

CALIFORNIA STATE ASSOCIATION OF COUNTIES
BOARD OF DIRECTORS

Thursday, February 23, 2012
10:00am - 1:30pm
CSAC Conference Center, Sacramento

A G E N D A

Presiding: Mike McGowan, President

10:00am - **PROCEDURAL ITEMS**

1. Roll Call Page 1
2. Approval of Minutes of December 1, 2011 and January 5, 2012 Page 3

10:10am - **ACTION ITEMS**

3. Consideration of Position on Schools and Local Public Safety Protection Act of 2012 Page 9
 - Paul McIntosh, CSAC Executive Director
4. Consideration of State and Federal Legislative Priorities for 2012 Page 64
 - Jim Wiltshire & Karen Keene, CSAC staff
5. Adoption of CSAC Guiding Principles for Pension Reform Page 76
 - Supervisor Bruce Gibson, Chair of CSAC Govt. Finance & Operations Cmte.
 - Eraina Ortega, CSAC staff
6. Approval of Letter Regarding Post Office Closures Page 81
 - Supervisor David Finigan, Chair of CSAC Rural Caucus

12:00pm - **LUNCH**

12:30pm - **INFORMATION ITEMS**

7. CSAC County Employee Health Benefit Cooperative Update Page 87
 - Paul McIntosh
8. CSAC Agriculture & Natural Resources Policy Committee Report Page 89
 - Karen Keene, CSAC staff
9. Update on Redevelopment Agencies Page 90
 - Jean Kinney Hurst, CSAC staff
10. **The following items are contained in the briefing materials for your information, but no presentation is planned:**
 - ❖ CSAC Corporate Associates Program Page 98
 - ❖ Institute for Local Government (ILG) Update Page 104
 - ❖ CSAC Finance Corporation Report Page 109
 - ❖ Litigation Coordination Program Page 110
11. Other Items

1:30pm - **ADJOURN**

CALIFORNIA STATE ASSOCIATION OF COUNTIES

Board of Directors

2012

<u>Section</u>	<u>County</u>	<u>Director</u>
U	Alameda County	Keith Carson
R	Alpine County	Terry Woodrow
R	Amador County	Louis Boitano
S	Butte County	Maureen Kirk
R	Calaveras County	Merita Callaway
R	Colusa County	Kim Dolbow Vann
U	Contra Costa County	Federal Glover
R	Del Norte County	Michael Sullivan
R	El Dorado County	Norma Santiago
S	Fresno County	Henry Perea
R	Glenn County	John Viegas
R	Humboldt County	Mark Lovelace
S	Imperial County	Gary Wyatt
R	Inyo County	Susan Cash
S	Kern County	Jon McQuiston
R	Kings County	Doug Verboon
R	Lake County	Anthony Farrington
R	Lassen County	Jim Chapman
U	Los Angeles County	Don Knabe
R	Madera County	Frank Bigelow
S	Marin County	Susan Adams
R	Mariposa County	Lee Stetson
R	Mendocino County	Carre Brown
S	Merced County	Hubert "Hub" Walsh
R	Modoc County	Jeff Bullock
R	Mono County	Duane "Hap" Hazard
S	Monterey County	Fernando Armenta
S	Napa County	Brad Wagenknecht
R	Nevada County	Ted Owens
U	Orange County	John Moorlach
S	Placer County	Jim Holmes
R	Plumas County	Jon Kennedy
U	Riverside County	John Benoit

U	Sacramento County	Susan Peters
R	San Benito County	Margie Barrios
U	San Bernardino County	Gary Ovitt
U	San Diego County	Greg Cox
U	San Francisco City & County	Eric Mar
S	San Joaquin County	Larry Ruhstaller
S	San Luis Obispo County	Bruce Gibson
U	San Mateo County	Carole Groom
S	Santa Barbara County	Joni Gray
U	Santa Clara County	Liz Kniss
S	Santa Cruz County	Mark Stone
S	Shasta County	Glenn Hawes
R	Sierra County	Lee Adams
R	Siskiyou County	Jim Cook
S	Solano County	Mike Reagan
S	Sonoma County	Valerie Brown
S	Stanislaus County	Vito Chiesa
R	Sutter County	Larry Munger
R	Tehama County	Robert Williams
R	Trinity County	Judy Pflueger
S	Tulare County	Steve Worthley
R	Tuolumne County	Richard Pland
U	Ventura County	Kathy Long
S	Yolo County	Matt Rexroad
R	Yuba County	Roger Abe

President: Mike McGowan, Yolo
 First Vice President: David Finigan, Del Norte
 Second Vice President: John Gioia, Contra Costa
 Immed. Past President: John Tavaglione, Riverside
 SECTION: U=Urban S=Suburban R=Rural

CALIFORNIA STATE ASSOCIATION OF COUNTIES
 BOARD OF DIRECTORS
 December 1, 2011
 Hilton San Francisco at Union Square
 M I N U T E S

Presiding: John Tavaglione, President

1. ROLL CALL

Alameda	Keith Carson	Placer	absent
Alpine	Terry Woodrow	Plumas	Jon Kennedy
Amador	Louis Boitano	Riverside	John Tavaglione
Butte	Maureen Kirk	Sacramento	Susan Peters
Calaveras	Merita Callaway	San Benito	Margie Barrios
Colusa	Kim Dolbow Vann	San Bernardino	absent
Contra Costa	Gioia/Glover	San Diego	Greg Cox
Del Norte	Finigan/Sullivan	San Francisco	Eric Mar
El Dorado	Norma Santiago	San Joaquin	absent
Fresno	Henry Perea	San Luis Obispo	Bruce Gibson
Glenn	John Viegas	San Mateo	Carole Groom
Humboldt	Mark Lovelace	Santa Barbara	Joni Gray
Imperial	Gary Wyatt	Santa Clara	Liz Kniss
Inyo	Susan Cash	Santa Cruz	absent
Kern	absent	Shasta	absent
Kings	Doug Verboon	Sierra	Lee Adams
Lake	Anthony Farrington	Siskiyou	absent
Lassen	Jim Chapman	Solano	Mike Reagan
Los Angeles	Don Knabe (audio)	Sonoma	Valerie Brown
Madera	Max Rodriguez	Stanislaus	Vito Chiesa
Marin	Susan Adams	Sutter	Larry Munger
Mariposa	Lee Stetson	Tehama	Robert Williams
Mendocino	Carre Brown	Trinity	Judy Pflueger
Merced	Hub Walsh	Tulare	Steve Worthley
Modoc	Jeff Bullock	Tuolumne	Richard Pland
Mono	Duane Hazard	Ventura	Kathy Long
Monterey	Fernando Armenta	Yolo	McGowan/Rexroad
Napa	Brad Wagenknecht	Yuba	Rogér Abe
Nevada	absent	Advisor:	Charles McKee, Monterey Co. Counsel
Orange	John Moorlach		

The presence of a quorum was noted.

2. APPROVAL OF MINUTES

The minutes of September 8, 2011 were approved as previously mailed.

3. ELECTION OF 2012 EXECUTIVE COMMITTEE

In addition to the CSAC Officers, the following members were elected to serve on the 2012 CSAC Executive Committee:

Urban Section

Keith Carson, Alameda
Federal Glover, Contra Costa
Don Knabe, Los Angeles
John Moorlach, Orange
Liz Kniss, Santa Clara
Kathy Long, Ventura
Greg Cox, San Diego (alternate)

Rural Section

John Viegas, Glenn
Terry Woodrow, Alpine
Susan Cash, Inyo (alternate)

Advisors

Matthew Hymel, Marin County Administrator
Charles McKee, Monterey County Counsel

Suburban Section

Valerie Brown, Sonoma
Joni Gray, Santa Barbara
Henry Perea, Fresno
Bruce Gibson, San Luis Obispo (alternate)

4. CSAC POLICY COMMITTEE REPORTS

Administration of Justice. Supervisor Federal Glover, Chair of the CSAC Administration of Justice policy committee, presented the committee's report from the meeting held on November 29. The agenda did not include any action items, but the committee received an update from various public safety partners on the implementation of the 2011 criminal justice realignment, as well as an update from the Corrections Standards Authority on phase two of the AB 900 local jail construction funds. The committee also received information and resources from the Institute for Local Government on how to educate the public about the ongoing changes to the local criminal justice system.

Agriculture & Natural Resources. Supervisor Kim Vann, Vice-chair of the CSAC Agriculture & Natural Resources policy committee, presented the committee's report from the meeting held on November 29. No action items were brought forward. The committee meeting included a panel discussion on the challenges and opportunities of siting renewable energy, an update from the Director of Cal Fire on State Responsibility Area (SRA) fees, and a discussion on FEMA floodplain issues. Materials from the meeting, including speaker PowerPoint presentations, are available on the CSAC website under ANR. It was noted that comments on the emergency regulations regarding SRA fees are due to the Office of Administrative Law (OAL) by Tuesday, December 6. Also, efforts are underway at NACo, through the Rural Action Caucus, to address FEMA floodplain mapping impacts on rural areas, including higher insurance costs and other regulations.

Government Finance & Operations. Supervisor Bruce Gibson, Chair of the CSAC Government Finance & Operations policy committee, presented the committee's report from the meeting held on November 29. The agenda did not include any action items, but the committee discussion pension reform, 2011 Realignment and California's Historic Election Divestment. Supervisor Gibson indicated that it would be beneficial for CSAC to create a working group tasked with reviewing and analyzing initiative proposals and offered to serve as chair. He will coordinate with the policy committee to implement this effort.

Health & Human Services. Supervisor Liz Kniss, Chair of the CSAC Health & Human Services policy committee, presented the committee's report from the meeting held on November 30. There were no action items. The committee heard a presentation by Diana Dooley, Secretary of the California Health & Human Services Agency, regarding how counties can partner with the state in implementing the health and human services portion of 2011 Realignment. The committee meeting also included a panel discussion regarding behavioral health programs, a

presentation from the Safety net Institute, and an update from Eli Lilly on a key piece of FDA legislation that is up for reauthorization next year in Congress. Supervisor Kniss announced that CSAC and The Results Group are collaborating on a one-day conference next spring with county and state practitioners. The goal is to develop a model for an integrated and cost-effective health and human services delivery system.

Housing, Land Use & Transportation. Supervisor Matt Rexroad, Vice-chair of the CSAC Housing, Land Use & Transportation policy committee, presented the committee's report from the meeting held on November 30. The meeting included updates on Federal Native America Affairs, California High-Speed Rail, Transportation Funding needs, and a presentation regarding Changing Economy & Demographics. Concerns were expressed regarding the impacts of high speed rail in some areas of the state. President Tavaglione suggested that specific proposals be brought to the policy committee prior to consideration by the full Board of Directors.

Motion and second to bring the issue of high-speed rail back to the Housing, Land Use & Transportation policy committee for reconsideration. Motion carried unanimously.

5. RESOLUTION AUTHORIZING EXECUTIVE DIRECTOR TO CONDUCT CSAC BUSINESS

Paul McIntosh presented the annual resolution authorizing the CSAC Executive Director or his designee to perform day-to-day association business.

Motion and second to approve resolution authorizing Executive Director to conduct CSAC business. Motion carried unanimously.

6. 2011 REALIGNMENT: CONSTITUTIONAL INITIATIVE

Staff reviewed previous Board action regarding 2011 Realignment which directed staff to take steps necessary to secure constitutional protections while "keeping all options open." These steps encompassed pursuing a realignment-only measure, including polling and voter research, and continuing to work with the Administration on a coalition measure that includes previously negotiated protections. Additionally, staff was previously directed to identify a litigation strategy should constitutional protections not be achieved.

CSAC has now formed a coalition with the California Probations Officers Association and the California State Sheriffs Association and submitted an initiative to the Attorney General for title and summary on November 4. The Attorney General has until December 29 to prepare title and summary. CSAC will then conduct polling and hold a special Board of Directors meeting in January to decide whether to move forward with a CSAC initiative or support the Governor's proposed initiative, which would include the same constitutional protections, but also impose a half-cent sales tax increase and tax hike on high-income earners for five years.

Consultants provided a brief summary on polling results from the initial proposed CSAC measure. Some highlights are:

- Voters respond favorably to the ballot measure concept, but initial support is "soft" with only a quarter voting "definitely yes."
- Three-in-four support requiring the state to dedicate existing revenues to counties, and also prohibiting the state from redirecting these funds.
- Support increases as voters learn more about realignment, the state shifting services to the local level, and how the measure protects funding for counties.
- Voters support counties taking greater responsibility for providing certain services, but two-thirds think shifting state prisoners to county jails is a "bad idea."
- The "No" messages about the measure's impact on education funding and the prisoner transfer issue cause voters to reconsider their willingness to support the proposed measure.
- Overall, the results indicate that proponents are well-positioned, but a successful Yes campaign will require sufficient funds to educate and communicate with voters to frame the measure effectively, and must also be able to county organized opposition.

It was noted that if the Board decides to move forward with the CSAC initiative, the signature gathering process will need to begin immediately and at least \$6 million will be required to fund the effort. Staff distributed a memo outlining the funding plan which would be to divert \$6 million in non-public funds from the CSAC Finance Corporation that are currently being used to subsidize CSAC programs and services. Individual county dues would then be increased approximately 40% over a five-year period.

Staff outlined a memo regarding potential litigation strategy that was contained in the briefing materials. The County Counsel's Association Litigation Overview Committee concluded that a possible viable option for obtaining realignment funding if an initiative was unsuccessful would be to pursue mandate reimbursement. However, it was noted that this would be a significant undertaking with risks and limitations.

