



STAFF REPORT

Consideration of Resolution in Support of League of California Cities Local Government Ballot Initiative

Honorable Mayor and Council Members

Summary

The League of California Cities (the League) has voted to begin an initiative process asking the voters of California to make it more difficult for the state government to take away local revenues. The League has asked member cities such as Belmont to pass resolutions in support of the effort. Attachment A is such a resolution and staff recommends Council approve it.

Background and Discussion

For many years, local governments have been the victims of revenue raids by the state government. In the early 1990's, the state took away several billion dollars in city and county property tax revenue in order to meet its financial obligation to schools. Despite the "boom years" in the later 1990's, that funding was never returned to local governments. The cumulative impact of state actions has been the elimination of more than \$30 billion of local property tax revenue. This has come at the expense of vital local services, such as police and fire. For Belmont, the City has lost over \$5 million in local funds due to state action.

Faced with another large deficit, the state is again taking away local revenues. The recently adopted state budget again attacks local government, to the tune of over \$1 billion additional dollars. Belmont is expected to lose over \$600,000 in General Fund and Redevelopment Agency funds as a result of the state budget. The state has also "deferred" payment of over \$1 billion in constitutionally required reimbursements to local governments for mandated services and programs. Worst of all, the state has still not fixed its fiscal situation and is expected to have a deficit of at least \$8 billion next fiscal year. Given the history of the legislature, they are likely to take more local revenue to solve their budget problem.

Despite vigorous lobbying by local officials and numerous “blue ribbon committees” studying the state-local fiscal relationship, politicians in Sacramento seem incapable or unwilling to change the system. Every year, city officials have to re-fight the same fight to protect local revenues. The League of California Cities, an association of all the cities in California, has determined the only way to change the system is through the ballot process. Earlier this month, the membership of the League voted to sponsor a statewide ballot initiative to empower the voters to limit the ability of state government to take local tax funds. Specifically, it would require a 2/3 vote of the legislature and approval of a majority of the electorate before the state can take or redirect local tax revenues (sales tax, property tax and the Vehicle License Fee). It would also clarify that the state must reimburse local governments for a new mandated program or higher level of service.

Fiscal Impact

There is no direct fiscal impact to this report. If the electorate passed the proposed constitutional amendment, it would not increase revenue for Belmont, but would prevent the loss of additional revenue to the state.

Recommendation

Staff recommends Council approve the resolution in Attachment A supporting a statewide ballot initiative to protect local revenues.

Alternatives

1. Reject the resolution
2. Modify and approve the resolution
3. Provide alternative direction to staff
4. Take no action at this time

Attachments

- A. Resolution
- B. Fact sheet from the League of California Cities

Respectfully submitted,

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