TO:      HONORABLE CITY COUNCIL
FROM:    CITY MANAGER      DEPARTMENT: CITY MANAGER
DATE:    MARCH 1, 2004      CMR:151:04

SUBJECT: ADOPTION OF A RESOLUTION IN SUPPORT OF THE LOCAL TAXPAYERS AND PUBLIC SAFETY PROTECTION ACT

RECOMMENDATION

Staff recommends that the Council adopt a resolution of support for the League of California Cities’ Local Taxpayers and Public Safety Protection Act.

BACKGROUND

The current state/local fiscal relationship has placed an incredible burden on municipalities throughout California. The present system allows the state to reallocate funds previously committed to local government to solve its fiscal problems. This has created an untenable situation for local government and an unnecessary lack of trust between the two entities.

The state’s inability to effectively manage its budget has led to a record $38 billion deficit. Over the past 12 years, the state has taken approximately $6.9 billion in local property taxes away from cities. In FY 2003-04, the amount will equal $800 million. This does not include a loss of funding due to a change in the distribution of the Vehicle License Fee monies, nor does it include a number of other creative financing schemes such as the newly proposed ERAF shift, which would result in a further loss of local funds.

The state’s problem has become Palo Alto’s problem as the state has once again taken local government revenues in an attempt to cover its budget shortfall. This has contributed to significant City budget shortfalls and forced Council and staff to make difficult budgetary decisions. The state has diverted over $30 million in the past decade from Palo Alto.
DISCUSSION

The League of California Cities (League) advocates on behalf of 478 California cities. At its September 10, 2003 annual conference, League delegates voted to support the Local Taxpayers and Public Safety Protection Act, which is aimed at protecting local revenues from future state take-aways. The California State Association of Counties (CSAC) and the California Special Districts Association co-sponsor this measure.

Planned for the November 2004 ballot, the measure will amend the constitution to make it harder for the state to take local resources. A super-majority vote in the legislature will be required before the state can reallocate dedicated local government revenues for state purposes. It will also require a majority of the state’s voters to approve any structural changes in the state/local fiscal system.

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.

The Local Taxpayers and Public Safety Protection Act would protect vital local government services by:

- Requiring voter approval before the legislature can reduce local government revenues or take them for state, rather than local purposes.
- Ensuring that local tax dollars are available to fund local services like police and fire, emergency and trauma care, parks, roads, libraries and water delivery.
- Making it absolutely clear that if the state legislature mandates that local government provide new or expanded programs or services, the state would have to reimburse local governments for the cost of those programs.
- Providing flexibility for state budgeting decisions, while requiring voter-approval on any future state legislative actions that would reduce funding for essential local services.

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 – Local Taxpayers and Public Safety Protection Act

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