



OFFICE OF THE CITY MANAGER

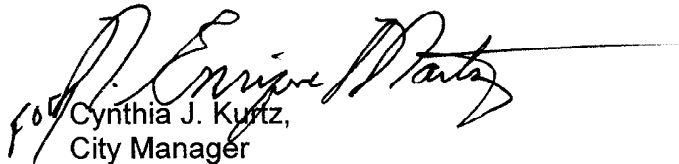
December 15, 2003

TO: City Council
FROM: City Manager
RE: Support for the Budget Accountability Act

On December 9, the Legislative Policy Committee reviewed the attached report and voted to forward the item to City Council without a recommendation. The Committee acknowledged that the components of the act may result in budget resolution earlier in the year and benefit to the City but expressed concern with two issues:

- 1) Expediting the process doesn't guarantee a better process or a better product in the end. There is no way to know if it will make legislators more accountable and improve the process or result in arbitrary decisions and a faulty budget. If it results in the latter, it will not be easy to reverse the action. Another constitutional amendment would need to be approved by a vote of the people.
- 2) Although the Budget Accountability Act includes a provision for a "rainy day fund" if does not directly address the structural issues of the State budget deficit.

Respectfully submitted,


Cynthia J. Kurtz,
City Manager



OFFICE OF THE CITY MANAGER

December 15, 2003

TO: Legislative Policy Committee
FROM: City Manager
RE: Support for the Budget Accountability Act

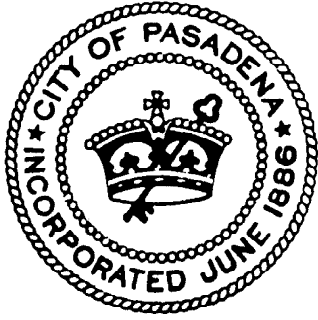
In August of 2003, the Legislative Policy Committee reviewed the attached report and voted to continue discussion of the item until 1) the measure had qualified for the ballot, 2) a determination could be made as to how it may or may not compete with the proposed League of California Cities initiative, and 3) full language of the act could be reviewed by the Committee.

On November 17, 2003, the signature requirement was met and the Act was placed on the ballot as Proposition 56. Full text is attached for your review.

The Budget Accountability Act lowers the threshold for legislative approval of the budget and imposes penalties on the legislature for missing the budget deadline. The League's initiative has two specific issues – majority vote of the electorate on any law that reduces funds to local governments, and reimbursement for mandated costs. The passage or failure of the 55% vote included in the Budget Accountability Act will not have an impact on the League measure. The League initiative did not specify the current 2/3rds vote to pass a budget. It only says whatever vote to pass a budget is the vote necessary to take city revenue. The voters would then have to ratify the takeaway at the next election by majority vote.

Respectfully submitted,

Cynthia J. Kurtz,
City Manager



Agenda Report

August 11, 2003

TO: City Council

THROUGH: Legislative Policy Committee

FROM: City Manager

SUBJECT: Support for the Budget Accountability Act for the March 2004 State Ballot

RECOMMENDATION:

It is recommended that the City Council:

- 1) Support the Budget Accountability Act to be placed on the March 2004 ballot; and,
- 2) Authorize the Mayor to communicate Pasadena's position to appropriate authorities.

SUMMARY:

The Budget Accountability Act is an initiative sponsored by SEIU that would:

- Lower the threshold for approval of the State Budget to 55% of the legislature;
- Force the Governor and legislators to forfeit their pay and living expenses for every day they exceed the state's June 15 budget deadline;
- Require the legislature to stay in session until the budget is done;
- Gives the Legislative Ethics Committees authority to censure legislators who punish or threaten others for casting a particular vote;
- Include a summary of budget expenditures in the voter's pamphlet;
- Create a "rainy day" reserve fund to protect services in bad times.

BACKGROUND:

The California legislature has not met the June 15 constitutional deadline for adoption of a budget since 1986. This failure to adopt a budget on time can have serious ramifications on local government. Unknown impacts from constantly changing state budget proposals prevent local governments from adequately planning and programming their own budgets and can result in interruptions to critical services and deferral of important projects. The Budget Accountability Act is intended to hold the

Governor and Legislature more accountable to taxpayers in order to produce more responsible and timely state budgets.

Current law requires a two-thirds vote of the Senate and Assembly to adopt the state budget and related tax legislation. Most states require 55% -- only Arkansas and Rhode Island require a two-thirds vote. The 55% vote required by the Budget Accountability Act still requires a broad consensus to pass the budget, but will end the gridlock and delays caused by the current system.

In addition, the initiative proposes that if the state budget is not passed by the Constitutional deadline, the Governor and members of the Legislature will permanently forfeit their salary, per diem expense allowance, and car allowance for each day until the budget is adopted and signed into law. They must stay in session and would be prohibited from acting on other legislation until the budget is adopted.

The Budget Accountability Act also provides the Legislative Ethics Committees of the Assembly and Senate authority to censure party leaders, members of party caucuses, or individual legislators who punish or threaten to punish any legislator for casting a particular legislative vote. This allows legislators to be more accountable to their constituents, rather than to their party leadership.

The official voter pamphlet sent to voters each statewide election would be required to contain a two-page summary explaining how the state spends the funds it receives and a website address where voters can go to find out how their legislators voted on the budget.

The state would be required to create a "rainy day" fund of 5% in years when revenues exceed the amount needed to fund existing service levels. Expenditures from the reserve could be made only when there is an economic downturn and revenues fall below existing program levels for expenses related to a disaster declared by the Governor. The current constitutional requirements establish a "reasonable and necessary" prudent reserve, but not amount is specified.

The League of California Cities has referred this issue to the Revenue and Taxation Policy Committee and has not formalized a position. It is supported by a long list of organizations including labor unions, the League of Women Voters and health advocacy groups (see attached list.) It is opposed by the Americans for Tax Reform, Californians Against Higher Taxes and the California Chamber of Commerce. These groups oppose the lower threshold for approval of tax increases, believing it could result in a flood of new taxes.

FISCAL IMPACT:

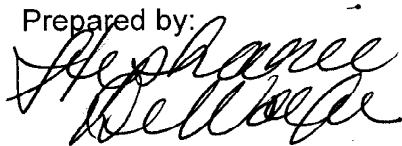
The fiscal impacts of the Budget Accountability Act are unclear at this time.

Respectfully submitted,



Cynthia J. Kurtz,
City Manager

Prepared by:



Stephanie DeWolfe
Assistant to the City Manager