

Agenda Report

December 8, 2003

TO: City Council

FROM: City Manager

SUBJECT: Support for the Local Taxpayers and Public Safety Protection Act
Sponsored by the League of California Cities

RECOMMENDATION:

It is recommended that the City Council:

- 1) Adopt a resolution to support the Local Taxpayers and Public Safety Protection Act to be placed on the November 2004 ballot; and,
- 2) Authorize the Mayor to communicate Pasadena's position to appropriate authorities.

SUMMARY:

The Local Taxpayers and Public Safety Protection Act would:

- Require approval by a majority of the electorate before a proposed state law may take effect that appropriates, reallocates, redistributes, reduces or suspends the payment of local tax revenues to cities, counties and special districts, and;
- Clarifies that the state must reimburse local governments for a new mandated program or higher level of service and when revenues previously allocated to a local government are reallocated or redistributed to a state-created fund.

BACKGROUND:

Since 1991, more than \$30 billion of local property taxes have been drained from local governments. The state has used these funds to finance its constitutional funding obligation to public education, allowing it to increase state general fund spending for other state programs. This has come at the expense of vital local services – costing cities more than \$800 million this year or \$6.9 billion in lost local property taxes over the last twelve years.

In recent years the state also has shifted costs for state-sponsored programs and delayed constitutionally required reimbursements to local governments for state mandated programs and services. In the last two fiscal years, the state has “deferred”

over \$1 billion in constitutionally required reimbursements to local governments for mandated services and programs.

Since 1982, staff estimates that the City of Pasadena has lost a net of \$60 million in revenues it would have otherwise received if the State had not changed the rules to accommodate its budget crisis. The vast majority of these dollars, nearly \$50 million is lost property tax revenues due to the ERAF shift approved by the legislature in the early 1990's.

There is widespread agreement that state leaders no longer respect the difference between state and local tax revenues. As a result, the League and other local government associations have joined forces to sponsor a ballot initiative in November 2004 to let voters decide when local tax dollars should be used to fund state services.

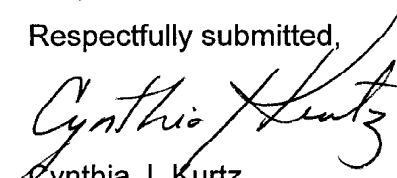
The act would:

- Require approval by a majority of the electorate before a proposed state law may take effect that appropriates, reallocates, redistributes, reduces or suspends the payment of local tax revenues to cities, counties and special districts, and;
- Clarifies that the state must reimburse local governments for a new mandated program or higher level of service and when revenues previously allocated to a local government are reallocated or redistributed to a state-created fund.

FISCAL IMPACT:

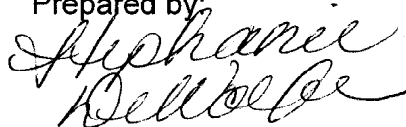
Approval of this initiative would protect revenues to the City of Pasadena.

Respectfully submitted,



Cynthia J. Kurtz,
City Manager

Prepared by:



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