Staff was directed to provide details regarding CSAC's measure and the Governor's proposed measure to Board members to share with their respective boards prior to the January CSAC Board meeting.

7. INFORMATION ITEMS

The briefing materials contained a schedule of 2012 CSAC Board meetings and reports on the Institute for Excellence in County Government, CSAC Litigation Coordination Program, CSAC Finance Corporation, and CSAC Corporate Associates program, but no presentations were given.

8. OTHER ITEMS

Supervisor Lovelace discussed the U.S. Postal Service's recent decision to close some post office branches and the effects on rural areas.

Meeting adjourned.

CALIFORNIA STATE ASSOCIATION OF COUNTIES
BOARD OF DIRECTORS
SPECIAL MEETING

January 5, 2012
CSAC Conference Center, Sacramento

MINUTES

Presiding: Mike McGowan, President

1. ROLL CALL

Alameda	Keith Carson	Placer	absent
Alpine	Terry Woodrow	Plumas	Jon Kennedy
Amador	Louis Boitano	Riverside	John Tavaglione
Butte	Maureen Kirk	Sacramento	Susan Peters
Calaveras	Merita Callaway	San Benito	absent
Colusa	Kim Dolbow Vann	San Bernardino	Gary Ovitt
Contra Costa	Gioia/Glover	San Diego	absent
Del Norte	Finigan/Sullivan	San Francisco	Eric Mar
El Dorado	Norma Santiago (audio)	San Joaquin	Larry Ruhstaller
Fresno	Henry Perea	San Luis Obispo	Bruce Gibson
Glenn	John Viegas	San Mateo	Carole Groom (audio)
Humboldt	Mark Lovelace	Santa Barbara	Joni Gray
Imperial	Gary Wyatt	Santa Clara	Liz Kniss (audio)
Inyo	Susan Cash	Santa Cruz	absent
Kern	Jon McQuiston	Shasta	Leonard Moty
Kings	Doug Verboon	Sierra	Lee Adams
Lake	absent	Siskiyou	absent
Lassen	absent	Solano	Mike Reagan
Los Angeles	Don Knabe (audio)	Sonoma	Valerie Brown (audio)
Madera	Frank Bigelow (audio)	Stanislaus	Vito Chiesa
Marin	Susan Adams	Sutter	Larry Munger
Mariposa	Lee Stetson	Tehama	Robert Williams
Mendocino	Carre Brown	Trinity	Judy Pflueger
Merced	Hubert Walsh (audio)	Tulare	Steve Worthley
Modoc	absent	Tuolumne	Richard Pland (audio)
Mono	Duane Hazard	Ventura	Kathy Long
Monterey	Fernando Armenta	Yolo	McGowan/Provenza
Napa	Brad Wagenknecht	Yuba	Roger Abe
Nevada	Ted Owens	Advisors:	Charles McKee & Matthew Hymel
Orange	John Moorlach		

The presence of a quorum was noted.

2. CONSIDERATION OF PREFERRED DIRECTION REGARDING REALIGNMENT MEASURES

Consultants presented results from a recent poll on CSAC's initiative title and summary and the Governor's measure. Highlights were:

- The state budget, the economy and cuts to schools are voters' biggest concerns.
- Three-in-five voters support a plain language version of the Governor's measure.
- There is a good deal of support for key aspects of CSAC's measure, in particular the official title is well-received by voters.
- Provisions related to school funding and amending the state constitution are the weakest components of CSAC's measure.

Staff indicated that there is 70% overall support for the concept of CSAC's measure, but an opposition campaign from education interests could have a significant negative impact on the measure and would then become very costly for CSAC. The Governor's measure also polls favorably, but not as strong as CSAC's concept. While the Governor's initiative does include increased taxes, polling indicates that they are ones that voters currently seem willing to support. Title and summary has not yet been received on the Governor's measure. It was also noted that the Governor has the capacity to raise significantly more money for a campaign.

Governor Brown addressed the Board of Directors regarding his November ballot measure. He stressed his willingness to work together with counties and pledged to protect realignment funding and fight for constitutional protections even if his measure fails in November. The Governor noted that he has support from business and labor and has raised more than \$1 million for his measure in the first week.

President McGowan announced that he and the other CSAC Officers met with the Governor yesterday and, based on that meeting as well as previous discussions with the Governor, were recommending that the Board of Directors take action to suspend activity on CSAC's initiative and support the Governor's initiative. He noted that when CSAC originally proposed an initiative, the Governor did not have a proposal on the table. Now that CSAC has another option, the Officers feel we should not go it alone and, instead, join with the Governor. In addition, McGowan indicated that joining with the Governor could strengthen our position to work with him on other current and future issues.

A lengthy discussion ensued regarding whether to move forward with the CSAC initiative or shift support to the Governor's initiative. Concerns were expressed about the tax increases contained in the Governor's initiative.

Motion and second to support Officer recommendation to suspend activity on CSAC initiative and support the Governor's initiative. Motion failed.

It was suggested that the Board of Directors delay action on the Governor's initiative until additional information, including title and summary, is received.

Motion and second to reaffirm CSAC's goal of securing constitutional protections for counties in 2012, suspend pursuit of CSAC's ballot measure and bring back the Governor's initiative for consideration at a future meeting. Motion carried (44 in favor).

The Board of Directors will reconvene on February 23 to take action on the Governor's initiative.

Meeting adjourned.



MEMORANDUM

February 8, 2012

1100 K Street
Suite 101
Sacramento
California
95814

Telephone
916.327-7500

Facsimile
916.441.5507

To: Board of Directors
California State Association of Counties

From: Paul McIntosh
Executive Director

Re: **Constitutional Protections for Realignment – ACTION ITEM**

At a special meeting on January 5, the CSAC Board of Directors reaffirmed that obtaining a constitutional guarantee of revenues to support the 2011 realigned programs, as well as protecting counties from costs associated with future changes to those programs, remained the top priority of the Association. The board also voted to suspend all efforts by CSAC to qualify an independent ballot measure, leaving the measure filed by Governor Brown (*"The Schools and Local Public Safety Protection Act of 2012"*) as the only available vehicle to achieve those constitutional protections.

On January 19, the CSAC Executive Committee considered the Governor's proposed ballot measure and voted to recommend to the Board of Directors that CSAC take a SUPPORT position on the measure.

This memo is intended to provide information to the Board of Directors to assist in considering that recommendation.

Background

Realignment in 2011 shifted responsibility for nearly \$6 billion in public safety and social service programs to California's counties. CSAC's support of realignment was premised on assurances from Governor Brown and the Legislature that the funding for realigned programs would be constitutionally protected and counties' exposure to future programmatic costs would be limited. Without these guarantees and protections, California counties remain significantly exposed to increased costs and program responsibilities.

In September 2011, after the Legislature failed to approve Senate Constitutional Amendment 1X (SCA 1X) – the measure that included the negotiated constitutional protections – the Board of Directors authorized CSAC staff to begin to prepare a ballot measure and evaluate the efficacy of moving forward on a realignment-only measure. CSAC's measure, *"The Local Taxpayers, Public Safety and Local Services Protection Act of 2012,"* was filed with the Attorney General on November 2, 2011 and received title and summary from the Attorney General and a fiscal analysis from the Legislative Analyst's Office on December

29, 2011. CSAC was joined by the California State Sheriffs' Association and the Chief Probation Officers of California in pursuit of the realignment-only measure.

Subsequently, the Governor filed his own sponsored initiative, "*The Schools and Local Public Safety Protection Act of 2012*," on December 5, 2011. The Governor's measure received title and summary from the Attorney General on January 18. That title and summary, as well as the Legislative Analyst's fiscal analysis, are attached. The title given to the measure by the Attorney General reads "TEMPORARY TAXES TO FUND EDUCATION. GUARANTEED LOCAL PUBLIC SAFETY FUNDING. INITIATIVE CONSTITUTIONAL AMENDMENT."

At a special meeting of the CSAC Board of Directors on January 5, the Board voted to suspend all activities related to the *Local Taxpayers, Public Safety and Local Services Protection Act of 2012*, leaving the Governor's proposed ballot measure as the only vehicle with which to obtain the guaranteed funding and constitutional protections sought. The Board of Directors reaffirmed, during that meeting, that obtaining the guarantee and protections were the top priority for the Association.

The Governor's measure provides for a temporary (five year) increase in the personal income tax for high income (over \$250,000) earners as well as a temporary (four year) ½ cent increase in the state sales and use tax. Proceeds of the taxes are dedicated to a new fund, the Education Protection Account and can only be spent on K-14 education. The measure bars use of the funds for administrative purposes. From the analysis of the Legislative Analyst's Office, details of the proposed temporary taxes are:

Under current law, the maximum marginal Personal Income Tax (PIT) rate is 9.3 percent, and it applies to taxable income in excess of \$48,209 for individuals; \$65,376 for heads of household; and \$96,058 for joint filers. This measure temporarily increases PIT rates for higher incomes by creating three additional tax brackets with rates above 9.3 percent. Specifically, this measure imposes:

- A 10.3 percent tax rate on income between \$250,000 and \$300,000 for individuals; \$340,000 and \$408,000 for heads of household; and \$500,000 and \$600,000 for joint filers.
- A 10.8 percent tax rate on income between \$300,000 and \$500,000 for individuals; \$408,000 and \$680,000 for heads of household; and \$600,000 and \$1 million for joint filers.
- An 11.3 percent tax rate on income in excess of \$500,000 for individuals; \$680,000 for heads of household; and \$1 million for joint filers.

These tax rates would affect roughly 1 percent of California PIT filers due to the high income threshold. The tax rates would be in effect for five years starting in the 2012 tax year.

This measure temporarily increases the state Sales and Use Tax (SUT) rate by 0.5 percent. The higher tax rate would be in effect for four years—from January 1, 2013 through the end of 2016. Under the measure, the statewide average SUT rate would increase to 8.6 percent

Since virtually all of the income earners impacted by the proposed temporary increase in personal income taxes itemize their deductions on state and federal tax returns, a significant portion of the increase in state taxes paid through this provision could be offset by a reduced federal tax liability.

The revenues raised by the temporary taxes are in addition to the funding guarantee for the realigned programs. The revenues generated from these temporary taxes are exclusively dedicated to school entities (K-12 education and community colleges) and are subject to the Proposition 98 calculation. The revenues raised by the measure are deposited directly into a newly created fund and allocated to schools, bypassing the Legislature. This essentially means that these revenues are first to fill the "bucket" of the state's annual Proposition 98 calculation, thus saving the state about half of that amount that can otherwise be used for other state General Fund purposes.

In addition to the temporary increase in taxes for education, the measure provides a constitutional guarantee of the funding dedicated to the 2011 realignment (an amount equal to 1.0625% of the state sales tax and certain vehicle license fees) as well as the protections of those programs sought last Spring in SCA 1X.

Discussion

Under normal circumstances, CSAC does not take a position on ballot measures until they have qualified for the ballot. However, CSAC policies and procedures provide that "*in the event that a proposed ballot measure has a direct impact on county government ... the CSAC officers may direct*" that action be taken on the measure prior to actual qualification. This measure affects nearly \$6 billion of funding for realigned programs and certainly has a dramatic, direct impact on California's counties. Therefore, the CSAC Officers have determined that it is in the best interest of the Association to move forward to quickly support the measure.

CSAC has enjoyed a unique, strong relationship with Governor Brown. He spent his first full day in office, January 4, 2011, meeting with CSAC officers and senior staff regarding his efforts to divest state programs to counties. He followed that up with a meeting with the CSAC Board of Directors in March 2011 and worked closely with CSAC officers and staff during the summer in an effort to gain passage of SCA 1X.

For the past five years, CSAC has pursued a strategy that California counties are partners with the State of California in the delivery of vital services to our citizens. The politics of confrontation, followed by some, do not seem to have borne fruit. Certainly when one compares the impacts that state budget reductions had on California counties in the 1980s and 1990s with the impacts of the past few years, counties have fared very well. It continues to be in the best interests of

counties to work cooperatively with the Administration and Legislature to assist them in addressing the final vestiges of this recession.

It has long been CSAC policy to support a balanced approach to resolving the chronic state budget deficit and under that policy CSAC has supported increased revenues in the past. For instance, in 2009 the CSAC board supported an increase in the gas tax when the Legislature proposed to permanently divert the entire local share of the Highway User Tax Account (HUTA) to fund debt service and provide \$1 billion a year in General Fund relief. This tax increase generated an additional \$750 million per year.

Governor Brown inherited a combined \$26.2 billion budget deficit when he took office last year and whittled that down to a \$9.2 billion deficit for the next 18 month period. The Governor's proposed 2012-13 budget is balanced through a combination of budget cuts and the proposed tax increases. If the tax increases are not supported, triggers cuts — primarily in education — would automatically kick in. The temporary taxes contained in the Governor's ballot measure are about half of the taxes that would have been extended by SCA 1X. CSAC voted 45-4 to support SCA 1X due primarily to the fact that it contained the constitutional protections sought as part of realignment, as does the Governor's proposed measure.

Through his proposed budget, the Governor projects that these taxes would be temporary and that growth in the state's economy would produce future tax revenues sufficient to offset the loss of the temporary taxes when they expire.

Beginning in 1991, the State of California has relied upon temporary tax increases to assist the state in recovering from severe recessions. In 1991, Governor Wilson proposed, and the Legislature enacted, high-income taxes by adding incremental tax rates of 10 and 11 percent on those upper income levels. These rates expired after five (5) years in 1996. In addition, a temporary ½ cent sales tax was imposed, set to expire in 1993. Even those increased tax revenues, though, did not prevent that state from diverting \$4.3 billion of local property taxes to a state Education Revenue Augmentation Fund (ERAF) to fund part of the state's obligation to K-14 education in 1992-93 and 1993-94 as the recession lingered.

