

Fresno COG

September/October 2010 Report

- **FresnoCOG Sacramento Trip:** California Consulting, LLC is in the process of organizing a series of meetings in Sacramento with ARB, Cal-EPA, and the Governor's Deputy Legislative Secretary for Air Quality to discuss the SJV Policy Council's letter to the Governor. Tony Boren and Steve Samuelian will attend this meeting once we have it confirmed.
- **Highway 99 Bond Savings:** California Consulting has been working closely with FresnoCOG staff on this important issue. Steve has met several times over the last month with Bimla Rhinehart the CTC Executive Director and Malcolm Dougherty of Cal-TRANS. Additionally, we have stayed in regular e-mail and phone communication with both Bimla and Malcolm regarding this issue.
- **SJV Regional Policy Council Sacramento Trip:** California Consulting, LLC has been asked to organized the San Joaquin Valley Regional Policy Council (all 8 Valley COG's) trip to Sacramento. We organized the very first SJV Regional Policy Council lobbying trip to Sacramento several years ago so we are experienced with this endeavor and are excited to participate. The trip will be February 1-3) with Feb. 1 serving as a travel day. This will be an outstanding opportunity for all 8 Valley COG's to make an impact on the newly elected State Legislators as well as the new Governor and his/her Senior Staff.
- **Enterprise Zone:** The State Budget passed without any negative impact to the Enterprise Zone program. Preserving the EZ was California Consulting's #1 priority in the 2011 Legislative Session. We held dozens of meetings at the Capitol, organized a coalition of valley cities, COG's, and counties, and testified at hearings at the Capitol to push for preservation of this important program. There were several attempts to eliminate, cut, or otherwise reform the EZ program for California cities. We are told that the attack on EZ's will continue next year and that the battle may be won this year but the war is still on-going.

- **New Governor:** Once a new Governor is elected and sworn into Office it is our goal to secure a meeting with the new Governor and/or his/her Senior Staff to introduce Fresno COG and our most important issues to the new Chief Executive. Securing this meeting will be a top priority soon after the inauguration. Additionally, we will set up meetings for Fresno COG with the Valley's new State Assemblymembers, Senators, and other key policymakers in Sacramento.
- **Assemi:** CTC Commissioner Darius Assemi's appointment to the CTC was confirmed by the State Senate. Assemi's appointment was withdrawn by the Governor and then later re-appointed and confirmed. Steve worked very closely (on a daily basis) on this process with Mr. Assemi and several valley State Legislators and their staff. Fresno COG was also instrumental with their support of Assemi's confirmation.

Subject: High Speed Rail Update
From: Steve Samuelian <steve@californiaconsulting.org>
Date: Mon, 30 Aug 2010 01:25:03 -0400 (EDT)
To: carrol@californiaconsulting.org



August 2010

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The California High Speed Rail Authority will have a hearing on September 2, 2010 in Sacramento. California Consulting will lobby on behalf of our clients for the alignment of the BNSF. Attached is a draft letter to Chairman Pringle urging the Authority to align the BNSF. California Consulting is asking all interested parties to send a letter or resolution to Chairman Pringle advocating for the alignment of the BNSF, with a copy to California Consulting. We are pleased to announce that our clients the Kern COG have sent a similar letter to Chairman Pringle supporting the BNSF line. Please contact us with any questions. Thank you.

High Speed Rail Update

Update

August 19, 2010

The Hon. Curt Pringle, Chair
California High-Speed Rail Authority
925 L Street, Suite 1425
Sacramento, CA 95814

Chairman Pringle:

[insert organization here] stands solidly behind the California High-Speed Rail Authority's recommended alignment along with the Burlington Northern-Santa Fe line through the San Joaquin Valley. We recognize that following existing rail lines makes the most sense environmentally, economically and in the interest of timeliness.

By working with BNSF to secure right-of-way for high-speed rail track, the Authority is helping to guarantee a host of infrastructure improvements, including dozens of grade crossings that will be shared by freight and passenger rail. In exchange, the Authority can plan for a system that will create the least impact on open spaces and precious Valley farmland.

[City/organization] also recognizes that time is of the essence in the Authority's decision. With a federal mandate to break ground no later than December 2012,

your Board must act quickly to determine the best route for the train to take. While some have called for a re-examination of a north-south alignment through the City of Bakersfield, Authority staff has considered that alternative and found it wanting. [City/organization] is on record favoring the decision to narrow alignment alternatives, including eliminating the north-south option.

Furthermore, the Kern region and the San Joaquin Valley stands to benefit greatly from having one of the first sections of operational high-speed rail. In a region with chronic unemployment routinely surpassing that of Appalachia, the Valley needs the economic boost high-speed rail will bring.

