



Agenda Item #: _____

Staff Report

City of Manhattan Beach

TO: Honorable Mayor Tell and Members of the City Council

THROUGH: Geoff Dolan, City Manager

FROM: Lindy Coe-Juell, Assistant to the City Manager

DATE: February 6, 2007

SUBJECT: Consideration of the State Budget and Legislative Update

RECOMMENDATION:

Staff recommends that the City Council receive and file the February 2007 Budget and Legislative Update from Tony Rice, the City's legislative advocate.

FISCAL IMPLICATION:

There are no fiscal implications associated with staff's recommendation.

BACKGROUND:

The City contracts with Tony Rice of Rice, Englander and Associates for legislative advocacy and representation. One of the deliverables of the contract is to provide regular updates on the state budget and legislative activity.

DISCUSSION:

The February 2007 Budget and Legislative Update from Tony Rice is attached and includes information about the new state legislative session and the state budget.

Attachments: A. February 2007 Budget and Legislative Update

To: Manhattan Beach City Council
Fm: Tony Rice, Rice/Englander & Associates
RE: February 2007 Budget and Legislative Update

New Year, New Session

Welcome back! Earlier this month the Legislature opened the first year of a new two-year legislative session. What that means is that basically the Legislature is starting anew and that items introduced this calendar year can still be acted upon in 2008 as California, similar to the Congress, works on two-year cycles. Because there are no carry-over pieces of legislation to address, we will be monitoring the introduction of bills as they occur to ensure the priorities of the City are intact. For those interested, the following deadlines apply to the Legislature's activities for 2007:

- January 26 – Legislative ideas must be submitted to the Legislative Counsel.
- February 23 – Last day for bills to be introduced.
- March 29 – Legislature adjourns for Spring Recess
- April 9 – Legislature reconvenes from Spring Recess
- April 27 – Last day for policy committees to hear and report fiscal bills.
- May 11 – Last day for policy committees to hear and report non-fiscal bills.
- May 25 – Last day for policy committees to meet prior to June 11.
- June 1 – Last day for fiscal committees to hear and report bills to the Floor.
- June 8 – Last day to pass bills out of their house of origin.
- June 15 – Budget bill must be passed by midnight.
- July 13 – Last day for policy committees to hear and report bills.
- July 20 – Summer recess begins.
- August 20 – Legislature reconvenes from Summer recess.
- August 31 – Last day for fiscal committees to meet and report bills.
- September 14 – End of the Session.

Capitol Players

Though this year is a “fresh” start of sorts, as explained earlier, the major players in the Capitol are nearly the same as last year. President Pro Tempore Don Perata is still the leader of the Democrats in the Senate while Senator Ackerman continues as the Republican leader in that body. Speaker Fabian Nunez continues as the leader of the Democrats in the Assembly while Assemblymember Mike Villines takes over the reigns as the recently installed leader of the Republicans in that house. The vast majority of changes in leadership and political influence can be seen in the recently released committee assignments.

Because of term limits, the Legislature has a crop of 30 plus new legislators every two years. That turnover affects all aspects of committee leadership and structure. As expected by a

delegation that contributes more than a third of the overall legislative membership, Los Angeles County is well represented in both houses of the Legislature. Specifically for Manhattan Beach, Assemblymember Ted Lieu is the new Chair of the Assembly Banking and Finance Committee while Senator Jenny Oropeza is the new Chair of the Senate Revenue and Taxation Committee. Your former Senator, Ms. Debra Bowen, is now California's Secretary of State.

Governor

Within two days in the second week of January the Governor addressed California through his State of the State address and also released his proposed 2007-08 budget. In contrast to the last several years, both initiatives were positive and upbeat from a local government perspective. The Governor's address was shorter than usual due to his pain from a recent surgery to repair a severely broken leg, but his tenor was strong and punctuated by hope for the rebuilding of California through the recently enacted infrastructure bonds as well as an outline for additional infrastructure expenditures over the next several election cycles. In addition, the Governor also highlighted his desire to insure the nearly 7 million people in California who do not have health benefits. Both of these proposals are expected to receive a heightened level of scrutiny and interest as the Legislature moves forward this year.