Also in 1991, CSAC supported an increase in the sales tax (½ cent) and an adjustment to the depreciation schedule of the vehicle license fee that generated \$1.98 billion that was then designated to the 1991 realignment programs. Both of those tax sources remain in effect today and generate approximately \$4 billion for California counties to use on those programs.

In part to offset the impacts of those tax diversions in 1993, the Legislature placed Proposition 172 on the ballot. This measure offered voters the opportunity to continue the ½ cent sales tax that was to expire at the end of 1993

and dedicated the funding from the ½ cent sales tax to public safety. CSAC supported Proposition 172; it passed by a strong margin and remains in effect today.

In 2009, under Governor Schwarzenegger, the Legislature adopted temporary income tax rates at the higher level, a temporary 1 cent increase in the sales tax, and a temporary Vehicle License Fee rate increase, a portion of which was dedicated to local public safety. These temporary taxes were in place for two years and expired at the end of June 2011. These were the taxes that would have been extended for five years under SCA 1X.

State Budget Cuts

There is no question that California and the rest of the nation have been wracked by one of the worst and prolonged economic recessions since the Great Depression. The impact first hit California in 2008 and has been felt in every budget since.

In response, California has made significant cuts in state expenditures. It is difficult to make an apples-to-apples comparison of budget gaps and deficits as those figures seem to change continuously. However, if you compare the actual budget figures for the state’s general fund, you can see that the State of California has made real reductions in spending, while demand for services has continued to climb.

<i>In Billions</i>	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
General Fund	\$102.137	\$103.373	\$91.547	\$87.335	\$91.48	\$85.937

The 2011-12 Budget cut General Fund spending as a share of the economy to its lowest level since 1972-73. State Supplementary Payment grants were reduced to the level in effect in 1983. CalWORKs grants were reduced to below the level in effect in 1987. State support for its universities and courts was cut by about 25 percent and 20 percent, respectively. The Adult Day Health Care program, redevelopment agencies, Williamson Act subventions, Home-to-School Transportation, and the refundable child care and dependent tax credit were all eliminated. The Department of Corrections and Rehabilitation’s expenditures will be reduced by approximately 18 percent once realignment is fully implemented. K-14 education funding remains \$9 billion below the funding level in 2007-08.

The Governor has proposed further cuts to K-14 education should his measure fail in November. Furthermore, such a failure would exacerbate the structural deficit that has plagued the state since 2000.

The Governor’s Campaign

While any statewide tax measure faces an uphill battle, the Governor's measure does appear to have strong initial support among voters. CSAC conducted a poll of the Governor's measure in December 2011 and found that 62% of those polled support a plain language description of the measure. The ongoing cuts to public education are the most persuasive arguments. In this same poll, a range of 65% to 71% of likely voters expressed concerned about funding for K-14 education.

As more information about the measure is distributed, voters' concerns about education and support for the measure seem to increase. The Public Policy Institute of California conducted a comprehensive survey in January, in the wake of the release of Governor Brown's proposed budget for the next fiscal year. That survey found 72% of adults and 68% of likely voters favored the proposed temporary tax increases. A copy of the survey is attached.

As of this writing, the Governor has raised over \$2 million in support of his measure and is currently collecting signatures throughout the state to qualify. We anticipate significant funding from business, labor and education groups in support of the Governor's efforts. The Governor has in fact indicated a broad range of supporters, from labor to business interests. To date, the following groups have made financial contributions to the Governor's campaign:

- American Beverage Association
- Occidental Petroleum
- Blue Shield of California
- Californians to Protect Chiropractic Patient Rights
- California Attorneys in State Employment
- Members' Voice of the State Building Trades
- California Association of Hospitals and Health Systems
- California Tribal Business Alliance
- Lytton Band of Pomo Indians
- Paskenta Band of Nomlaki Indians
- Morongo Band of Mission Indians
- Agua Caliente Band of Cahuilla Indians
- KP Financial Services
- GTech
- Yocha DeHe Wintun Nation
- Education Management LLC
- American Federation of State and City Municipal Employees
- Kaiser Permanente

As of this writing, the following groups or businesses have publicly supported the Governor's initiative:

- Chief Probation Officers of California
- California Business and Industry Association

California Medical Association
Community College League of California
California Teachers Association
Building and Construction trades Council
Service Employees International Union
American Federation of State and City Municipal Employees
Los Angeles County (Letter attached)
Contra Costa County (Letter attached)

Interestingly, in his association's statement regarding support for the measure, California Teachers Association President Dean Vogel is quoted as saying:

"Educators know that California cannot continue to cut its way out of ongoing budget problems. We also know that not everyone in California is paying their fair share, and that's why we are supporting the governor's tax proposal, which taxes the wealthiest Californians in order to bring additional revenue to our schools, colleges and other essential public services.

"The governor's initiative is the only initiative that provides additional revenues for our classrooms and closes the state budget deficit, **and guarantees local communities will receive funds to pay for the realignment of local health and public safety services that the Legislature approved last year.** It's time to put California back on track and this initiative is the best way to do that. It's the right choice for our students and their families, our communities and our state." [*Emphasis added.*]

The Governor has also committed to an ongoing dialogue with counties regarding implementation issues for realigned programs, as well as other issues of statewide concern. We continue to have an active and constructive dialogue with Administration officials on the implementation of AB 109 and realignment generally.

An important factor that will influence the Governor's success will be the extent to which he can clear the field of other tax initiatives, most importantly the other measures seeking to raise the personal income tax. In particular, there are two other ballot measures aimed at November 2012 that contain personal income tax increases to fund education. As of this writing, both of these campaigns have indicated they plan to proceed with signature gathering and qualification. Neither of these measures contains provisions protecting realignment funding:

A group called *The Coalition for Restoring California* has proposed a "millionaires' tax". A key member of this coalition is the California Federation of Teachers (CFT). Starting with tax year 2012, the measure raises the personal income tax (PIT) an additional 3% on the portion of a taxpayer's income between \$1 million and \$2 million and 5% on any income above \$2 million. As with the current mental health surcharge, the brackets would be the same for single, joint, and head-of-household returns and would not be indexed for inflation. Most of the funding,

estimated at \$6 to \$9.5 billion per year, would go to K-14 education, but funding would also go to several county-managed programs - county programs for seniors, children, the disabled, and public health (25%); county public safety programs (10%); and, county road and bridge maintenance (4.9%). The campaign recently reported a \$500,000 contribution from the CFT and a \$200,000 contribution from an organization "California Calls". The California Nurses Association have also indicated their support for this measure.

The second measure is sponsored by *Our Children, Our Future*, whose primary benefactor is Molly Munger, a civil rights attorney in Los Angeles and the daughter of Charles Munger, partner to Warren Buffet. Their proposal increases the personal income tax (PIT) rates on all but the lowest income bracket, beginning in 2013 and ending in 2024. The additional marginal tax rates would be higher as taxable income increases. For income of PIT filers currently in the highest current tax bracket (9.3% marginal tax rate, excluding the mental health tax), additional marginal tax rates would rise as income increases. The income levels in the tax brackets would be indexed for inflation. The current mental health tax would continue to be imposed.

In 2013-14 and 2014-15, all revenues raised by this measure (estimated to be between \$10 and \$11 billion per year) would be allocated for schools and Early Care and Education (ECE) programs (85% for schools, 15% for ECE). Beginning in 2015-16, total allocations to schools and ECE programs could not increase at a rate greater than the average growth in California personal income per capita in the previous five years. The measure also prohibits monies from being used to replace state, local, or federal funding that was in place prior to November 1, 2012. All revenue collected by the measure and allocations made to schools are excluded from the calculation of the Proposition 98 minimum guarantee. Ms. Munger has contributed \$900,000 to this campaign as of this writing, and recently indicated that she would spend "whatever it takes" to qualify her measure for the ballot.

Both of these measures are currently circulating petitions to gain enough signatures to qualify for the November ballot. It is unclear whether the *Coalition for Restoring California* has sufficient means to qualify its measure and run an effective campaign. *Our Children, Our Future* appears to have sufficient funding to do both, and they show no sign of abating their effort.

Governor Brown has pledged that if his November 2012 measure fails, due to a crowded ballot or other issues, he will not hesitate to bring back another ballot measure to provide the guarantees and protections sought by California counties.

Recommendation

The Schools and Local Public Safety Protection Act of 2012 remains the only viable vehicle for California Counties to obtain the constitutional protections and guaranteed funding for realigned programs that remains the top priority of the Association. While the measure polls well as of this writing, competing measures could weaken its chances of passage. Association support of the measure is important to garner the votes necessary to pass the measure. Furthermore, Association support is very important should the measure fail and it becomes necessary for the Governor to follow through on his commitment to bring the protections back in another election.

The Executive Committee has recommended that the Board of Directors vote to **SUPPORT** *The Schools and Local Public Safety Protection Act of 2012*.

Attachments

- (1) Los Angeles County Letter dated January 25, 2012
- (2) Contra Costa County Letter dated January 31, 2012
- (3) Title and Summary dated January 18, 2012
- (4) Legislative Analyst's Letter dated January 11, 2012
- (5) PPIC Statewide Survey, January 2012



COUNTY OF LOS ANGELES BOARD OF SUPERVISORS

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 383
LOS ANGELES, CALIFORNIA 90012
(213) 974-1411 • FAX (213) 620-0636

MEMBERS OF THE BOARD

GLORIA MOLINA

MARK RIDLEY-THOMAS

ZEV YAROSLAVSKY

DON KNABE

MICHAEL D. ANTONOVICH

January 25, 2012

SACHI A. HAMAI
EXECUTIVE OFFICER

Mr. Paul McIntosh, Executive Director
California State Association of Counties
1100 K Street, Suite 101
Sacramento, CA 95814

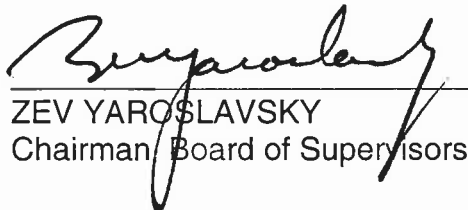
Dear Mr. McIntosh:

This letter is to advise you that on January 24, 2012, the Los Angeles County Board of Supervisors voted to support Governor Brown's ballot initiative titled, "*Temporary Taxes to Fund Education. Guaranteed Local Public Safety Funding. Initiative Constitutional Amendment.*" to constitutionally guarantee revenues identified for the 2011 Public Safety Realignment and protect local governments from future increased and unfunded costs associated with the administration of realigned programs.

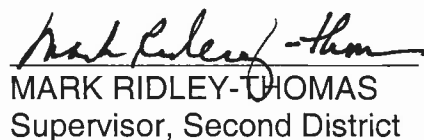
We firmly believe that minimum guaranteed funding and constitutional protections are vital for counties to successfully implement the 2011 Public Safety Realignment. While our Board has ongoing concerns because of the myriad of complexities we have experienced with the implementation of the realigned programs, we fully support the Governor's initiative effort to guarantee realignment revenues and provide local governments protections as we implement and operate the realigned programs.

We are advising Governor Brown of our support for his initiative and we are committed to continue working with his Administration and CSAC to ensure successful implementation of the 2011 Public Safety Realignment.

Sincerely,


ZEV YAROSLAVSKY
Chairman, Board of Supervisors


GLORIA MOLINA
Supervisor, First District


MARK RIDLEY-THOMAS
Supervisor, Second District

The Board of Supervisors

County Administration Building
651 Pine Street, Room 106
Martinez, California 94553

John Giola, 1st District
Gayle B. Uilkema, 2nd District
Mary N. Piepho, 3rd District
Karen Mitchoff, 4th District
Federal D. Glover, 5th District

Contra Costa County



David Twa
Clerk of the Board
and
County Administrator
(925) 335-1900

January 31, 2012

The Honorable Edmund G. Brown, Jr.
Governor, State of California
State Capitol
Sacramento, CA 95814

RE: Support for the Governor's Ballot Initiative in November 2012

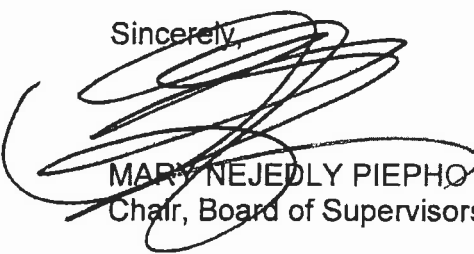
Dear Governor Brown:

As Chair of the Board of Supervisors of Contra Costa County, I write to advise you that on January 17, 2012 the Board voted unanimously 5-0 to support your ballot initiative titled "*Temporary Taxes to Fund Education. Guaranteed Local Public Safety Funding. Initiative Constitutional Amendment.*" to constitutionally guarantee revenues identified for the 2011 Public Safety Realignment and protect local governments from future increased costs associated with the realigned programs.

We appreciate your willingness to continue working with us as we implement new and expanded program responsibilities transferred from the State to counties pursuant to AB 109 of 2011. Your continued commitment to provide counties with minimum guaranteed funding and constitutional protections will be vital for the implementation of the 2011 Public Safety Realignment.

We look forward to a continued partnership with your Administration to resolve potential concerns and provide counties with the necessary funding, protections, and guarantees to ensure the public safety of Contra Costa county residents and all Californians.