In short, [City/organization] urges your Board to approve the BNSF alignment as the most viable alternative through the San Joaquin Valley. We acknowledge and appreciate the work and thorough consideration HSR staff has given to each of the alternatives. With all viable alignments have been explored exhaustively, we submit the time to act is now.

Thank you for your attention and consideration.

[Name]

[Title]

Contact Information

phone: (559) 244-0801

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Fwd: State Water Resources Control Board Grant/Loan Forgiveness ...

Subject: Fwd: State Water Resources Control Board Grant/Loan Forgiveness Money
From: Sundy Sosavanh <sundy@californiaconsulting.org>
Date: Thu, 02 Sep 2010 08:40:19 -0700
To: Carrol Terrazas <carrol@californiaconsulting.org>

----- Original Message -----

Subject: State Water Resources Control Board Grant/Loan Forgiveness Money
Date: Mon, 30 Aug 2010 15:45:55 -0400 (EDT)
From: Steve Samuelian <steve@californiaconsulting.org>
Reply-To: steve@californiaconsulting.org
To: sundy@californiaconsulting.org



State Water Resources Control Board Grant/Loan Forgiveness Money

Contact California Consulting, LLC

1530 East Shaw Ave, #114

Fresno, California 93710
(559) 244-0801

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State Water Resources Control Board

California Consulting staff recently met with State Water board staff in Sacramento as part of our regular meetings with them regarding waste water issues.

On August 3, 2010 the State Water Board adopted guidelines for distribution of \$72 million in federal principal forgiveness/grant dollars. This is grant money for waste water treatment expansions, etc.

See attached breakdown of the Board's actions.

There are two categories of funding:

Category A: Small disadvantaged communities with populations less than 20K. Maximum grant is 50% of project cost or \$5 million.

Category B: Other Disadvantaged communities with populations over 20K. Maximum grant is 50% of project cost or \$3 million.

Applicants must have a executed finance agreement by May 1, 2011 and an executed construction agreement by August 1, 2011.

Approximately 60% of the \$72 million will be for small and disadvantaged communities and approximately 40% will be for other disadvantaged communities.

If you are interested in pursuing the above loan forgiveness/grants for waste water needs please contact California Consulting.

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Subject: Sanger City CalGrip
From: Steve Samuelian <steve@californiaconsulting.org>
Date: Fri, 3 Sep 2010 18:10:03 -0400 (EDT)
To: carrol@californiaconsulting.org



[Click Here to Visit Our Site](#) **Sanger CalGrip**

September 2010

Issue No.

COMMUNITIES THAT CARE GANG TASK FORCE

On Thursday, August 12, 2010, the Communities That Care Gang Task Force met for its monthly meeting in Sanger. The Communities That Care Gang Task Force is comprised of local government, municipality agency, and community based organizations from Fresno County. Some of its collaborative partnerships include the Sanger Police Department (lead agency), the cities of Reedley, Kingsburg, Parlier, Fowler, Orange Cove, Selma and the community of Del Rey. In addition, various school districts in the county such as Fowler Unified School District and Sanger Unified School District and community based organizations such as Boys and Girl's Club, Big Brothers and Big Sisters, and Parent's 911 are among the agencies that are working towards gang prevention, intervention, and rehabilitation.

The CalGrip application was funded back-to-back years and was written by California Consulting. The Sanger, Reedley, Parlier, Selma, Orange Cove, Kingsburg, and Del Rey CalGrip administration and post award compliance is overseen by California Consulting Senior Grants Administrator Antoniette Aizon-Hubbell.

The collaborative efforts will focus on Southeast Fresno County by providing a mainstream process for existing resources to address gang prevention in areas targeted by gang suppression efforts by the Multi-Agency Gang Enforcement Consortium (MAGEC). The goal of this alliance is to reduce gang offenses and gang-related violent crimes. Additionally, the alliance targets individuals who are at-risk of being gang members through protective factor exposure and the development of a gang intervention action plan.

During this month's meeting, Debra McKenzie from Fresno County informed the group that she had presented the five-year gang intervention action plan to Fresno County's Board of Supervisors and was well received. In addition, the Communities That Care Gang Task Force will be participating in the National Crime Prevention Month in October 2010. Fresno County will be celebrating its first Gang Prevention Awareness Week starting on October 2 to October 9, 2010. For further information or to receive an information packet, visit www.fcgpc.org or contact Debra McKenzie at nevergiveup@co.fresno.ca.us.

Aside from being a part of the National Crime Prevention Month, the community of Del Rey and the City of Fowler had its annual National Night Out, which was a success and the City of Reedley will be hosting their National Night Out in September. Since school is fast approaching, Reedley Police Department will be doing crosswalk details to ensure the safety of school children walking to school. Lastly, the Boys and Girls Club of Fresno County is trying to get some publicity to attempt to get more mentors and to inform the community of their organization and what services they offer.

