

**TO: HONORABLE CITY COUNCIL**  
**FROM: CITY MANAGER DEPARTMENT: CITY MANAGER**  
**DATE: OCTOBER 4, 2004 CMR:441:04**  
**SUBJECT: ADOPTION OF A RESOLUTION IN SUPPORT OF PROPOSITION 1A –  
PROTECTION OF LOCAL GOVERNMENT REVENUES**

### **RECOMMENDATION**

Staff recommends that the Council adopt a resolution of support for Proposition 1A, Protection of Local Government Revenues.

### **BACKGROUND**

On March 1, 2004, Council adopted a resolution of support for the League of California Cities Local Taxpayers and Public Safety Protection Act, Proposition 65 (CMR:151:04). Since that time, the California Legislature and Governor Schwarzenegger reached a compromise deal, Proposition 1A (based on the budget bill SCA 4), which made a number of changes to the League's original proposition.

As a result of Proposition 1A, local government will collectively forgo \$2.6 billion dollars over the next two years in exchange for the Governor's support for this measure, which will provide constitutional protections against further state raids. Proposition 1A has the full support of the Governor and the League of California Cities.

### **DISCUSSION**

Proposition 1A is a ballot initiative on the November 2004 ballot. The measure will amend the constitution to make it more difficult for the State to take local resources, such as: sales taxes, property taxes and vehicle license fee revenues. Another important component of Proposition 1A is the requirement that the Legislature fund State-mandated local programs. If funds are not available for these programs, Proposition 1A will require the programs be suspended.

Proposition 1A does not prevent the State from borrowing from local governments in times when the Governor declares a fiscal emergency, although it does provide strict conditions for suspending the proposed constitutional protections. These conditions include the Legislature passing an urgency bill by 2/3 vote and the additional passage of a law specifying the full repayment of the loan, with interest, within three fiscal years.

The measure would not increase taxes or funding to local governments. It would not reduce funding that schools receive from local property taxes or the state, nor would it reduce funding to other state programs.

It is important to note that the League's original ballot measure, Proposition 65, will remain on the November ballot and essentially compete against Proposition 1A. All of the proponents for Proposition 65 must now oppose that measure and instead support Proposition 1A.

### **ALTERNATIVES TO STAFF RECOMMENDATION**

Council may chose to refer the matter to the Policy and Services Committee for further review.

### **POLICY IMPLICATIONS**

This resolution is consistent with existing City policies, including the Council Top 5 priority for City Finances.

### **ENVIRONMENTAL REVIEW**

This staff report does not represent a project under the California Environmental Quality Act (CEQA).

### **ATTACHMENTS**

Attachment A: Resolution Supporting Proposition 1A

PREPARED BY: \_\_\_\_\_

CHRIS MOGENSEN  
Assistant to the City Manager

CITY MANAGER APPROVAL: \_\_\_\_\_

EMILY HARRISON  
Assistant City Manager