Sincerely,


MARY NEJEDLY PIEPHO
Chair, Board of Supervisors

cc: Contra Costa Legislative Delegation
Members, Contra Costa Board of Supervisors
Cathy Christian, Nielsen Merksamer
CSAC, Paul McIntosh

The Attorney General of California has prepared the following title and summary of the chief purpose and points of the proposed measure:

TEMPORARY TAXES TO FUND EDUCATION. GUARANTEED LOCAL PUBLIC SAFETY FUNDING. INITIATIVE CONSTITUTIONAL AMENDMENT. Increases personal income tax on annual earnings over \$250,000 for five years. Increases sales and use tax by ½ cent for four years. Allocates temporary tax revenues 89 percent to K-12 schools and 11 percent to community colleges. Bars use of funds for administrative costs, but provides local school governing boards discretion to decide, in open meetings and subject to annual audit, how funds are to be spent. Guarantees funding for public safety services realigned from state to local governments. Summary of estimate by Legislative Analyst and Director of Finance of fiscal impact on state and local government: **Increased state revenues over the next five fiscal years. Estimates of the revenue increases vary--for 2012-13, from \$4.8 billion to \$6.9 billion; for 2013-14 through 2015-16, from \$5.5 billion to \$6.9 billion on average each year; and for 2016-17, from \$3.1 billion to \$3.4 billion. These revenues would be available to (1) pay for the state's school and community college funding requirements, as increased by this measure, and (2) address the state's budgetary problem by paying for other spending commitments. Limitation on the state's ability to make changes to the programs and revenues shifted to local governments in 2011, resulting in a more stable fiscal situation for local governments. (12-0001)**



January 11, 2012

Hon. Kamala D. Harris
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Dawn McFarland
Initiative Coordinator

Dear Attorney General Harris:

Pursuant to Elections Code Section 9005, we have reviewed the proposed constitutional amendment related to the funding of local governments and schools and temporary taxes (A.G. File No. 11-0090).

BACKGROUND

State's Fiscal Situation

California's Recent Budget Problems. The General Fund is the state's core account that supports a variety of programs, including public schools, higher education, health, social services, and prisons. The General Fund has experienced chronic shortfalls in recent years due to trends in state spending and revenues. State budgetary problems since 2008-09 have been caused by a number of factors, including a severe economic recession that caused state revenues to decline sharply. To deal with the state's budgetary shortfalls, policymakers have reduced program expenditures, temporarily raised taxes, and taken a variety of other measures including various forms of borrowing from special funds and local governments.

Ongoing Budget Deficits Projected. The state's budget shortfalls are expected to continue over the next five years under current tax and expenditure policies. In November 2011, the Legislative Analyst's Office (LAO) estimated annual budget deficits of greater than \$5 billion through 2016-17, including a budget shortfall of roughly \$13 billion in 2012-13. In January 2012, the Department of Finance (DOF) estimated a budget shortfall of \$9.2 billion in 2012-13 and annual budget deficits of less than \$5 billion thereafter.

Taxes and Revenues

The General Fund is supported primarily from income and sales taxes paid by individuals and businesses.

Income Tax. The personal income tax (PIT) is a tax on income earned in the state and is the state's largest revenue source. Tax rates range from 1 percent to 9.3 percent depending on a taxpayer's income. Higher tax rates are charged as income increases, such that the 1 percent of tax filers with the most income now pay around 40 percent of state income taxes. An additional 1 percent rate is levied on taxable incomes in excess of \$1 million with the proceeds dedicated to mental health services rather than the General Fund.

Sales Tax. California's sales and use tax (SUT) is levied on the final purchase price of tangible consumer goods, except for food and certain other items. The SUT rate consists of both a statewide rate and a local rate. The current statewide rate is 7.25 percent. Approximately half of the revenue derived from the statewide rate is deposited into the General Fund, while the remainder is allocated to local governments. Localities also have the option of imposing, with voter approval, add-on rates to raise revenues for cities, counties, or special districts. As a result, SUT rates in California differ by county and locality, with an average rate of about 8.1 percent.

State School Funding

In 1988, voters approved Proposition 98. Including later amendments, Proposition 98 establishes a guaranteed minimum annual funding level—commonly called the minimum guarantee—for K-14 education (consisting of K-12 schools and community colleges). The minimum guarantee is funded through a combination of state General Fund appropriations and local property tax revenues. With a two-thirds vote in any given year, the Legislature can suspend the Proposition 98 guarantee for one year and provide any level of K-14 funding it chooses.

Minimum Guarantee Often Affected by Changes in State Revenues. In many years, the calculation of the minimum guarantee is highly sensitive to changes in state General Fund revenues. In years when General Fund revenues grow by a large amount, the guarantee is likely to increase by a large amount. Conversely, in years when General Fund revenues decline by a large amount, the guarantee is likely to drop by a large amount. In these years, however, the state typically generates an associated "maintenance factor" obligation that requires the state to accelerate future growth in Proposition 98 funding when General Fund revenues revive. Another type of Proposition 98 obligation is known as "settle-up." A settle-up obligation is created when the state ends a fiscal year having appropriated less than the finalized calculation of the minimum guarantee. Typically, the state pays off settle-up obligations in installments over several years.

2011 Realignment Legislation

Shift of State Program Responsibilities. The state and local governments in California operate and fund various programs. These programs are funded through a combination of state, federal, and local funds. The specific responsibilities and costs assigned to state and local governments vary by program. As part of the 2011-12 state budget plan, the Legislature enacted a major shift—or "realignment"—of state program responsibilities and revenues to local governments. The realignment legislation shifts responsibility from the state to local governments (primarily counties) for several programs including court security, adult offenders and parolees, public safety grants, mental health services, substance abuse treatment, child welfare programs, and adult protective services. Implementation of this transfer began in 2011.

Dedication of Revenues to Cover Program Costs. To fund the realignment of these programs, the budget dedicates a total of \$6.3 billion in revenues from three sources into a special fund for local governments. Specifically, the realignment plan directs 1.0625 cents of the statewide SUT rate to counties. Under prior law, equivalent revenues were deposited in the General Fund. In addition, the realignment plan redirects an estimated \$462 million from the 0.65 percent vehicle license fee (VLF) rate for local law enforcement programs. Under prior law, these VLF revenues were allocated to the Department of Motor Vehicles for administrative purposes and to cities and Orange County for general purposes. The budget also shifts \$763 million on a one-time basis in 2011-12 from the Mental Health Services Fund (established by Proposition 63 in November 2004) for support of the Early and Periodic Screening, Diagnosis, and Treatment Program and Mental Health Managed Care program.

Exclusion of Revenues From Proposition 98 Calculation. A budget-related law, Chapter 43, Statutes of 2011 (AB 114, Committee on Budget), stated that the 1.0625 cent SUT realignment revenues were to be excluded from the Proposition 98 calculation. This provision of Chapter 43, however, was made operative for 2011-12 and subsequent fiscal years contingent on the approval of a ballot measure by November 2012 that both (1) authorizes the exclusion of the 1.0625 cent sales tax revenues from the Proposition 98 calculation and (2) provides funding for school districts and community colleges in an amount equal to the reduction in the minimum guarantee due to the exclusion. If these conditions are not met, Chapter 43 creates a settle-up obligation for the lower Proposition 98 spending in 2011-12 to be paid over the next five fiscal years.

State-Reimbursable Mandates

State Required to Reimburse Local Governments for Certain Costs. The California Constitution generally requires the state to reimburse local governments when it “mandates” a new local program or higher level of service. In some cases, however, the state may impose requirements on local governments that increase local costs without being required to provide state reimbursements.

Open Meeting Act Mandate. The Ralph M. Brown Act (known as the Brown Act) requires all meetings of the legislative body of a local agency to be open and public. Certain provisions of the Brown Act—such as the requirement to prepare and post agendas for public meetings—are state-reimbursable mandates.

PROPOSAL

The measure amends the Constitution to permanently dedicate revenues to local governments to pay for the programs realigned in 2011 and temporarily increases state taxes.

2011 Realignment Legislation

Guarantees Ongoing Revenues to Local Governments for Realigned Programs. The measure requires the state to continue allocating SUT and VLF revenues to local governments to pay for the programs realigned in 2011. If portions of the SUT or VLF dedicated to realignment are reduced or eliminated, the state is required to provide alternative funding that is at least equal to the amount that would have been generated by the SUT and VLF for so long as the local governments are required to operate the realigned programs.

Constrains State's Ability to Impose Additional Requirements After 2012. Through September 2012, the measure allows the state to change the statutory or regulatory requirements related to the realigned programs. A local government would not be required to fulfill a statutory or regulatory requirement approved after September 2012 related to the realigned programs, however, unless the requirement (1) imposed no net additional costs to the local government or (2) the state provided additional funding sufficient to cover its costs.

Limits Local Governments From Seeking Additional Reimbursements. This measure specifies that the legislation creating 2011 realignment (as adopted through September 2012) would not be considered a state-reimbursable mandate. Therefore, local governments would not be eligible to seek reimbursement from the state for any costs related to implementing the legislation. Similarly, the measure specifies that any state regulation, executive order, or administrative directive necessary to implement realignment would not be a state-reimbursable mandate.

State and Local Governments Could Share Some Unanticipated Costs. The measure specifies that certain unanticipated costs related to realignment would be shared between the state and local governments. Specifically, the state would be required to fund at least half of any new local costs resulting from certain changes in federal statutes or regulations. The state also would be required to pay at least half of any new local costs resulting from federal court decisions or settlements related to realigned programs if (1) the state is a party in the proceeding, and (2) the state determines that the decision or settlement is not related to the failure of local agencies to perform their duties or obligations.

Open Meeting Act Mandate

The measure specifies that the Brown Act would no longer be considered a state-reimbursable mandate. Localities would still be required to follow the open meeting rules in the Brown Act but would not be eligible to seek reimbursement from the state for any associated costs.

Tax Rates

Increases Income Tax Rates on Higher Incomes for Five Years. Under current law, the maximum marginal PIT rate is 9.3 percent, and it applies to taxable income in excess of \$48,209 for individuals; \$65,376 for heads of household; and \$96,058 for joint filers. This measure temporarily increases PIT rates for higher incomes by creating three additional tax brackets with rates above 9.3 percent. Specifically, this measure imposes:

- A 10.3 percent tax rate on income between \$250,000 and \$300,000 for individuals; \$340,000 and \$408,000 for heads of household; and \$500,000 and \$600,000 for joint filers.
- A 10.8 percent tax rate on income between \$300,000 and \$500,000 for individuals; \$408,000 and \$680,000 for heads of household; and \$600,000 and \$1 million for joint filers.
- An 11.3 percent tax rate on income in excess of \$500,000 for individuals; \$680,000 for heads of household; and \$1 million for joint filers.

These tax rates would affect roughly 1 percent of California PIT filers due to the high income threshold. The tax rates would be in effect for five years starting in the 2012 tax year. (The additional 1 percent rate for mental health services would still apply to income in excess of \$1 million.)

Increases SUT Rate for Four Years. This measure temporarily increases the state SUT rate by 0.5 percent. The higher tax rate would be in effect for four years—from January 1, 2013 through the end of 2016. Under the measure, the statewide average SUT rate would increase to 8.6 percent.

State School Funding

Permanently Removes Realigned Sales Tax Revenues From Proposition 98 Calculation. The measure amends the Constitution to explicitly exclude the 1.0625 cent sales tax revenues directed to realignment programs from the Proposition 98 calculation.

New Tax Revenues Deposited Into New Account for Schools and Community Colleges. The measure requires that the additional tax revenues generated by the temporary increases in PIT and SUT rates be deposited into a newly created Education Protection Account (EPA). Appropriations from the account could be used for any educational purpose and would count towards meeting the Proposition 98 minimum guarantee. Of the monies deposited into the account, 89 percent would be provided to schools and 11 percent would be provided to community colleges. The EPA funds for schools would be distributed the same way as existing general purpose per-pupil funding, except that no school district is to receive less than \$200 in EPA funds per pupil. Similarly, EPA funds for community colleges would be distributed the same way as existing general purpose per-student funding, except that no community college district is to receive less than \$100 in EPA funds per full-time equivalent student.

FISCAL EFFECTS

Realignment Programs

Provides More Certainty to Local Governments. This measure would change the state's authority over the 2011 realignment. After September 2012, the state could not impose new requirements to 2011 realignment resulting in increased costs without providing sufficient funding. Also, the state would share certain new costs related to federal law or court cases. Consequently, the measure reduces the financial uncertainty and risk for local governments under realignment. Any impact would depend on how the state would have acted in the future absent the measure, as well as what, if any, actions are taken by the federal government or courts.

Limits State's Ability to Change 2011 Realignment. With regard to the state, the measure would have the related impact of restricting the state's ability to make changes resulting in new costs to local governments in the 2011 realignment without providing additional funding to local governments. The state could also bear additional costs associated with new federal laws or court cases beyond the funds provided by 2011 realignment.

State Revenues

Significant Volatility of PIT Revenues Possible. Most of the income reported by California's upper-income filers is related in some way to their capital investments, rather than wages and salary-type income. In 2008, for example, only about 37 percent of the income reported by PIT filers reporting over \$500,000 of income consisted of wages and salaries. The rest consisted of capital gains (generated from sales of assets, such as stocks and homes), income from these filers' interests in partnerships and "S" corporations, dividends, interest, rent, and other capital income. While upper-income filers' wage and salary income is volatile to some extent (due to the cyclical nature of bonuses, among other things), their capital income is *highly* volatile from one year to the next. For example, the current mental health tax on income over \$1 million generated about \$734 million in 2009-10 but has raised as much as \$1.6 billion in previous years. Given this volatility, estimates of the revenues to be raised by this initiative will change between now and the November 2012 election.