The next meeting is scheduled for September 9, 2010 at the City of Sanger Annex. If you would like additional information about Communities That Care Gang Task Force, please e-mail Antoniette Aizon-Hubbell with California Consulting at antoniette@californiaconsulting.org.

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Subject: CAL FIRE Grants Announcement
From: Steve Samuelian <steve@californiaconsulting.org>
Date: Mon, 6 Sep 2010 12:35:05 -0400 (EDT)
To: carrol@californiaconsulting.org



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CAL FIRE Grants Announcement

September 2010

CAL FIRE Grants Announcement--FYI

These are some of the most popular tree beautification grants. California Consulting has secured several of these grants for cities and school districts over the past several years.

On behalf of CAL FIRE, the SGC is pleased to announce the offering of Urban and Community Forestry Grants for the 2010/2011 fiscal year. These grants will be for activities that expand urban forests and improve or enhance urban forest management and knowledge. Please see the two websites listed below for information about the grant programs for tree planting (Green Trees For The Golden State), tree inventories, urban forest management plans, urban forest education, and innovative urban forestry projects (Leading Edge). A new program, Leafing Out, can fund any of these previous activities, but in smaller grant amounts. It is designed for communities and organizations that have less capacity or experience carrying out urban forestry projects.

CAL FIRE's Urban Forestry Program has endeavored to make these grant offerings user-friendly by having a central procedural guide common to all of the offerings, with requests for proposals unique to each offering. The concept application is a PDF form, four pages in length, and is submitted via email. CAL FIRE Regional Urban Foresters are available throughout the state to answer questions and provide technical assistance.

Funding of these grants is dependent upon the state budget process and upon the state's ability to sell bonds.

All grant materials and a list of available Regional Urban Foresters by geographic area can be found at the following websites:

5

http://www.fire.ca.gov/resource_mgt/resource_mgt_urbanforestry.php

<http://www.ufe1.org/grantinfo.lasso>

For more information or grant writing assistance please contact:
California Consulting, LLC
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Carrol@californiaconsulting.org

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6

Subject: Federal Education Jobs Fund Bill Advances
From: Steve Samuelian <steve@californiaconsulting.org>
Date: Fri, 10 Sep 2010 20:30:04 -0400 (EDT)
To: carrol@californiaconsulting.org



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Federal Education Jobs Fund Bill Advances

September 9, 2010

State Superintendent of Public Instruction Jack O'Connell released preliminary calculations (<http://www.cde.ca.gov/fg/aa/ca/edjobsfund.asp>) last week estimating how much local educational agencies would receive under the federal Education Jobs Fund. Senate Bill (SB) 847, coauthored by Senate President pro Tempore Darrell Steinberg and Assembly Speaker John A. Pérez, and approved by the Legislature in the last night of session. It authorizes the California Department of Education (CDE) to disburse the funds. O'Connell, Steinberg and Pérez issued pleas this week, calling on the Governor to sign the legislation before he leaves on a trip abroad.

On Thursday afternoon, the Governor "requested" the bill, meaning that he could decide to sign the legislation in the very near future. If the governor does sign SB 847, the state will be required by federal law to allocate the funds to school districts within 14 days of enactment.

The hold on SB 847 (awaiting action by the Governor), coupled with the lack of a state budget, has forced many districts to wait and see how K-12 education fares during the still-unfinished budget negotiations before they decide how to use the Education Jobs funding. "Districts need to know how much they can expect from the Education Jobs Fund so they can meet their students' educational needs by hiring or protecting jobs for teachers, nurses, counselors, paraeducators, and other important school personnel," O'Connell said. "As soon as the Governor signs this bill into law, we can start the process of distributing the funds to schools."

The CDE has posted the preliminary calculations for the amounts local educational agencies are entitled to receive based on the state's revenue-limit formulas at Education Jobs Fund - Categorical Programs. A revenue limit is defined as the funds a school district or charter school may receive per pupil in average daily attendance, which is the total number of days of student attendance divided by the total number of days in the regular school year.

SB 847 provides the CDE with the authority to allocate \$1.2 billion from the federal Education Jobs Fund signed into law last month by President Barack Obama. The funding is designed to save jobs in California schools by retaining, recalling, or rehiring former employees and to hire new employees to provide early childhood, elementary, or secondary educational services. Districts that shortened their school year can also use the funds to add back days to the school year calendar. Funds may not be used for general administrative expenses. Under the federal legislation, states may not use the funds directly or indirectly to: Establish, restore, or supplement a rainy day fund; Supplant state funds to establish, restore, or supplement a rainy day fund; Reduce or retire state debt; or Supplant state funds to reduce or retire state debt.

