LEAGUE OF CALIFORNIA CITIES

California Alliance for Jobs

CALIFORNIA TRANSIT ASSOCIATION

September 3, 2009

To: Local Government and Transportation Stakeholders

Fr: Jim Earp, Executive Director, California Alliance for Jobs
Chris McKenzie, Executive Director, League of California Cities
Josh Shaw, Executive Director, California Transit Association

Re: Potential November 2010 Ballot Measure Campaign to Protect Local Government, Transit and Transportation Revenues

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EXECUTIVE SUMMARY: The League of California Cities, California Transit Association, California Alliance for Jobs and other transportation and local government trade associations are leading an exploratory effort to assess the feasibility of qualifying and passing a constitutional amendment on the November 2010 ballot that would restrict the state from taking, borrowing or shifting away dedicated local government, transit and transportation funds. This memo summarizes the initial stages of this exploratory effort.

THE PROBLEM: California voters have repeatedly and overwhelmingly approved ballot measures to dedicate specific funding sources for local government, transportation and transit and to prevent state raids of these revenues. Despite these clear mandates by voters, in recent years the Legislature and Governor have proposed and/or implemented numerous attacks on these revenue sources.

This year alone, the Legislature and Governor:

- Borrowed approximately $2 billion in property taxes from local governments, despite no clear path to repay these funds.
- Took $2.05 billion in local redevelopment funds, despite a recent Superior Court ruling that says these types of raids are unconstitutional.
- Shifted $910 million in transit funding away from local transit agencies.
- Voted to take more than $1 billion of the local government share of the Highway User Tax (HUTA) in order to repay state bond debt (measure stalled in Assembly).
- Took action to eliminate the state sales tax on gasoline (Prop 42 funds) and HUTA and replace with a gasoline "fee" that would have no constitutional protection from future raids by the legislature (the Governor ultimately vetoed this measure).
- Threatened to borrow Prop 42 funds to address the State's deficit.

While the state is facing difficult financial times, local governments, transportation and transit agencies are also experiencing unprecedented fiscal hardship. Cities and counties are laying off peace officers, firefighters and other employees, and significantly cutting services. Transit agencies are cutting services and routes and increasing fares – hurting working and lower-class families who have no other mode of transportation. Further, construction industry unemployment exceeds 20%. If the Legislature is allowed to continue to raid or borrow these local and transportation funds unchecked, the result will be more cuts to these vital locally-delivered services, more uncertainty around local and state finances and more litigation.

THE SOLUTION: Our organizations have begun the process of evaluating the feasibility of passing a constitutional amendment in November 2010 that would further protect local government, transit and transportation funds. While we are in the initial stages of our voter and legal research, we envision one measure that would do most or all of the following:

- ✓ Close loopholes to prevent the taking of local taxpayer funds, including parcel taxes, sales taxes, and other locally imposed taxes that are currently dedicated to cities, counties and special districts.
- ✓ Revoke the state's authority to borrow local government property tax funds and to divert or borrow local redevelopment funds.
- ✓ Revoke the state's authority to borrow the *existing* state sales tax on gasoline (Prop 42 funds), which funds local government, transit and state transportation improvements.
- ✓ Prohibit the State from taking, borrowing, redirecting or eliminating the state and local government share of Highway User Tax on gasoline (HUTA) currently dedicated to cities and counties for local transportation maintenance and improvement.
- ✓ Prohibit the State from taking, borrowing or redirecting existing funding for public transit, including existing taxes on gas.

STATUS: Our three associations have each committed resources to conduct what we are calling "Phase I" of this process. We have enlisted the help of political attorneys, ballot measure consultants and pollsters to assist in the political evaluation and drafting of a measure. During Phase I we will be undertaking the following activities:

- Conduct a baseline survey of California voters to gauge voter support of the initiative concept and its components (initial survey complete, see summary below).
- Conduct potential follow up voter research as needed to make final determination before proceeding with signature gathering.
- Conduct thorough legal analysis and draft constitutional amendment measure(s).
- Conduct thorough evaluation of political landscape, winnability, and ability to raise the funding needed for a signature gathering drive and for a successful election campaign.
- Begin outreach to organizations and build a winning coalition to join in political and financial support of measure.
- File measure with the Attorney General.
- Work with Attorney General and Legislative Analyst on the development of Title and Summary.
- Solicit bids from signature gathering firms, and put plans in place for paid and volunteer signature gathering activities.
- Develop comprehensive campaign plan, with budget ranges, for a winning campaign in November.