Revenue Estimates. The volatility described above makes it difficult to forecast this measure's state revenue gains from high-income taxpayers. As a result, the estimates from our two offices of this measure's annual revenue increases vary. Between 2013-14 and 2015-16 (the three years in which both the PIT and SUT increases would be in effect for the entire fiscal year), the LAO currently forecasts an average annual increase in state revenues of \$5.5 billion, and DOF currently forecasts an average annual increase in state revenues of \$6.9 billion. For the 2012-13 budget, the LAO forecasts this measure would generate \$4.8 billion of additional revenues, and DOF forecasts \$6.9 billion of additional revenues. (This essentially reflects six months of SUT receipts in 2013 and 18 months of PIT receipts from all of tax year 2012 and half of tax year 2013.) In 2016-17, the measure's PIT and SUT increases would be in effect for only six months of the fiscal year before expiring. In that fiscal year, the LAO forecasts this measure would generate \$3.1 billion of revenues, and DOF forecasts \$3.4 billion of revenues.

Proposition 98

Net Increases in Proposition 98 Minimum Guarantee Over Period. The measure affects the Proposition 98 calculations. The effect of the temporary tax increases would more than offset the state savings generated by the exclusion of the realignment SUT revenues. The exact increase in the minimum guarantee, however, would depend on a number of factors, including the amount of revenue raised by the measure, year-to-year growth in General Fund revenues, and the way in which Proposition 98 maintenance factor obligations are paid. The increase could be in the billions of dollars annually. By excluding the realignment SUT revenues from the Proposition 98 calculations beginning in 2011-12, the state would no longer have a 2011-12 settle-up obligation. As a result, the state would not need to pay hundreds of millions of dollars annually from 2012-13 through 2016-17.

State Budget

Deposits New Revenues in EPA. The new PIT and SUT revenues would be deposited in EPA. The measure dedicates EPA funds for spending on schools and community colleges and counts them towards the Proposition 98 minimum guarantee.

New Revenues Available to Balance State Budget. As described above, the measure would increase the Proposition 98 minimum guarantee. At the same time, the measure would put new tax revenue into EPA, which would be available for meeting the state's Proposition 98 obligation. The EPA funds would be sufficient to fund the increase in the minimum guarantee as well as pay part of the minimum guarantee currently funded with the General Fund, annually freeing up General Fund monies to help balance the state budget.

Long-Term Budget Effect Uncertain. The measure's tax increases are temporary, expiring at the end of 2016. Depending on future budget decisions and the state of the economy, the loss of the additional tax revenues could create additional budget pressure starting in 2016-17. The effect would be gradual, however, as the tax increase will remain in effect for half of 2016-17, preventing revenues from dropping considerably in one fiscal year.

Summary of Fiscal Effect

This measure would have the following major fiscal effects:

- Increased state revenues over the next five fiscal years. Estimates of the revenue increases vary—for 2012-13, from \$4.8 billion to \$6.9 billion; for 2013-14 through 2015-16, from \$5.5 billion to \$6.9 billion on average each year; and for 2016-17, from \$3.1 billion to \$3.4 billion.
- These revenues would be available to (1) pay for the state's school and community college funding requirements, as increased by this measure, and (2) address the state's budgetary problem by paying for other spending commitments.
- Limitation on the state's ability to make changes to the programs and revenues shifted to local governments in 2011, resulting in a more stable fiscal situation for local governments.

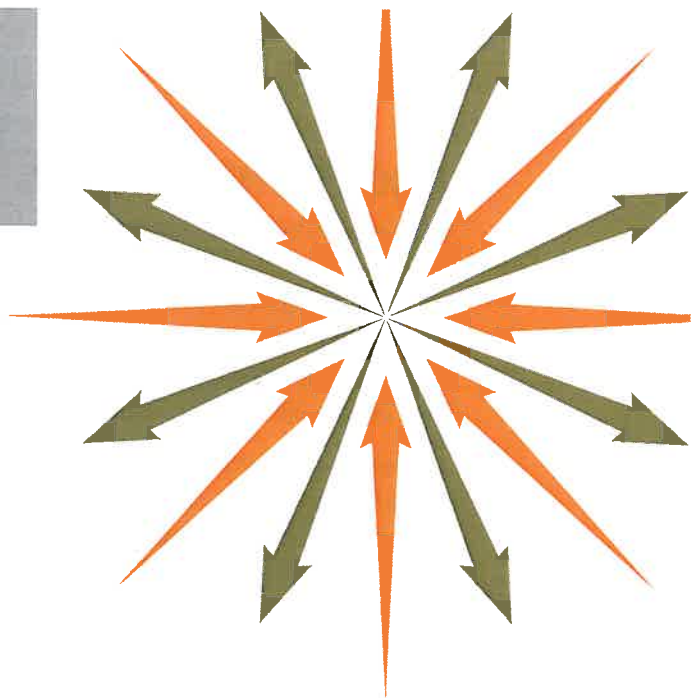
Sincerely,

Mac Taylor
Legislative Analyst

Ana J. Matosantos
Director of Finance

JANUARY 2012

Californians & their government



Mark Baldassare

Dean Bonner

Sonja Petek

Jui Shrestha

CONTENTS

About the Survey	2
Press Release	3
California Budget and Fiscal Attitudes	6
State and National Political Context	17
Regional Map	24
Methodology	25
Questionnaire and Results	27

in collaboration with
The James Irvine Foundation

ABOUT THE SURVEY

The PPIC Statewide Survey provides policymakers, the media, and the public with objective, advocacy-free information on the perceptions, opinions, and public policy preferences of California residents. Inaugurated in April 1998, this is the 123rd PPIC Statewide Survey in a series that has generated a database of responses from more than 260,000 Californians.

This survey is the 50th in the *Californians and Their Government* series, which is conducted periodically to examine the social, economic, and political trends that influence public policy preferences and ballot choices. The series is supported with funding from The James Irvine Foundation. This survey seeks to inform decisionmakers, raise public awareness, and stimulate policy discussions and debate about important state and national issues, with a particular focus on the California state budget.

This survey was conducted in the wake of the release of Governor Brown's 2012 budget proposal. To close the state's \$9.2 billion budget deficit, the proposal includes cuts to social service programs and a proposed initiative to raise taxes that voters would have to approve in November. New revenues from the taxes would go toward K-12 education but if voters reject it, automatic cuts to schools would ensue. The new year marks the completion of Jerry Brown's first year in office and the beginning of the Republican presidential primary process. We also assess Californians' confidence in state and federal elected officials in the context of legislative gridlock last year.

This survey presents the responses of 2,002 adult residents throughout the state, interviewed in English or Spanish by landline or cell phone. It includes findings on these topics:

- State fiscal issues, including preferred approach to deal with the budget gap; attitudes towards spending levels; support for higher taxes to maintain funding for major program areas; attitudes towards specific taxes; attitudes towards Governor's Brown's budget proposal, including proposed tax increases and spending cuts; perceptions of state and local tax systems; opinions on the shifting of some responsibilities from the state to the local level, including corrections responsibilities; and knowledge of state and local budgets.
- State and national political context, including perceptions of the most important issue for the governor and legislature in 2012; approval ratings of Governor Brown and the legislature, and residents' own state legislators; approval ratings of President Obama and Congress, California's U.S. senators, and residents' own Congressional representatives; and opinions on whether the governor and legislature and the president and Congress will be able to work together in the coming year. We also examine candidate preferences in the Republican primary process, and satisfaction with candidate choices for the 2012 presidential election.
- Time trends, national comparisons, and the extent to which Californians may differ in their perceptions, attitudes, and preferences regarding state and national issues, based on their political party affiliation, region of residence, race/ethnicity, and other demographics.

This report may be downloaded free of charge from our website (www.ppic.org). For questions about the survey, please contact survey@ppic.org. Try our PPIC Statewide Survey interactive tools online at <http://www.ppic.org/main/survAdvancedSearch.asp>.

NEWS RELEASE

EMBARGOED: Do not publish or broadcast until 9:00 p.m. PST on Tuesday, January 24, 2012.

Para ver este comunicado de prensa en español, por favor visite nuestra página de Internet:
<http://www.ppic.org/main/pressreleaseindex.asp>

PPIC STATEWIDE SURVEY: CALIFORNIANS AND THEIR GOVERNMENT

Strong Support for Brown Tax Plan, Opposition to School ‘Trigger Cuts’

BUT MOST ALSO FEEL STATE COULD CUT SPENDING WITHOUT CUTTING SERVICES

SAN FRANCISCO, January 24, 2012—Strong majorities of Californians favor Governor Jerry Brown’s proposed tax initiative and oppose the automatic cuts that public schools will face if voters fail to approve the measure in November. These are among the key findings of a statewide survey released today by the Public Policy Institute of California (PPIC), with funding from The James Irvine Foundation.

The initiative would temporarily increase the state sales tax and the personal income taxes of wealthy Californians, with the new revenue going to K–12 education. When read a summary, 72 percent of adults and 68 percent of likely voters favor the proposal. (The survey was taken before the attorney general released the measure’s official title and summary language.) Eighty-five percent of Democrats and 65 percent of independents favor the tax increase. Republicans are slightly more likely to favor (53%) than oppose it (46%). If the initiative fails, Brown says there will be automatic cuts to public schools. Seventy-nine percent of adults and 75 percent of likely voters oppose these trigger cuts, as do strong majorities of Democrats (83%), Republicans (67%), and independents (67%).

The tax initiative and trigger cuts are part of the governor’s 2012-13 budget proposal designed to close a multibillion-dollar deficit. His plan also includes spending cuts in welfare, child care, Medi-Cal, and other social service programs. Californians give these cuts negative reviews: 58 percent of adults oppose them and 39 percent are in favor. Likely voters are more closely divided (51% oppose, 44% favor).

When read a brief summary of Brown’s budget proposal that includes these elements—tax increases with increased funding for schools and cuts in social services—half of adults (50%) are in favor and 43 percent are opposed. Likely voters are split (48% favor, 46% oppose).

Californians hold these views at a time when most (62% adults, 60% likely voters) say their local government services have been affected a lot by recent state budget cuts. Most (55% adults, 59% likely voters) say that K–12 public education is the area of state spending they most want to protect from budget cuts. Far fewer adults choose one of the three other main areas of state spending: higher education (19%), health and human services (17%), and prisons and corrections (6%).

But while 40 percent of adults and likely voters prefer closing the state’s budget gap with a mix of spending cuts and tax increases—the approach Brown has proposed—similar proportions (35% adults, 41% likely voters) prefer closing it mainly through spending cuts. Indeed, Californians are far from happy with the way the state spends their money. Most (59% adults, 55% likely voters) believe state government could cut spending and still provide the same level of services. Most (59% adults, 62% likely voters) also favor strictly limiting the amount of money that state spending could increase each year.

“There remains a strong belief that the state government could spend less and provide the same services even as Californians notice local service reductions from state spending cuts and show early support for a tax increase,” says Mark Baldassare, PPIC president and CEO.

SPLIT ROLL, TAXING THE RICH, CORPORATIONS FAVORED—SALES TAX HIKE IS NOT

When asked if they would pay higher taxes to maintain funding levels for the state’s four largest areas of spending, Californians are most willing to do so for K–12 public education (72%, adults, 62% likely voters), followed by health and human services (57% adults, 49% likely votes) and higher education (57% adults, 46% likely voters). Just 13 percent of adults and 12 percent of likely voters would pay higher taxes to maintain funding for prisons and corrections.

The PPIC survey asked separate questions about specific taxes that could be increased to help reduce the budget deficit, including two that are part of the governor’s tax initiative: income taxes on the wealthy and the state sales tax. Californians strongly favor (74% adults, 68% likely voters) raising the top rate of state income tax paid by the wealthiest residents. Most Democrats (85%) and independents (71%) favor this idea, while Republicans are slightly more likely to be opposed (52% oppose, 46% favor). But large majorities of Californians (69% adults, 64% likely voters) oppose raising the state sales tax. Majorities across parties are against this idea, although Democrats (54%) are less likely to oppose it than independents (71%) or Republicans (74%).

“The challenge the governor faces with his tax initiative is that one generally popular tax increase—raising personal income taxes on the wealthy—is paired with one generally unpopular one—raising the state sales tax,” Baldassare notes.

Among other potential tax increases that have been discussed, most residents (68% adults, 61% likely voters) favor raising the taxes on California corporations—a record-high level of support since PPIC first asked the question in May 2005. Most Californians (60% adults and likely voters) also favor the so-called split roll property tax, which would lift Proposition 13 limits on commercial property tax increases and instead tax this property at current market values. But most (54% adults and likely voters) oppose the idea of extending the state sales tax to services that are not currently taxed.

At a time when a number of proposals to raise taxes are being discussed, how do Californians feel about the fairness of the state and local tax system? Most adults say it is fair (7% very fair, 50% moderately fair), as do likely voters (4% very fair, 49% moderately fair). Fewer (41% adults, 45% likely voters) say it is not too fair or not at all fair. Across income groups, majorities view the system as fair (57% under \$40,000, 58% \$40,000 to \$80,000, 55% \$80,000 or more). While most view the system as fair, 46 percent of adults say they pay more than they should, 47 percent say they pay about the right amount, and 6 percent say they pay less than they should. Opinions among likely voters are similar.

Asked a fundamental question about the size of government, 51 percent of Californians would prefer to pay higher taxes and have a state government that provides more services, while 41 percent would prefer to pay lower taxes and have a state government that provides fewer services. Likely voters are more evenly split: 45 percent want higher taxes and more services and 48 percent want lower taxes and fewer services. Since PPIC first asked this question in February 2003, neither response has generated overwhelming preference.