Once the Governor signs the bill, CDE will work with the Governor's Office of Planning and Research and the State Controller's Office to distribute the apportionment funding to local educational agencies throughout California.

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Subject: U.S. Soccer Foundation Grant Opportunity
From: Steve Samuelian <steve@californiaconsulting.org>
Date: Mon, 20 Sep 2010 20:30:04 -0400 (EDT)
To: carrol@californiaconsulting.org



U.S. Soccer Foundation Grant Opportunity

September 2010

California Consulting Announces New Grant Opportunity

The U.S. Soccer Foundation's 2010 grant application period opens October 1st, and ends October 29th. The Foundation has provided over \$51 million in grants, financial support and loans to help fund programs and projects in all 50 states. Hundreds of thousands of individuals have benefited from the Foundation's support. The Soccer Foundation supports projects throughout the U.S. that focus on keeping children in vulnerable communities active, healthy, and safe from the dangers of the streets. The Foundation is especially interested in organizations that incorporate a youth development element such as anti-violence, anti-drugs, healthy lifestyles, etc. into their soccer programs. The Foundation offers four grant programs. To be eligible for any of these, applicants must:

- Apply on behalf of a program or project operating in the United States
- Be a not-for-profit organization, school, municipality, college or university, public school, or sovereign tribal nation that meets the established focus for the 2011 Grant Cycle.
- Apply for a soccer-specific program or field-building project.

Program Grants (\$1-\$100,000)

The U.S. Soccer Foundation awards Program Grants to help pay for uniforms, player equipment, travel costs, facility rental, registration costs, and training for players, coaches and referees.

Field Grants (\$1-\$100,000)

Field Grants assist with every stage of the field building process - from planning and designing a new field to installing the finishing touches such as lights and field boards.

Footprint Field Grants (\$1-\$200,000)

In cooperation with our National Partner, FieldTurf, the Foundation awards grants to build synthetic grass soccer fields that are durable and can be used in all weather conditions.

Planning Grants

The Foundation's Planning Grants Initiative provides Grants in the form of credit with CHA Sports to produce a concept plan that guides the design and construction of soccer field projects. Planning Grants are awarded during a separate cycle in the Spring. To be eligible for consideration for a Field or Footprint Fields (Synthetic Field) Grant, applicants must:

- Own or have a minimum 10 year lease/land use agreement on the land where the field building project will take place.
- Have written authorization from the community where the field building project will take place to add lights to the field(s) (if applying for lights as part of the project)

Subject: Proposition 22

From: Steve Samuelian <steve@californiaconsulting.org>

Date: Tue, 21 Sep 2010 22:40:07 -0400 (EDT)

To: carrol@californiaconsulting.org



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Senate Committee on Transportation and Housing
Senate Committee on Local Government

PRELIMINARY AGENDA

Proposition 22:
Local Taxpayer, Public Safety,
and Transportation Protection Act of 2010

1:30 to 3:30 p.m.
Wednesday, September 22, 2010
State Capitol, Room 112

1:30 to 1:35 p.m. Introductions.

Senator Alan Lowenthal, Chair
Senate Transportation and Housing Committee

Senator Christine Kehoe, Vice Chair
Senate Local Government Committee

1:35 to 2:05 p.m. Background and Analysis.

Marianne O'Malley, Director, General Government
Legislative Analyst's Office

Jessica Digiambattista, Fiscal and Policy Analyst
Legislative Analyst's Office

2:05 to 2:35 p.m. Proponents.

Chris McKenzie, Executive Director
League of California Cities

Joshua Shaw, Executive Director
California Transit Coalition

2:35 to 3:05 p.m. Opponents.

Brian Hatch, Legislative Advocate [tentative]
California Professional Firefighters

Kathy Dennis, Board Member
California Nurses Association

Toby Boyd, Board Member [tentative]
California Teachers Association

3:05 to 3:30 p.m. Advice and Comment.

Time for public comment.

3:30 p.m. Adjourn.

Revised: September 16, 2010

**Senate Committee on Transportation and Housing
Senate Committee on Local Government**

**Proposition 22:
Local Taxpayer, Public Safety,
and Transportation Protection Act of 2010**

A Staff Briefing Paper for the Informational Hearing

1:30 p.m., Wednesday, September 22, 2010
State Capitol, Room 112

Table of Contents

Introduction	1
About this paper	1
Background and Existing Law	1
Transportation Tax Revenues	2
Property Tax Revenues	5
Vehicle License Fee Revenues	7
Proposed Initiative	8
Transportation Taxes	8
Property Taxes	8
Vehicle License Fees	9
Other provisions	9

Appendix
(Official Voter Information Guide - Proposition 22) 10

Proposition 22:
Local Taxpayer, Public Safety,
and Transportation Protection Act of 2010

Sponsored by the League of California Cities and the California Transit Association, the Local Taxpayer, Public Safety, and Transportation Protection Act of 2010 has qualified for the November 2, 2010 General Election as Proposition 22.

