to enforce this section for a mandate imposed after January 1, 2002, the State bears the burden of proof that a subvention of funds is not required by this section.

Section 5. Article XIII B of the California Constitution is hereby amended by adding Section 6.5 to read as follows:

Section 6.5 Each local agency shall design and conduct an accountability process which provides the public with the opportunity to have input into the development of each fiscal year's goals for services and priorities for spending taxpayer dollars, including funds received pursuant to Section 6, and which produces a written description of those service goals and spending priorities. Subsequent to the close of its fiscal year, each local agency shall issue a written report describing how its provision of services achieved its goals and how its expenditures conformed to its spending priorities, noting any deviations from the goals for services and spending priorities and the reasons thereof. At the end of its fiscal year, each local agency shall undergo a financial audit and shall present the findings of the audit at a public meeting

The requirements of this section do not supersede, preempt or otherwise modify budget process provisions of a city or county charter adopted by the voters of such city or county either prior to or subsequent to the effective date of this section.

0081

Section 6. Construction. This measure shall be liberally construed to effectuate its purpose of requiring the State to reimburse local governments whenever the State increases the responsibilities of local governments or reduces the existing funding of local governments. This measure shall not be construed to provide independent authority to the Legislature or any entity of state government to reallocate revenues or funds derived from locally adopted taxes, fees, assessments, or charges and shall be applied in a manner that does not have a fiscal impact upon the amounts of revenue otherwise required to be applied by the State for the support of school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution.

Section 7. Severability. If any part of this measure or the application to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications that reasonably can be given effect without the invalid provision or application.