The Governor's proposed budget, by all measures, is extremely positive for most interested policy areas, and in particular local government. This budget represents the highest level of expenditure in the state's history, although some fear that a few of the budgetary assumptions might be inflated. That said though, general local government revenues are well protected and all serious revenue sources do not appear to be harmed. The only caveat to that statement at this time would be for those communities heavily invested in public transit as the Governor does propose a shift of significant revenues away from transit to free some funding within the state's General Fund. Now that the Governor has released his proposal, the Legislature will work over the next several months to define its priorities and seek a compromise with the Governor prior to the state's fiscal deadline of July 1.

Bonds

As you know, this past November saw California voters pass a historic level of bonding to better maintain and upgrade California's infrastructure. Over \$40 billion will be available, with nearly half of the amount to be appropriated by various legislative and administrative bodies for projects around the state. It is our intent to provide the City with as much information as possible in order to maximize the investment and allocation of these resources. To that end, over the next several months we will be releasing information, both public and private, to the benefit of the City. As a primer, Figures 1 and 2 have information which was prepared by the non-partisan Legislative Analyst's Office describing in general terms the overall bond measures that were passed and the expected level of expenditure over the next few years.

Figure 1: Executive Summary

- ✓ **November 2006 Bond Package Provides \$43 Billion for Infrastructure**
 - Five bonds span transportation (\$19.9 billion), housing (\$2.9 billion), education (\$10.4 billion), flood control (\$4.1 billion), and resources (\$5.4 billion).
 - The bonds provide the state with a major opportunity to make infrastructure investments that will last for a generation or more.
- ✓ **Bonds Fund 67 Different Programs**
 - Each of the 67 pots of money has its own purpose and administering department.
 - More than \$18 billion is allocated to 21 new programs. The remaining \$25 billion is for existing programs.
- ✓ **Governor Proposes More Than \$11 Billion in Spending**
 - Of the bond proceeds, the administration proposes spending \$2.8 billion in 2006-07 and an additional \$8.7 billion in 2007-08.
 - Governor proposes an additional \$29 billion in bonds be put before the voters in 2008 and 2010.
- ✓ **Paying Off the Bonds Will Have to Fit Into the State's Long-Term Budget Plan**
 - To pay off these bonds over the next 30 years, the state will pay an additional \$41 billion in interest.
 - We estimate that the state's debt burden will rise to a peak of 5.6 percent of annual revenues in 2010-11. Adding in the Governor's proposed new bonds, the burden would rise to a peak of 6.1 percent in 2014-15.
- ✓ **Legislature Should Take an Active Oversight Role to Ensure Accountability**
 - In designing the framework for new programs, the Legislature should emphasize long-term benefits and statewide priorities. A program's goals and the criteria for selecting projects should be clearly defined.
 - The Legislature can add additional oversight by rejecting the use of continuous appropriations, limiting administrative costs, using special committees and joint hearings, and requiring and reviewing annual reports.
- ✓ **Desire to Distribute Funds Quickly Should Be Balanced With Practical Considerations**
 - Bond spending will have a modest effect on the overall state economy.
 - Limits on staff, materials, and the readiness of high-quality projects will require spending over multiple years.
- ✓ **Coordination Among State Entities Needed**
 - At least two dozen state entities will be involved in implementing the bond programs.
 - Some of the programs cut across traditional state departmental boundaries. The Legislature should ensure that the proper coordination and planning between departments is taking place.

Figure 2

Governor's Proposed Spending Plan for 2006 Bond Package

(In Millions)

Program	2006-07	2007-08	Future Years
Proposition 1B—Transportation			
Congestion reduction, highway and local road improvements	\$503	\$1,858	\$8,889
Transit	—	600	3,400
Goods movement and air quality	15	267	2,918
Safety and security	5	64	1,406
Proposition 1C—Housing			
Development programs	—	\$228	\$1,122
Homeownership programs	\$35	129	461
Multifamily housing programs	105	236	249
Other housing programs	20	67	198
Proposition 1D—Education			
K-12	\$985	\$2,142	\$4,202
Higher Education	1,056	1,359	672
Proposition 1E—Flood Control			
	—	\$624	\$3,466
Proposition 84—Resources			
Water quality	—	\$263	\$1,262
Protection of rivers, lakes, and streams	—	245	683
Flood control	—	276	524
Sustainable communities and climate change reduction	—	31	549
Protection of beaches, bays, and coastal waters	—	131	409
Parks and natural education facilities	—	25	475
Forest and wildlife conservation	\$60	119	271
Statewide water planning	—	15	50
Totals	\$2,784	\$8,679	\$31,206