OPTIMISM FADES THAT BROWN, LEGISLATURE CAN WORK TOGETHER

When Brown took office in January 2011, he had a job approval rating of 41 percent among adults and 47 percent among likely voters. Today, 46 percent of adults approve of his job performance—a new high—while 31 percent disapprove. The percentage of adults who are unsure of his job performance—23 percent—is the lowest since he took office. Among likely voters, Brown’s job approval rating is 44 percent, with 38 percent disapproving and 17 percent unsure.

The legislature’s approval rating remains far lower—at 28 percent among adults and 17 percent among likely voters. Californians view their own representatives in the assembly and state senate more positively: 36 percent of adults and 32 percent of likely voters approve of these lawmakers’ job performance.

Last January, most Californians (58%) said they thought the governor and legislature would be able to work together and accomplish a lot in the year to come. Today, there is less optimism: 44 percent say the governor and legislature will be able to work together and 47 percent say they will not.

In contrast, Californians are more pessimistic when asked this question about federal elected officials: 35 percent think President Barack Obama and the U.S. Congress will be able to work together and accomplish a lot in the next year and 62 percent do not.

AS HE FACES RE-ELECTION, OBAMA’S APPROVAL AT 54 PERCENT AMONG ADULTS

As this election year begins, Obama has the approval of 54 percent of Californians, while 42 percent disapprove and 4 percent are unsure. Likely voters are split (49% approve, 49% disapprove, 2% unsure). His job approval among Californians has declined from 70 percent in February 2009, just after he took office. It is now the same as President George W. Bush’s in January 2004 (54%), when he faced re-election. A large majority of Democrats (81%) approve of Obama’s job performance and a large majority of Republicans (83%) disapprove. Independents are divided (44% approve, 48% disapprove). Nationally, adults are more evenly split on Obama’s job performance (47% approve, 45% disapprove), according to a recent CBS News/*New York Times* poll.

Just a quarter of Californians (25%) approve of the U.S. Congress, whose job approval rating sank to a record-low 20 percent in December 2011. Likely voters are even less likely (14%) to approve of Congress.

Californians are more positive about their own representatives in Congress. Forty-six percent of adults (47% likely voters) approve of their representative in the U.S. House. U.S. Senator Dianne Feinstein—who faces re-election this year—has an approval rating of 47 percent among adults and likely voters. Senator Barbara Boxer’s approval rating is 46 percent among adults and 45 percent among likely voters.

ROMNEY LEADS IN GOP PRIMARY RACE

In the PPIC survey, conducted before the South Carolina primary, Mitt Romney leads (37%) among California’s Republican likely voters, followed by Newt Gingrich (18%), Rick Santorum (15%), and Ron Paul (11%), with 17 percent undecided. To report the preferences of all Republican likely voters, the survey allocated the supporters of Jon Huntsman and Rick Perry to their second-choice candidates.

Just over half of likely voters (53%) are satisfied with their choices of candidates, and 42 percent are not. Among Democrats, 67 percent are satisfied. Half of Republicans (52%) and independents (51%) are not.

MORE KEY FINDINGS

- **Two-thirds favor state-local realignment**—page 14

Most Californians favor an idea Brown introduced in his budget plan a year ago: shifting tax dollars and fees and the responsibility for operating some programs from the state to local governments. Half are confident (38% somewhat, 12% very) that their local governments can handle the shift of some lower-risk inmates from state prisons to county jails, a change that began last October.

- **Few know where the money comes from and where it goes**—page 16

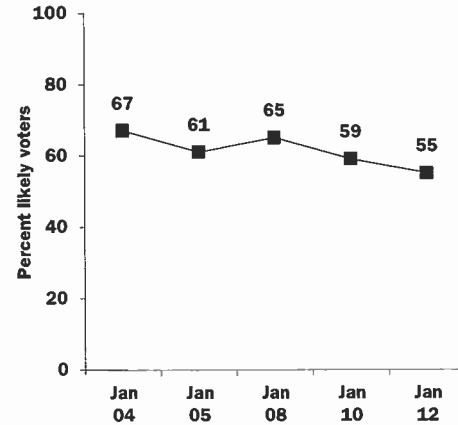
Sixteen percent of adults say they know a lot about how state and local governments spend and raise money, and 38 percent say they know some. But among those who say they have a lot or some knowledge, only 18 percent are aware that K–12 education is the largest area of spending.

CALIFORNIA BUDGET AND FISCAL ATTITUDES

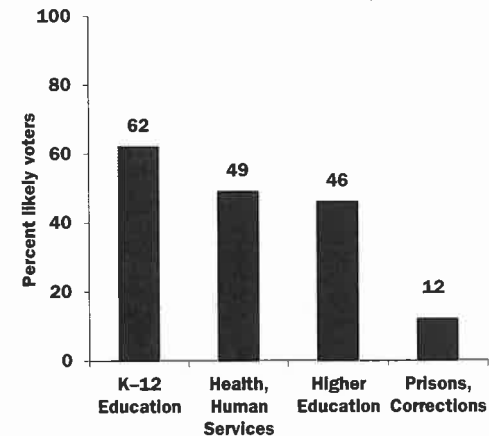
KEY FINDINGS

- Two in three adults say the state budget situation is a big problem. To reduce the budget deficit, 35 percent prefer spending cuts and 40 percent a mix of spending cuts and tax increases. Majorities say the state could spend less and still maintain the same level of services. (pages 7, 8)
- Most Californians choose K-12 education as the budget area they most want to protect from cuts, and are also willing to pay higher taxes to maintain current funding levels for K-12 education. (pages 7, 9)
- Seven in 10 likely voters favor raising the top rate of the income tax paid by the wealthiest Californians; two in three oppose raising the state sales tax. (page 11)
- When read a brief summary of Governor Brown's 2012 budget proposal, likely voters are divided in their support. About half oppose proposed spending cuts to social service programs. Strong majorities favor Governor Brown's tax initiative and oppose the automatic cuts to K-12 education that would occur if the tax initiative does not pass. (pages 12, 13)
- Two in three Californians continue to favor shifting some state responsibilities to local governments. There is confidence in their ability to handle this shift, but confidence is lower about shifting lower-risk prison inmates to county jails. (page 14)
- Majorities view the current state and local tax system as very (7%) or moderately (50%) fair. Nearly half (47%) say they pay about the right amount in taxes. Sixteen percent of adults and 22 percent of likely voters say they know a lot about state and local government finances. (pages 15, 16)

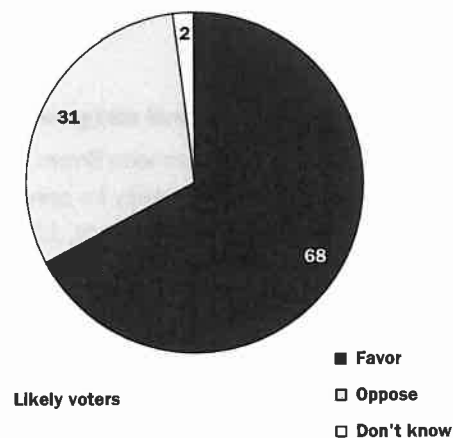
Percent Saying the State Could Spend Less and Maintain Same Level of Services



Willingness to Pay Higher Taxes to Maintain Current Funding Levels



Support for Governor Brown's Proposed Tax Initiative



ASSESSING THE CURRENT BUDGET SITUATION

Large majorities of adults (64%) and likely voters (78%) describe the state budget situation in California as a big problem. A year ago, 68 percent of adults and 83 percent of likely voters said that the state budget situation was a big problem. Today, a majority of adults (62%) and likely voters (60%) say that their local government services have been affected a lot by recent state budget cuts, while fewer than one in 10 in each group says they have not. Last September, 67 percent of adults and 68 percent of likely voters said their local services had been affected a lot by recent state budget cuts.

“Would you say that your local government services—such as those provided by city and county governments and public schools—have or have not been affected by recent state budget cuts? (If they have: Have they been affected a lot or somewhat?)”

	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
Affected a lot	62%	69%	52%	59%	60%
Affected somewhat	27	24	30	28	28
Not affected	8	4	14	7	8
Don't know	4	2	5	5	3

Governor Brown has proposed a mix of spending cuts and tax increases to deal with the state budget gap. Although 40 percent of adults and likely voters prefer this approach, similar shares prefer to deal with the state's budget gap mostly through spending cuts. A year ago, responses to this question were similar. There is a partisan divide on this question, with 67 percent of Democrats favoring either a mix of spending cuts and tax increases (48%) or mostly tax increases (19%), while 62 percent of Republicans favor dealing with the budget gap mostly through spending cuts; 55 percent of independents prefer either a mix of spending cuts and tax increases (47%), or mostly tax increases (8%).

“As you may know, the state government currently has an annual budget of around \$85 billion and faces a multibillion-dollar gap between spending and revenues. How would you prefer to deal with the state's budget gap—mostly through spending cuts, mostly through tax increases, through a mix of spending cuts and tax increases, or do you think that it is okay for the state to borrow money and run a budget deficit?”

	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
A mix of spending cuts and tax increases	40%	48%	25%	47%	40%
Mostly through spending cuts	35	25	62	35	41
Mostly through tax increases	13	19	7	8	13
Okay to borrow money and run a budget deficit	6	5	2	5	3
Other	1	1	2	1	1
Don't know	4	2	2	4	2

Governor Brown has said he wants to shield K–12 public education from state spending cuts. When the four largest areas for state spending are named, 55 percent of adults and 59 percent of likely voters say that K–12 public education is the one they most want to protect from spending cuts, while far fewer name higher education, health and human services, and prisons and corrections. Democrats (56%), Republicans (59%), independents (56%), just over half across the state's major regions, and pluralities across all age, education, income, and racial/ethnic groups would most like to protect K–12 public schools from spending cuts. We have found a public preference for most wanting to protect K–12 public schools from state spending cuts since we first asked this question during the 2003 budget crisis.

ATTITUDES TOWARD STATE SPENDING LEVELS

Californians would prefer to pay higher taxes and have a state government that provides more services than pay lower taxes and receive fewer services (51% to 41%). Likely voters are split in their opinions. Since we first asked this question in February 2003, neither response has generated overwhelming preference, and Californians are often divided on this size-of-government question. Today, this question divides voters sharply along partisan lines: 67 percent of Democrats would prefer paying higher taxes for more services, but an even greater share of Republicans (74%) would prefer paying lower taxes for fewer services. Independents prefer smaller government (52%) to larger government (42%).

**“In general, which of the following statements do you agree with more:
I’d rather pay higher taxes and have a state government that provides more services, or
I’d rather pay lower taxes and have a state government that provides fewer services?”**

	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
Higher taxes and more services	51%	67%	20%	42%	45%
Lower taxes and fewer services	41	25	74	52	48
Don't know	8	7	6	6	7

There is a perception among Californians that the state government could do the same with less: 59 percent of adults and 55 percent of likely voters believe the state government could cut spending and still provide the same level of services. How much less? Among adults who say the state could spend less and provide the same service levels, nearly one in five (18%) say state government could cut less than 10 percent, four in 10 (41%) say it could cut spending 10 to under 20 percent, and one in three (34%) say the state could cut spending 20 percent or more and still maintain services. The share who believe the state could cut spending and still provide the same services has declined 8 points since January 2004 (from 67% to 59%); among likely voters, the share has dropped 12 points (from 67% to 55%). Majorities of Republicans (70%) and independents (64%) say the state could cut its spending without affecting service levels, while Democrats are more likely to say it could not (43% could, 53% could not).

Most Californians (59%) also believe it is a good idea to strictly limit the amount of money that state spending could increase each year; 33 percent consider this a bad idea. In the 13 times this question has been asked since 2003, majorities have said a spending limit is a good idea; however, the percentage expressing this view has declined 13 points since last May (from 72% to 59%). Majorities across parties say a spending limit is a good idea and 62 percent of likely voters agree. Among those who prefer smaller government, 68 percent think it is a good idea to strictly limit spending increases. And among those who say the state could spend less, 66 percent say a spending limit is a good idea.

“Fiscal reforms have been proposed to address the structural issues in the state budget. Do you think it is a good idea or a bad idea to strictly limit the amount of money that state spending could increase each year?”

	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
Good idea	59%	53%	72%	62%	62%
Bad idea	33	40	20	34	30
Don't know	8	7	8	4	7

RAISING REVENUES FOR SPECIFIC BUDGET AREAS

When asked if they would pay higher taxes to maintain funding levels for the state's four largest areas of spending, a strong majority say they would do so for K-12 public education (72%) and smaller majorities would for health and human services (57%) and higher education (57%). By contrast, just 13 percent would do so for prisons and corrections (85% would not). Findings were fairly similar last May.

**“What if the state said it needed more money just to maintain current funding for...?
Would you be willing to pay higher taxes for this purpose, or not?”**

All adults	K-12 public education	Health and human services	Higher education	Prisons and corrections
Yes	72%	57%	57%	13%
No	27	42	42	85
Don't know	1	2	1	1

Seven in 10 adults (72%) and 62 percent of likely voters would pay higher taxes to maintain funding for K-12 education. Governor Brown has proposed to ask voters to do just that through a November ballot initiative. Strong majorities of Democrats (82%) and independents (60%) say they would pay higher taxes for this purpose, while a majority of Republicans would not (46% yes, 53% no). At least six in 10 Californians across regions and demographic groups would pay higher taxes for K-12 education.