Elections Code §9034 requires each house of the Legislature to assign qualified initiative measures to its appropriate committees. Those committees must hold joint public hearings on the subject of the measure at least 30 days before the election.

Accordingly, the Senate Committee on Transportation and Housing and the Senate Committee on Local Government will hold a joint hearing on September 22, 2010, at the State Capitol to review Proposition 22.

In accordance with the Elections Code, the Legislature has no authority to alter any initiative measure or to prevent it from appearing on the ballot.

About This Paper

This background paper prepares the members of the two committees for the September 22 public hearing. The committees will hear from the Legislative Analyst's Office, the initiative's sponsors, and its opponents. Legislators will also engage in a question and answer session. The committees will also reserve time for others to give their comments and reactions.

The paper suggests questions that legislators may want to ask the witnesses at the hearing. The suggested questions appear in italics and are preceded with the ► symbol.

Background and Existing Law

In the more than 30 years since voters approved Proposition 13 (1978), state and local fiscal affairs have become increasingly entangled because of decisions made by policymakers, judges, and voters, producing conflict between the state and local governments. Proposition 22 is the most recent chapter in a decades-long struggle to achieve a balance in state-local fiscal relations.

Particularly since the property tax shifts in the early 1990s, local officials have expressed their collective irritation with the state for restricting, raiding, and refusing to repay local revenue sources. Local officials argue (and many legislators agree) that the state's budgetary behavior toward local governments has led to increasing instability and unpredictability for local budgets. They worry about the lack of legislative solutions, the continuing attempts to shift additional property taxes, the persistent uncertainty about motor vehicle fuel tax and vehicle license fee revenues, and the dysfunctional mandate reimbursement process. They argue that the convoluted state-local funding relationship has removed revenue streams further and further from the services they pay for and rendered local government financing virtually impossible for the public to understand.

Years of working groups, select committees, and blue ribbon commissions have filled legislative shelves with reports, studies, and reform proposals for fixing the state-local relationship. Few disagree with the need for reform. Affected constituencies argue about the details, but not about the need for change. The Senate Local Government Committee's 2001 report *Tension & Ambiguity: A Legislative Guide to Recent Efforts to Reform California's State-Local Fiscal Relationship*, summarizes the reform efforts. For all the long and thoughtful hours devoted to this topic, the Legislature has enacted very little real reform.

Frustrated by the Legislature's failure to enact reforms, some interest groups have placed reform proposals before the voters. In November 2004, voters approved Proposition 1A, which amended the California Constitution to limit the state's authority over revenues from property taxes, local sales taxes, and vehicle license fees. In November 2006, voters approved another Proposition 1A, which restricted the state's authority over revenues from sales taxes on gasoline. This November's Proposition 22 augments these two ballot measures by further restricting the state's authority over:

- Transportation tax revenues,
- Property tax revenues, and
- Vehicle license fee revenues.

12

I. Transportation tax revenues. The excise tax on motor vehicle fuels ("the gas tax") provides the primary source of state funding for transportation in California and functions as a user-pays system for the state's highways and local streets and roads. The state first imposed an excise tax on gasoline and diesel in the 1920s and historically revenue from the state's excise tax has been allocated to both the state and local governments.

Article XIX of the California Constitution provides that the state's motor vehicle fuel excise tax may only be used for the "research, planning, construction, improvement, maintenance, and operations of public streets and highways (and their related public facilities for nonmotorized traffic)" and the "research, planning, construction, and improvement of exclusive public mass transit guideways (and their related fixed facilities)..." Article XIX, therefore, prohibits using these gas tax revenues for most transit purposes.

A. Transit Funding. In the post World War II era, transit transitioned from privately provided to a local public service that was locally funded, largely from local property taxes.

In the early 1970s, the Legislature passed and Governor Ronald Reagan signed the Transit Development Act (TDA) to provide a stable local subsidy program for transit. This was the state's first foray into using the sales tax, rather than an excise tax, to fund transportation.

With the passage of the TDA, the state dropped its statewide sales tax rate by a quarter percent and made up for the loss in the state's General Fund by broadening the sales tax base to include gasoline. Whenever sales tax on gasoline produced more than enough revenue to fill that revenue hole, the state agreed to use the excess, or what was called the "spillover", to support public transportation. At the same time, the state required counties to impose a quarter-cent sales tax to be used to fund transit in urban areas and transit and roads in rural areas. Later the sales tax on diesel was also dedicated to transit.

