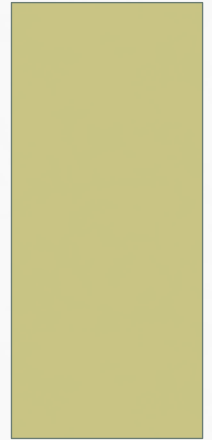


STATE LEGISLATIVE AND BUDGET UPDATE

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JUNE 14, 2012



2012 CACTTC LEGISLATION

AB 2643 (MA)

- Clarifies taxes due must be paid pending a reassessment.
- Gives 90 days to calculate pool rate.
- Allows duplicate payments to be applied to delinquent payments on the same property.
- More amendments possible in the Senate.
- Bill has been approved unanimously thus far.

AB 1045 (NORBY)

- Bans pay-for-play in California school bond elections.
- Currently in Senate Governance and Finance Committee after failing passage by 2 votes.
- Author's office has requested the FPPC review the current practices to determine if there is a remedy aside from legislation.

AB 1957 (GORDON)

- Bill contained provisions to authorize shortening notifications required in newspapers.
- Authorized CEUs in Tax Collections.
- Bill heavily opposed by CNPA.
- Failed passage in Assembly Local Government.

MOBILE HOME INFORMATION

- Platform contained a proposal to compel HCD to provide information to TTCs on mobile homes.
- HCD agreed to provide the information without legislation.
- Interested TTCs are received bi-weekly updates from HCD.

BILLS OF INTEREST TO CACTTC

AB 2210 (SMYTH)

- Requires a county assessor, when requested by the board of supervisors, to estimate whether annual property valuations for the county have decreased by 3% or more, and if so, to notify the county and the Department of Finance of the decrease.
- Initially the bill included TTCs in the estimate process but that provision was dropped at our request.
- Bill passed Assembly unanimously and is to the Senate.

AB 2299 (FEUER)

- Authorizes the board of supervisors to establish a program to redact (upon request) public safety officials' names from property records disclosed to the public.
- Bill is strongly opposed by Clerk-Recorders Association.
- CACTTC has sent a letter of concerns.
- Bill was heard yesterday in Senate Governance and Finance and was held. CACTTC concerns were mentioned as a reason the majority would not vote for the measure.

AB 1181 (BUTLER)

- Re-establishes PTAP program for 2012-13 through 2015-16.
- Would also require the California Assessors' Association to report on participation.
- CACTTC has historically asked that the bill specify that TTCs are allotted funding proportional to the workload share.
- The bill currently only directs that Assessors consult with TTCs.
- No hearing date set yet.

STATE BUDGET TRAILER BILL LANGUAGE

- Would authorize a County Treasurer to loan funds to charter schools.
- Initial language was mandatory. Revised language is permissive to a Board of Supervisors.
- CACTTC is opposed, along with CSAC, Orange County.
- Senate Budget Chair rejected language late Tuesday afternoon. Assembly had accepted permissive language. Final budget language not currently in print.

LOOKING AHEAD TO 2013 LEGISLATION

- CAB Legislation with Sen. Wyland
- Potentially jointly sponsoring legislation on Assessed Valuation calculations for Prop. 39 elections with HJTA, CalTax and CalBOC.
- 2013 Platform – process begins in July 2012.

2012-13 STATE BUDGET

2012-13 BUDGET

- Required to be passed by the Legislature no later than tomorrow (June 15), or Legislators forego their pay.
- Per recent Court decision, the Legislature is the arbiter of whether or not the budget is balanced (not the State Controller).

BUDGET - CONTINUED

- \$15.7 billion estimated deficit to resolve mainly through cuts, trigger cuts, the proposed tax increase.
- Locks in three more years of realignment funding formulas for Counties.
- Budget includes \$2.1 billion repayment of funds borrowed pursuant to Proposition 1A three years ago.

BUDGET - CONTINUED

- Relies heavily on the Governor's tax initiative being approved by the voters in November (generating between \$7 and 9 billion.)
- Absent approval, \$6.1 billion in trigger cuts will occur.

ADDRESSING THE SHORTFALL

- The Governor's plan to close \$15.7 billion gap between revenues and expenditures is:
- 1) Revenues initiative = \$5.5b in year one
- 2) Cuts: \$8.3 billion in total spending reductions
 - Approx. \$2.3b to education
 - Approx. \$2.5b to health and human services
 - Approx. \$3.5b sweeping RDA, mandate cut, trial courts and employee compensation changes
- 3) Other shifts, transfers: \$2.8 b

BUDGET - TRIGGER CUTS

Figure 3

Proposed Trigger Reductions if Voters Reject Governor's Tax Initiative

2012-13 General Fund Benefit (In Millions)

Proposition 98 funding for schools and community colleges	\$5,494
University of California	250
California State University	250
Department of Developmental Services	50
Local water safety patrol grants	11
CalFire	10
Department of Water Resources flood control programs	7
Department of Fish and Game	4
Department of Parks and Recreation	2
Department of Justice law enforcement programs	1
Total	\$6,077

BUDGET - CONTINUED

- The Budget counted on \$35/share for Facebook stock to generate between \$1 and \$2 billion; closes at \$25.87 on 6/5/12. (Google resulted in \$7 billion over three years to California) – trading at \$27 this morning.
- Sweeps remaining housing funds leftover from RDA elimination (\$1.4 billion) into General Fund.
- Sweeps \$400 m in national mortgage settlement into GF.

STATE REVENUE TREND

- The State ended last fiscal year with a cash deficit of \$8.2 billion.
- The combined current-year cash deficit stands at \$17 billion.
- Those deficits are being covered with \$11.1 billion of internal borrowing (temporary loans from special funds) and \$5.9 billion of external borrowing.

STATE REVENUES – MAY 2012

- May cash receipts were slightly above projections (\$83.5 million above or 1.3 percent%) due to higher than expected insurance revenues.
- Revenues from the “Big 3” sources of revenue—personal income taxes, sales taxes, and corporate taxes—came in 2.0% below estimates.
- This is important because these three taxes form the lion’s share of General Fund revenues, representing roughly 90% of total revenues each year.

RDA PASS-THROUGH AT RISK

- Legislative leaders proposed their own budget on Wednesday.
- **It assumes suspension of negotiated pass through agreements cities, counties, schools and special districts may have with local redevelopment agencies.**
- Scored \$250 million increase in property taxes available to schools as a result of suspending these pass through agreements, lowering the state's general fund obligation under Proposition 98.
- Those savings are then diverted to restore cuts in programs proposed by the Governor.
- CSAC has already responded to leadership with a strong oppose position and encourages county leaders to alert their legislators.

RDA PASS THROUGH

- The approach would be to nullify pass through agreements which would result in the property taxes dedicated to those pass through agreements being distributed by the existing AB 8 formula in each county.
- There are roughly \$450 million in pass through revenues. By distributing those revenues through AB 8, schools would get roughly 56% or \$250 million in property taxes. This offsets an equal amount the state must make up to schools via Prop 98 and thus frees up that \$250 million in state money to fund something else, like child care or CalWORKS.
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PENSION REFORM

- Pension reform package expected to move through Legislature before the end of the legislative year.
- Conference Committee has been meeting throughout the year.
- Not expected to require voter approval, but is a possibility.
- May include a “cash balance plan”

NOVEMBER 2012

- If voters approve both tax proposals, the one receiving the highest number of votes will prevail.
- If they approve neither, schools will be scrambling to address major mid-year funding gaps.
- Current legislative office holders are not eligible to utilize the term limits extension approved last week.

QUESTIONS