Fifty-seven percent of adults and 49 percent of likely voters would pay higher taxes to maintain funding for health and human services, but there are large differences across parties: 73 percent of Democrats would pay higher taxes for this purpose, while most Republicans (22% yes, 77% no) and independents (46% yes, 53% no) would not. Support drops as income rises.

Nearly six in 10 Californians (57%) would pay higher taxes to maintain funding for higher education. Likely voters are more opposed (46% yes, 53% no). A strong majority of Democrats (69%) would pay higher taxes to benefit higher education, while majorities of Republicans (26% yes, 73% no) and independents (41% yes, 56% no) would not. At least half across regions would pay higher taxes to maintain funding for higher education. Support declines with rising age and income levels.

When it comes to maintaining funding for prisons, less than 20 percent of adults, likely voters, voters across parties, and Californians across regions and demographic groups would pay higher taxes.

Percent willing to pay higher taxes		K-12 public education	Health and human services	Higher education	Prisons and corrections
All Adults		72%	57%	57%	13%
Likely Voters		62	49	46	12
Party	Democrats	82	73	69	11
	Republicans	46	22	26	11
	Independents	60	46	41	12
Region	Central Valley	73	52	57	13
	San Francisco Bay Area	70	59	52	15
	Los Angeles	72	61	61	15
	Other Southern California	70	52	55	11
Household Income	Under \$40,000	78	67	65	14
	\$40,000 to under \$80,000	69	56	54	12
	\$80,000 or more	68	47	49	12

RAISING REVENUES

The survey included five questions about specific taxes that could be increased to help reduce the state’s large budget deficit. In addition to the two tax increases that are part of Governor Brown’s tax initiative— income taxes on the wealthy and the state sales tax—three tax increases have been proposed by others—extending the sales tax, raising corporate taxes, and the split-roll property tax.

Proposition 13 in 1978 strictly limited residential and commercial property taxes. When it comes to taxing commercial properties according to their current market value—a split roll property tax—most Californians and likely voters (60% each) are in favor. In response to a similar question, majorities of Californians have said taxing commercial properties at their current market value is a good idea (52% February 2003, 57% June 2003, 60% January 2004, 59% May 2004, 58% September 2009). Most Democrats (68%) and independents (58%) favor taxing commercial properties according to current market value, while Republicans are divided (46% favor, 47% oppose).

“Under Proposition 13, residential and commercial property taxes are both strictly limited. What do you think about having commercial properties taxed according to their current market value? Do you favor or oppose this proposal?”

	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
Favor	60%	68%	46%	58%	60%
Oppose	33	24	47	37	34
Don't know	7	8	7	4	5

Nearly seven in 10 Californians (68%) and six in 10 likely voters (61%) favor raising the taxes paid by California corporations. This marks a record-high level of support among Californians since this question was first asked in May 2005 (60% May 2005, 59% May 2007, 63% May 2008, 60% January 2009, 58% May 2010, 44% September 2010, 60% January 2011, 68% today). An overwhelming majority of Democrats (82%) and 63 percent of independents favor increasing taxes on corporations, while a majority of Republicans are opposed (42% favor, 56% oppose).

Another idea that some people have proposed to raise revenues is extending the state sales tax to services that are not currently taxed. Most Californians and likely voters (54% each) oppose this idea. Findings among adults were identical last May and majorities have opposed this idea since May 2005 (63% May 2005, 65% May 2007, 62% January 2008, 59% May 2008, 58% May 2010, 54% May 2011, 54% today). Seven in 10 Republicans (70%) and most independents (55%) oppose extending the sales tax to services, while Democrats are somewhat more likely to favor than oppose the idea (51% to 43%). At least half of Californians across regions and most demographic groups oppose extending the sales tax to services, with the exception of Asians (45% favor, 47% oppose), college graduates (46% favor, 45% oppose), and those with annual household incomes of \$80,000 or more (46% favor, 48% oppose).

“Tax and fee increases could be used to help reduce the state’s large gap between spending and revenues. For each of the following, please say if you favor or oppose the proposal. How about extending the state sales tax to services that are not currently taxed?”

	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
Favor	39%	51%	24%	39%	39%
Oppose	54	43	70	55	54
Don't know	6	7	6	6	7

RAISING REVENUES (CONTINUED)

When it comes to the two types of taxes that will be part of Governor Brown's tax initiative, Californians strongly oppose raising the state sales tax (29% favor, 69% oppose) but strongly support raising the top rate of the state income tax paid by the wealthiest Californians (74% favor, 24% oppose).

Since January 2004, at least six in 10 Californians have opposed the idea of raising the state sales tax to reduce the state's deficit (60% January 2004, 64% January 2005, 71% May 2005, 64% January 2008, 61% May 2008, 69% January 2011, 73% May 2011, 69% today).

Nearly two in three likely voters oppose raising the state sales tax (35% favor, 64% oppose). Majorities across parties oppose this idea, although Democrats (54%) are less likely than independents (71%) or Republicans (74%) to express opposition. More than six in 10 across regions and demographic groups oppose raising the state sales tax. Latinos (74%) and Asians (73%) are more likely than whites (64%) to express opposition; opposition declines somewhat with rising age, education, and income. Among those who prefer to close the state deficit mostly through spending cuts, the vast majority (82%) oppose raising the sales tax for this purpose. But there is also majority opposition (61%) to raising the sales tax among those who prefer closing the deficit through a mix of spending cuts and tax increases.

“How about raising the state sales tax on all purchases?”

	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
Favor	29%	44%	25%	28%	35%
Oppose	69	54	74	71	64
Don't know	2	2	–	1	1

The most popular idea for raising revenues is increasing the top rate of the state income tax paid by the wealthiest Californians: 74 percent favor this idea, while 24 percent oppose it. At least 65 percent of Californians have favored this idea since we first asked this question in January 2004 and support is at a record high today (71% January 2004, 69% January 2005, 68% May 2005, 65% January 2006, 73% January 2008, 69% May 2008, 72% January 2009, 67% May 2010, 74% today).

Sixty-eight percent of likely voters favor—and 31 percent oppose—raising the top rate of the state income tax paid by the wealthiest Californians. Across parties, strong majorities of Democrats (85%) and independents (71%) favor this idea, while Republicans are slightly more likely to be opposed (46% favor, 52% oppose). Across regions and demographic groups, more than two in three express support for raising taxes on the wealthy, including at least seven in 10 across all income groups (79% under \$40,000, 76% \$40,000–\$80,000, 71% \$80,000 or more).

“How about raising the top rate of the state income tax paid by the wealthiest Californians?”

	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
Favor	74%	85%	46%	71%	68%
Oppose	24	13	52	28	31
Don't know	2	2	2	1	2

GOVERNOR'S BUDGET PROPOSAL

Governor Brown has released his budget plan for closing a multibillion-dollar state budget deficit. The proposed 2012–13 plan includes spending cuts to health and social service programs and a tax increase that would go to the voters on the November 2012 ballot through the citizens' initiative process. (Last year, the governor was unsuccessful in his efforts to achieve, through the legislative process, a two-thirds vote for a tax increase to go to the voters on a 2011 special election ballot.) When read a brief summary of the proposed budget plan, 50 percent of adults are in favor and likely voters are divided (48% favor, 46% oppose) on the governor's budget plan. While 61 percent of Democrats favor the plan, 58 percent of Republicans oppose it, and independents are divided (42% favor, 48% oppose). About half across regions support the governor's budget plan. Support is higher among college-educated residents, and although support rises as income rises, it declines with age.

“Governor Brown proposed a budget plan for the current and next fiscal year to close the state’s projected \$9.2 billion budget deficit. It includes spending cuts to welfare, child care, Medi-Cal, and other social service programs, and increases funding for K–12 public education. The proposal includes tax increases that would have to be approved by voters through an initiative on the November ballot. In general, do you favor or oppose the governor’s budget plan?”

	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
Favor	50%	61%	37%	42%	48%
Oppose	43	33	58	48	46
Haven't heard anything about the budget (vol)	1	2	1	2	1
Don't know	6	4	4	9	5

After this question, we asked a series of questions to gauge current levels of support and opposition to three of the proposal's key features. One element of the governor's budget plan to reduce the multibillion-dollar budget gap is spending cuts in welfare, child care, Medi-Cal programs, and a variety of other social service programs. Unlike overall views of the governor's budget plan, this specific proposal receives more negative reviews. Thirty-nine percent of adults are in favor of these spending cuts and 58 percent oppose them. Likely voters are more divided (44% favor, 51% oppose) than adults. Sixty-three percent of Democrats oppose these spending cuts, 57 percent of Republicans favor them, and independents are divided (47% favor, 48% oppose). Majorities across regions, age groups, and education levels oppose these cuts. There is more support for these specific spending cuts among higher-income residents than among lower-income residents. Whites (45%) and Asians (40%) are somewhat more likely than Latinos (33%) to say they favor these proposed spending cuts. Residents who favor the governor's overall budget plan are divided about these spending cuts (51% favor, 46% oppose). Those who oppose the governor's overall budget plan are strongly opposed to these cuts (26% favor, 70% oppose).

“Do you favor or oppose Governor Brown’s proposed spending cuts to welfare, child care, Medi-Cal, and other social service programs?”

	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
Favor	39%	34%	57%	47%	44%
Oppose	58	63	37	48	51
Don't know	4	3	6	5	5

GOVERNOR’S BUDGET PROPOSAL (CONTINUED)

Another key element of the governor’s budget plan is a proposed tax initiative that would increase the state personal income tax on wealthy Californians and increase the state sales tax, with the new revenues going to K–12 public schools. When read our brief summary of the proposal, 72 percent of adults and 68 percent of likely voters say they favor this proposed tax initiative. (Survey interviews were completed prior to the Attorney General’s release of the official title and summary of the proposed initiative.) Eighty-five percent of Democrats and 65 percent of independents favor the tax increase, and Republicans are slightly more likely to favor (53%) than oppose (46%) it.

Positive responses to this tax initiative are in line with responses we received to a similar question in our December 2011 survey (65% of all adults and 60% of likely voters in favor).

More than two in three across regions and racial/ethnic groups support the tax initiative. Strong majorities across income, education, and age groups support the tax initiative, although support is lower among older residents. The tax increase is favored among adults who approve of Brown’s job performance (86%) and his budget plan (85%) while support is lower among adults who disapprove of Brown (54% favor, 45% oppose) and oppose his budget plan (56% favor, 41% oppose).

“Governor Brown’s proposed tax initiative on the November ballot includes a temporary four-year half-cent increase in the state sales tax and a temporary five-year increase in the state personal income tax on those earning more than \$250,000 annually. The initiative would raise about \$5 to \$7 billion annually with the new revenues going to K–12 public schools. Do you favor or oppose the proposed tax initiative?”

	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
Favor	72%	85%	53%	65%	68%
Oppose	26	13	46	32	31
Don’t know	2	2	1	3	2

Governor Brown has said that there will be automatic spending cuts to K–12 public schools if his tax initiative is rejected by voters in November. Seventy-nine percent of adults and 75 percent of likely voters say they oppose the automatic spending cuts to K–12 public schools. Strong majorities of Democrats, Republicans, and independents say they are opposed to these spending cuts to K–12 public schools.

More than three in four adults across the state’s regions and strong majorities in all age, education, income, and racial/ethnic groups are currently opposed to the automatic spending cuts to K–12 public schools. Among those who favor the governor’s budget plan, 83 percent are opposed to the K–12 spending cuts, and among those adults who are in favor of the spending cuts for health and human service programs in the governor’s budget plan, 70 percent oppose these K–12 public school spending cuts. For those adults who favor the governor’s tax initiative, 84 percent oppose the automatic spending cuts to K–12 public schools.

“If voters reject the proposed tax initiative on the November ballot, Governor Brown has said that automatic spending cuts will be made to K–12 public schools. Do you favor or oppose these automatic spending cuts to K–12 public schools?”

	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
Favor	20%	15%	31%	31%	24%
Oppose	79	83	67	67	75
Don’t know	2	2	2	2	2

STATE AND LOCAL REALIGNMENT

A year ago Governor Brown introduced state and local realignment as part of his budget plan. Today, two in three Californians and likely voters (66% each) favor a shift of some tax dollars and fees from the state government to local governments in order for local governments to take on the responsibility of running certain programs currently run by the state. Solid majorities of Californians have expressed support throughout the past year (71% January, 61% September, 69% December, 66% today). Today, solid majorities across parties (64% Democrats, 69% Republicans, 71% independents) and regions favor the idea of realignment. Asians (87%) are far more likely than whites (66%) or Latinos (61%) to be in favor.

Californians also remain confident in local government’s ability to take on the responsibility associated with realignment. Six in 10 Californians (10% very, 49% somewhat) and likely voters (13% very, 47% somewhat) are confident that local government would be able to take on these responsibilities. Confidence has been similar each time we asked this question over the past year (63% January, 59% September, 63% December, 59% today). Today, majorities across parties (64% Republicans, 63% independents, 58% Democrats) are at least somewhat confident, as are majorities across regions. Confidence is higher among Asians (70%) than among whites (60%) or Latinos (55%) and three times higher among those who favor (74%) rather than oppose (25%) realignment in general.

“If the state were to shift some tax dollars and fees to local governments, how confident are you that local governments would be able to take on the responsibilities of running certain programs currently run by the state? Are you very confident, somewhat confident, not too confident, or not at all confident?”