These three sources - the local sales tax, the spillover, and the sales tax on diesel -- became the primary sources of state support for transit funding. These three flow into the state's Public Transportation Account (PTA), through which the state provides support to local transit districts and for intercity rail.

B. The Gas Tax. In 1990, the voters approved Proposition 111, which the Legislature placed on the ballot and which increased the excise tax on motor vehicle fuels from 9 cents to 18 cents over a period of five years. The last of the Proposition 111 increases occurred on January 1, 1994 when the tax went up one cent to 18 cents per gallon. (This amount stood until this year, when the Legislature enacted the "gas tax swap," which is described below.)

Through Proposition 111 the state also dedicated the increment of sales tax on the new 9 cents of gasoline excise tax to transit, a new revenue for the PTA.

In the years between full implementation of Proposition 111 and 2010, the gasoline excise tax lost over 30 percent of its purchasing power. In its place in the state provided primarily General Fund revenues and local governments contributed funds from local, voter-approved, transportation sales tax revenues.

One of the most significant shifts of General Fund revenues to transportation occurred in 2000, when the Legislature dedicated the state sales tax on gasoline to transportation. California included this dedication in the California Constitution when the people approved Proposition 42 in 2002. Twenty percent of those revenues were dedicated to transit, 40 percent to the state highway system, and 40 percent to local streets and roads.

Then in 2006, Proposition 1B, which the Legislature placed on the ballot, authorized a \$19 billion general obligation bond for transportation. Originally, the state General Fund repaid bonds issued under Proposition 1B, but beginning in the 2010-11 Fiscal Year, gasoline excise taxes, pursuant to the gas tax swap, provide funds to repay those bonds.

C. The 2010 Gas Tax Swap. The gas tax swap enacted in March 2010 eliminated, effective July 1 2010, the sales tax on gasoline and replaced it with an gasoline excise tax designed to generate an equivalent amount of revenue. To ensure continuing revenue neutrality in the swap, each year the Board of Equalization must adjust the gasoline excise tax such that over time the new excise tax generates the same revenue as the old sales tax on gasoline would have generated. The gas tax swap legislation also provided that about \$1 billion annually of PTA and gas tax revenues would be used to repay existing general obligation transportation bonds, including those authorized under Proposition 1B of 2006.

The gas tax swap legislation also provided for a revenue-neutral swap of (increased) sales tax on diesel and (reduced) diesel excise tax in order to increase PTA funds available for transit operations funding.

D. Constitutional Limits on Borrowing Transportation Funds. As the state moved away from the user-pay concept in transportation and embedded transportation in the state's General Fund, it subjected transportation to the same revenue vagaries that other General Fund programs face. During booming economic times, transportation received extra funding, but during more austere economic times the state borrowed transportation revenues or, in the case of PTA funds, used them without a plan to repay. In response, to restrict borrowing of these transportation funds, the people amended the California Constitution through:

- Proposition 2 of 1998, which limited state General Fund borrowing of state transportation funds, including gas tax revenues and funds in the Public Transportation Account. Specifically, loans to the state General Fund in any fiscal year must be repaid within that fiscal year, except that repayment may be delayed up to 30 days after a state budget is enacted for the subsequent fiscal year. Loans extending over a fiscal year may be during times of significant negative impacts on the General Fund. Loans extending over a fiscal year must be repaid in full within three fiscal years.
- Proposition 1A of 2006, which restricts the borrowing of gasoline sales tax (i.e., Proposition 42) funds. It limits such borrowings to twice in a ten-year period, but it requires full repayment of the first loan before a second could commence and requires that any loan be fully repaid within three years.

II. Property tax revenues. Before voters' approval of Proposition 13 (1978), local governments set their own property tax rates. Proposition 13 capped the rate of ad valorem taxes on real property at 1%, cutting statewide property tax revenues by 57%, and gave the Legislature the power to allocate the remaining property tax revenues.

The Legislature responded by allocating property tax revenues to counties, cities, special districts, and school districts based on each agency's pro rata share of the property taxes collected within a county in the three fiscal years prior to 1978-79 (SB 154, Rodda, 1978). The Rodda bill also bailed out local governments with \$858 million in block grants. In 1979, the Legislature permanently restructured the allocation of property taxes (AB 8, L. Greene, 1979). AB 8 used SB 154's property tax allocations as a base and then, in place of block grants, shifted some of the schools' property tax revenues to local agencies and replaced the schools' losses with increased subventions from the state General Fund.