At the conclusion of Phase I, the coalition will decide whether or not to proceed with Phase II. The signature gathering phase will cost approximately $2 million. More than 1.1 million signatures are needed to assure qualification of a constitutional amendment.

INITIAL POLLING SHOWS VERY STRONG VOTER SUPPORT FOR INITIATIVE CONCEPT: We commissioned a survey of 800 California voters in August 2009, conducted by Fairbank, Maslin, Maullin & Associates, one of the state's premier ballot measure polling firms. The results of that survey indicate that strong majorities of California voters are supportive of a measure that would restrict the legislature's ability to borrow or take local government, transportation and transit funds:

- When read a detailed description of the measure's provisions, three-in-five (62 percent) voters support a statewide ballot measure to prohibit the Governor and Legislature from borrowing or taking city, county, special district and local transportation tax revenue.
- After hearing the factual recitations of the ballot measure provisions, support increases further to 65% of voters.
- Even in the face of strong arguments against the measure, including statements arguing that passage of this measure would lead to higher taxes, additional cuts to public schools and a further reduction in health care services for children and seniors, three-in-five voters remain supportive.

It is clear that voters would support a measure to further protect local government, transit and transportation funding. However, preparing and qualifying a measure for the ballot takes significant resources and political will. Our three associations have committed to the initial phases of this campaign and are hoping others within the local government and transportation communities will join us in this necessary effort.

Please contact any one of us with questions or for further information.

Californians to PROTECT LOCAL Taxpayers & Vital Services

www.savelocalservices.com

YES to Protect Local Taxpayers and Funding for Public Safety, Transportation & Other Vital Local Services from State Raids

THE PROBLEM: STATE RAIDS AND BORROWING ARE JEOPARDIZING PUBLIC SAFETY, EMERGENCY RESPONSE, TRANSPORTATION, TRANSIT AND OTHER VITAL LOCAL SERVICES.

California voters have overwhelmingly passed separate ballot measures to dedicate local funding sources to essential local services and to prevent the State from shifting or raiding local government, transit and transportation funds. Despite this, the State recently passed a budget that borrows and takes more than $5 billion in city, county, transit, redevelopment and special district funds this year. This year's raids and previous, ongoing state raids and borrowing are jeopardizing the services Californians need most:

- X ***Police, fire and emergency 911 services have been cut.***
- X ***Healthcare services for children, seniors and the disabled are being slashed.***
- X ***Road repair and maintenance, congestion relief and safety improvements are constantly at risk.***
- X ***Public transit like buses, commuter rail and shuttles are being slashed and fares are being raised.***
- X ***Parks and libraries are closing, and other local government services critical to protect our neighborhoods and improve our quality of life are shutting down.***
- X ***Vital community economic development and job creation projects are being shut down.***

State raids of local funds are fiscally irresponsible. The fiscally irresponsible practice of borrowing local taxpayer and transportation funds makes our budget problems worse down the line because local government and transportation funds have to be repaid, with interest. Additionally, many of the outright raids are ultimately rejected by the courts, creating even larger state budget deficits down the line.

THE SOLUTION: PROHIBIT THE STATE FROM RAIDING LOCAL GOVERNMENT, TRANSIT AND TRANSPORTATION FUNDS.

The Local Taxpayer, Public Safety and Transportation Protection Act, scheduled for the November 2010 statewide ballot, would:

- ✓ **Prohibit the State from taking, borrowing or redirecting local taxpayer funds dedicated to public safety, emergency response and other vital local government services.** The measure would close loopholes to prevent the taking of local taxpayer funds currently dedicated to cities, counties, special districts and redevelopment agencies. It would also revoke the State's authority to borrow local government property tax funds.
- ✓ **Protect vital, dedicated transportation and public transit funds from state raids.** The measure would prevent State borrowing, taking or redirecting of the state sales tax on gasoline (Prop 42 funds) and Highway User Tax on gasoline (HUTA) funds that are dedicated to transportation maintenance and improvements. It would also prevent the State from redirecting or taking public transit funds.
- ✓ **Protect local taxpayers** by keeping more of our local tax dollars local where there's more accountability to voters, and by ensuring once and for all that our gas taxes go to fund road improvements. The measure also reduces pressure for local tax and fee increases that become necessary when the State redirects local funds.
- ✓ **Reform state government and enhance fiscal accountability**. This measure is a key step in reforming California's broken budget system by restoring more local control and accountability. It also stops the irresponsible practice of the State borrowing special funds that have to be repaid with interest, which only puts our State further in debt.