To balance the State Budget in 1992-93, and then again in 1993-94, the Legislature permanently shifted property tax revenues from local governments to each county's Educational Revenue Augmentation Fund (ERAF) to benefit schools --- and offset State General Fund spending. During the late 1990s, efforts to reverse or mitigate the ERAF property tax shifts and to reform the state-local fiscal relationship failed to produce results.

Following these failed legislative reform efforts, and in response to the threat of more local revenues being shifted to the state, a coalition of local governments qualified the Local Taxpayers and Public Safety Protection Act for the November 2, 2004 ballot as Proposition 65. Proposition 65 reduced the state's control over some local funding sources by requiring majority-voter approval of legislation to reduce, suspend, or delay local governments' property tax, sales tax, and Vehicle License Fee (VLF) revenues.

Alarmed by Proposition 65's potential fiscal consequences for the state, Governor Schwarzenegger proposed an alternative approach. The governor's package proposed reforming the state-local fiscal relationship in exchange for a two-year local government property tax contribution toward the State Budget. On a separate track, the Legislature re-engaged in conversations with local governments on how best to reform the system. These two efforts came together and a proposal emerged as part of the 2004-05 State Budget package, leading to voter approval of Proposition 1A in November 2004.

Proposition 1A of 2004 amended the California Constitution to prohibit the state from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year under the laws in effect as of November 3, 2004. Proposition 1A allowed the state to shift to schools and community colleges a limited amount of local government property tax revenues if: the Governor proclaims that the shift is needed due to a severe state financial hardship, the Legislature approves the shift with a two-thirds vote of both houses, and certain other conditions are met. The state must repay local governments for their property tax losses, with interest, within three years.

The 2009-10 State Budget used this constitutionally-permitted exception to borrow \$1.9 billion of property taxes from cities, counties, and special districts. That budget redirected revenues equal to 8% of each local agency's 2008-09 property tax apportionment (excluding debt levies) into a new fund in each county - the Supplemental Revenue Augmentation Fund (SRAF) - to offset State General Fund spending for trial court, correctional, and other state-funded services. The funds must be repaid by June 30, 2013.

State law lets redevelopment agencies divert other local governments' property tax increment revenues so that they can fight physical and economic blight. In 2007-08, redevelopment agencies diverted about \$5.4 billion in property tax increment revenues annually from counties, cities, special districts, and school districts. The state

General Fund must backfill the schools' losses, about \$2.7 billion a year. Proposition 1A's restrictions do not apply to redevelopment agencies. The 2009-10 State Budget took advantage of this exception by requiring redevelopment agencies to shift nearly \$2 billion of revenues to schools over two years.

III. Vehicle license fee revenues. The motor vehicle license fee (VLF) is a state excise tax on the ownership of a registered vehicle, in lieu of a personal property tax on vehicles. Motor vehicles were originally part of the local property tax rolls, subject to local property taxes. In 1935, the legislature removed vehicles from local property taxation and instead substituted a state-imposed vehicle license fee. The state returned the revenues from the VLF, minus administrative costs, to counties and cities as a replacement for the revenues they would have received if vehicles had remained on property tax rolls. Voters approved Proposition 47 (1986) to constitutionally guarantee that VLF revenues go to counties and cities.

The VLF rate was constant for more than 50 years until 1998, when the Legislature began cutting the VLF rate from 2% to 0.65% of a vehicle's value. The state General Fund backfilled the lost VLF revenues to cities and counties.

As part of the 2004-05 budget agreement, the Legislature enacted the "VLF-property tax swap." Instead of a backfill subsidy from the State General Fund, cities and counties get more of the property tax revenues that otherwise would have gone to schools through the Educational Revenue Augmentation Fund (ERAF). In turn, the state General Fund backfills schools for their lost ERAF money. As a result of these changes, the net VLF revenues available for per capita allocation to local governments were reduced by nearly 90%, from approximately \$1.86 billion to \$196.7 million in 2004-05.

Proposition 1A (2004) amended the California Constitution to require that the Legislature must allocate to local governments a minimum amount of funding that is equal to what they would have received from a 0.65% VLF rate, even if the Legislature lowers the VLF rate below 0.65%. Under Proposition 1A of 2004, the Legislature retained the authority to allocate VLF revenues among cities and counties.

Proposed Initiative

Proposition 22 restricts the Legislature's authority over revenues from transportation taxes, property taxes, and vehicle license fees.

I. Transportation taxes. Proposition 22 prohibits state borrowing of transportation funds, repealing the provisions of the California Constitution that Proposition 2 of 1998 and Proposition 1A of 2006 added. It would also embed in the California Constitution statutory transportation funding formulas, generally providing that these could only be changed after a California Transportation Commission public hearing and reporting process and a two-thirds vote of each house of the Legislature. Also, the proposition provides that the Legislature may not direct gas tax funds to pay previously issued bonds, thus undoing a major provision of the gas tax swap at General Fund cost of about \$1 billion per year.

- ▶ To the extent that Proposition 22 embeds in the state's constitution statutory transportation funding formulas, does it lock in a financing system that is not responsive to meeting California's transportation needs?
- ▶ For transportation bond repayment purposes, why does Proposition 22 treat local government use of gas tax revenues differently than state use of these revenues (i.e., why does it require a vote of the people and permit prospective use only for the state)?
- ▶ By further restricting the state's authority to borrow gas tax revenues and PTA revues, what impact does Proposition 22 have on the state's cash flow?

II. Property taxes. Proposition 22 repeals the Legislature's authority to shift a limited amount of local government property tax revenues to schools and community colleges during a time of severe state financial hardship.

Proposition 22 prohibits the Legislature from requiring a community redevelopment agency to either:

- Pay, remit, loan, or otherwise transfer, directly or indirectly, taxes on ad valorem real property and tangible personal property allocated to the agency for the benefit of the state, any agency of the state, or any jurisdiction; or
- Use, restrict, or assign a particular purpose for such taxes for the benefit of the state, any agency of the state, or any jurisdiction, other than for making payments to affected taxing agencies pursuant to specified statutes or for increasing, improving, and preserving the supply of low and moderate income housing available at affordable housing cost.

► By further restricting the state's authority to borrow or reallocate property tax revenues, does Proposition 22 advance the goal of local government finance reform or does it reinforce an existing flawed revenue structure?

► To the extent that Proposition 22 locks in funding for local governments, does it make it harder for the state to pay for other programs such as education, social services, corrections, and transportation? Does it increase the likelihood of future tax increases?

III. Vehicle License Fees. Proposition 22 prohibits the Legislature from changing vehicle license fee allocations to reimburse a local government when the Legislature or any state agency mandates a new program or higher level of service on that local government.

► By prohibiting the Legislature from reallocating VLF revenues to reimburse local governments for mandate costs, does Proposition 22 make it more likely that legislators will suspend state mandates because they lack funding?

IV. Other provisions. Proposition 22 automatically repeals any statute passed by the Legislature between October 21, 2009 and November 2, 2010 that would have been prohibited if Proposition 22 were in effect on the date it was enacted.

► What measures have been enacted into law since October 20, 2009 that will be retroactively repealed by Proposition 22? Specifically, beyond undoing the paying of transportation bond debt with gas tax revenues, what impact does Proposition 22 have on the March 2010 gas tax swap?

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September 24, 2010
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Company Adds New Clients and New Senior Grants Associate -September a Record Month for California Consulting-

Fresno, CA - California Consulting, LLC today announced several new clients. Since September 1, 2010 the following new clients have engaged the services of California Consulting:

- Agape Charter School of Fresno
- Alvina Elementary School District
- Caruthers Unified School District
- Greenfield Union School District
- Monroe Elementary School District
- Riverdale Unified School District
- Commercial Aviation Services, LLC (based in Southern California)

During the month of September 2010, more clients have entered into contractual agreements with California Consulting than any other month since the company's inception in 2004. Since the beginning of 2010, 25 new clients have retained California Consulting for grant writing and/or lobbying services.

To accommodate the expansion of the firm's client base and the demand for services, California Consulting today announced the hiring of Robert Garcia as a Senior Associate. Mr. Garcia served as a Major in the United States Military and has worked for the City of Fresno for 24 years. During his tenure with the City, Mr. Garcia drafted and submitted approximately 100 complex state and federal grant applications, several of which were funded and brought in millions of dollars for the City. He has written grants for various city departments, including the police department and the public works department. He has specialized in engineering related projects including serving in the city's wastewater division for several years. Mr. Garcia also wrote major federal and state grant applications for the City of Fresno Police Department for several years. Garcia has specialized in waste water, infrastructure, roads, and public improvement grants while a member of the City of Fresno's Public Works staff. As a key longtime member of the Public Works Department at the City of Fresno, Garcia worked on dozens of water, waste water, roads, planning, street improvements, and related projects.

In announcing the news, California Consulting Chief Operating Officer Juan Garza II said, "We were very fortunate to lure Rob away from the City of Fresno. His level of experience, grant writing expertise, and success in securing federal and state

grant funds will help California Consulting maintain, and even exceed, the level of service we provide to our clients. In particular, his background in the waste water arena, as well as public safety, are both major assets to the firm. This is a fantastic addition to our grant writing staff that gives us one more highly seasoned and experienced grant writer."

California Consulting has emerged as the largest grant writing company in the State of California. Since its inception in 2004, the firm has secured almost \$1.4 billion dollars for its clients. To gain more information, please visit www.californiaconsulting.org.

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18