	All Adults	Region				Likely Voters
		Central Valley	San Francisco Bay Area	Los Angeles	Other Southern California	
Very confident	10%	5%	11%	10%	10%	13%
Somewhat confident	49	50	51	46	51	47
Not too confident	23	23	28	23	18	21
Not at all confident	16	19	8	18	19	16
Don't know	2	2	2	3	2	2

When it comes to the shift of some lower-risk inmates from state prisons to county jails, half of Californians (12% very, 38% somewhat) and likely voters (11% very, 38% somewhat) express confidence in their local government’s ability to handle this shift. Confidence was similar last September and December. About half across parties are confident (51% Democrats, 50% independents, 48% Republicans). Confidence is highest in the San Francisco Bay Area (56%) followed by the Other Southern California region (48%), Los Angeles (46%), and the Central Valley 41%). Confidence is much higher among those who favor (55%) than oppose (38%) realignment in general.

“As you may know, state funding is being provided to shift some of the lower-risk inmates from state prisons to county jails to reduce prison overcrowding and lower state costs. How confident are you that your local government is able to take on this responsibility? Are you very confident, somewhat confident, not too confident, or not at all confident?”

	All Adults	Region				Likely Voters
		Central Valley	San Francisco Bay Area	Los Angeles	Other Southern California	
Very confident	12%	10%	15%	12%	9%	11%
Somewhat confident	38	31	41	34	39	38
Not too confident	26	23	30	28	26	24
Not at all confident	22	33	11	22	22	24
Don't know	3	2	3	3	3	3

STATE AND LOCAL TAX SYSTEM

With the governor set to put his tax plan on the November ballot, how do Californians view the present state and local tax system? Majorities of Californians (7% very, 50% moderately) and likely voters (4% very, 49% moderately) view the system as fair while fewer view it as not too or not at all fair (41% adults, 45% likely voters). Views among adults that the tax system is fair were similar last January (57%) and in January 2010 (53%), while more adults viewed the system as fair in June 2003 (66%). Today, Democrats (62%) are more likely than independents (53%) or Republicans (50%) to say the tax system is fair. Majorities across regions view the system as at least moderately fair (61% Central Valley, 58% Other Southern California region, 55% Los Angeles, 53% San Francisco Bay Area). Asians (66%) and Latinos (61%) are more likely than whites (53%) to say the system is at least moderately fair. At least half across age and education groups say the system is fair. Across income groups, perceptions that the tax system is fair are similar (57% under \$40,000, 58% \$40,000–\$80,000, 55% \$80,000 or more). Among those who say they pay about the right amount in state and local taxes, 73 percent say the system is fair; among those who say they pay much more than they should, 31 percent say the system is fair.

“Overall, how fair do you think our present state and local tax system is— would you say it is very fair, moderately fair, not too fair, or not at all fair?”

	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
Very fair	7%	7%	5%	2%	4%
Moderately fair	50	55	45	51	49
Not too fair	27	27	28	27	29
Not at all fair	14	11	21	17	16
Don't know	3	1	2	2	1

While nearly six in 10 Californians view the state and local tax system as fair, 46 percent say they pay much more (21%) or somewhat more (25%) than they should; 47 percent think they pay about the right amount and 6 percent say they pay less than they should. Opinions of likely voters are similar. More adults last January (26% much more, 27% somewhat more, 39% about the right amount) and in January 2010 (31% much more, 25% somewhat more, 35% about the right amount) said they paid more than they should, while fewer thought they paid about the right amount. Republicans (62%) and independents (51%) are much more likely than Democrats (35%) to say that they pay more than they should. Those with incomes of \$40,000 or more are somewhat more likely than those with lower incomes to think they pay more than they should. Among those who say the tax system is fair, 32 percent say they pay more than they should. Among those who say the tax system is not fair, 64 percent hold this view.

“When you combine all of the taxes you pay to state and local governments, do you feel that you pay much more than you should, somewhat more than you should, about the right amount, or less than you should?”

	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
Much more	21%	13%	30%	21%	20%
Somewhat more	25	22	32	30	27
About the right amount	47	55	32	43	44
Less	6	10	5	5	8
Don't know	2	1	–	1	1

KNOWLEDGE OF THE STATE BUDGET SITUATION

Governor Brown proposes to ask California voters to make major tax and spending decisions at the ballot box, but how many Californians view themselves as very knowledgeable on this subject? Sixteen percent of adults and 22 percent of likely voters say they know a lot about how the state and their local governments spend and raise money, while a plurality say they know some about this topic. Over time, the percentage of Californians who claim to know “a lot” or “some” has not increased since the 2003 budget crisis. Republicans and independents are slightly more likely than Democrats to say they know a lot about state and local spending and revenues.

“In general, how much would you say you know about how your state and local governments spend and raise money—a lot, some, very little, or nothing?”

	All Adults	Education			Likely Voters
		High school or less	Some college	College graduate	
A lot	16%	14%	16%	20%	22%
Some	38	34	44	39	47
Very little	35	39	31	33	27
Nothing	9	11	7	7	4
Don't know	2	1	2	1	1

Governor Brown also proposes to ask voters to raise taxes for K–12 public education, or else trigger spending cuts in this area. Fewer than one in four adults (16%) and likely voters (22%) are aware that K–12 education is the largest area of state spending. Residents 55 years or older and those earning \$80,000 or more are more likely than others to correctly name K–12 education. The percentage naming K–12 education was higher in May 2007 (30%) and May 2005 (29%). Among those who say they know a lot or some about fiscal issues, 18 percent correctly name K–12 education as the top spending area.

“I’m going to name some of the largest areas for state spending. Please tell me the one that represents the most spending in the state budget: K–12 public education, higher education, health and human services, prisons and corrections.”

	All Adults	Age			Likely Voters
		18–34	35–54	55 and older	
K–12 public education	16%	10%	15%	23%	22%
Higher education	5	7	3	7	4
Health and human services	27	30	28	21	28
Prisons and corrections	47	50	49	40	40
Don't know	5	2	5	9	5

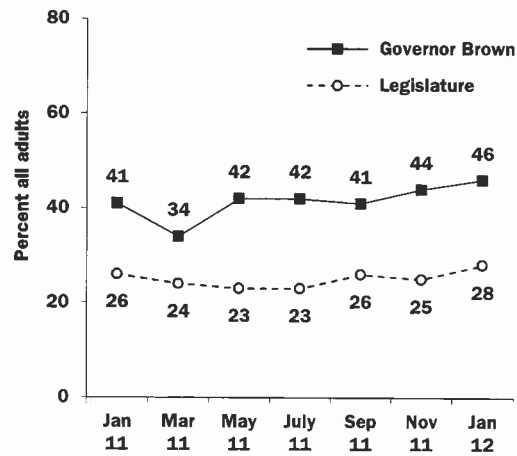
The proposed tax initiative on the November ballot would raise the state's personal income tax on the wealthiest Californians and also raise the state sales tax. How many Californians are aware of the relative value of the state's revenue sources? Three in 10 adults (29%) and 35 percent of likely voters correctly name the personal income tax as the largest state revenue source, but majorities in both groups incorrectly name the sales tax, corporate taxes, or motor vehicle fees. The level of fiscal knowledge has not increased over time and it is the older, more educated, and higher-income residents that are the most likely to know one of the basic facts about the state's revenue sources. Among those who say they know a lot or some about fiscal issues, 31 percent correctly name personal income tax. Among Californians, just 7 percent can correctly name both K–12 education and personal income tax as the top spending and revenue areas. Among likely voters, just 11 percent identify the correct areas.

STATE AND NATIONAL POLITICAL CONTEXT

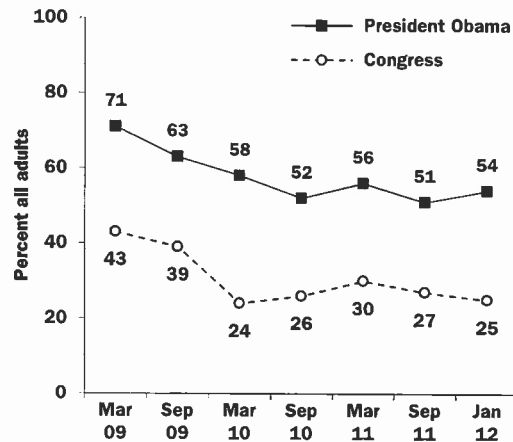
KEY FINDINGS

- Residents begin the year in a pessimistic mood, with majorities saying the state is heading in the wrong direction, and believing that California is currently in a serious or moderate recession. Californians name jobs and the economy (38%), the state budget (18%), or education (16%) as the most important issue for the governor and the legislature to work on. (page 18)
- Approval of Governor Brown’s job performance is at a record high of 46 percent, while the state legislature receives low approval ratings. Thirty-six percent of Californians approve of their own legislators in the assembly and senate. (page 19)
- Californians are divided regarding the ability of Governor Brown and the state legislature to work together this year. Six in 10 say President Obama and the U.S. Congress will not be able to work together. (page 20)
- Approval of President Obama is at 54 percent, while the U.S. Congress receives low approval ratings. Californians are more likely to approve than disapprove of their own representative to the U.S. Congress, and of Senators Feinstein and Boxer. (pages 21, 22)
- Just over half of likely voters are satisfied with their choices of candidates in the 2012 presidential election. More than eight in 10 say they are following news about the election either very or fairly closely. Mitt Romney leads Newt Gingrich, Rick Santorum, and Ron Paul in the Republican presidential primary. (page 23)

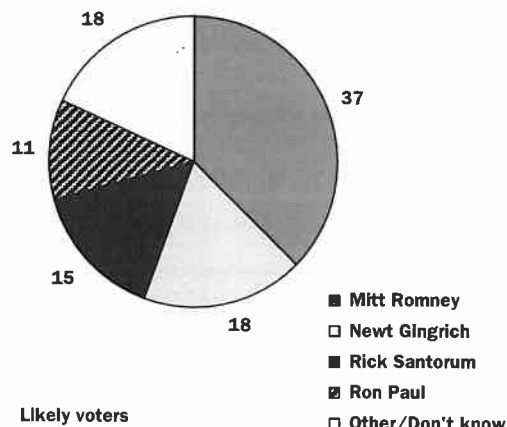
Approval Ratings of State Elected Officials



Approval Ratings of Federal Elected Officials



2012 Republican Presidential Primary



OVERALL MOOD IN THE STATE

Californians name jobs and the economy (38%) as the most important issue for the governor and legislature to work on in 2012. Eighteen percent mention the state budget and 16 percent name education and schools as the top issue. Mention of jobs and the economy today is similar to January 2011 (34%), January 2010 (35%), and January 2009 (42%), but is higher than January 2008 (19%).

Across political parties, regions, and demographic groups, most name jobs and the economy as the state’s top issue. Likely voters (25%) are more likely to mention the state budget as the top issue than all adults are (18%). Republicans (34%) are more likely than independents (22%), and much more likely than Democrats (17%) to mention the state budget. Democrats (24%) are more likely than independents (14%) and much more likely than Republicans (5%) to mention education and schools.

“Which one issue facing California today do you think is the most important for the governor and state legislature to work on in 2012?”

Top four issues mentioned	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
Jobs, economy	38%	36%	36%	39%	37%
State budget, deficit, taxes	18	17	34	22	25
Education, schools	16	24	5	14	17
Immigration, illegal immigration	7	3	9	4	6

What about the economy? Today, 43 percent of Californians believe that the state is in a serious recession, 34 percent say it is in a moderate recession, 9 percent a mild one, and 13 percent say the state is not in a recession. The share believing that the state is in a serious recession is similar to last January’s share (48%). Residents continue to have a negative economic outlook for the year, with 56 percent saying the state will face bad times financially; just 35 percent expect good times. Pessimism levels are similar to those in January 2011 (56%), but are lower than in January 2010 (67%), January 2009 (77%), and January 2008 (72%). Republicans (76%) are much more likely than independents (60%) and far more likely than Democrats (51%) to say the state will have bad times financially.

Nearly six in 10 Californians (57%) also say that things in California are generally going in the wrong direction. In January 2011, the share saying “wrong direction” was similar (54%) and at least half have said this since September 2007. Likely voters are more likely to express pessimism (66%). Democrats are slightly more likely to say the state is going in the right direction (51%) than in the wrong direction (43%). Most Republicans (80%) and independents (68%) say the state is going in the wrong direction. Pessimism is lowest in the San Francisco Bay Area (50%) and higher in Los Angeles (58%), the Central Valley (61%), and the Other Southern California region (63%).

“Do you think things in California are generally going in the right direction or the wrong direction?”

	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
Right direction	37%	51%	14%	29%	29%
Wrong direction	57	43	80	68	66
Don't know	6	6	6	4	5

APPROVAL RATINGS OF STATE ELECTED OFFICIALS

Today, a record-high 46 percent of adults approve of Governor Brown’s job performance; 31 percent disapprove and 23 percent are unsure. When Brown took office last January, 41 percent approved, and except for lows in February and March (34% each), his approval ratings have remained close to 42 percent. The share unsure of his job performance is at its lowest this month (23%). In 2011, more than one in four were unsure of how Brown was handling his job as governor of California. Among likely voters today, 44 percent approve and 38 percent disapprove. A solid majority of Democrats (63%) approve of the governor while 54 percent of Republicans disapprove. Independents are as likely to approve (35%) as they are to disapprove (34%) or be unsure (31%) of Brown’s performance.

Approval ratings of the California Legislature continue to be much lower than those of the governor, with 28 percent saying they approve and 56 percent saying they disapprove. These findings are similar to last January’s (26% approve, 55% disapprove). Although approval today is at its highest point since March 2008 (30%), more than half have disapproved of the legislature since January 2008. Likely voters (71%) are much more likely than others to disapprove of the legislature. Across parties, 75 percent of Republicans, 66 percent of independents, and 57 percent of Democrats disapprove of the legislature. Among racial/ethnic groups, whites (67%) are much more likely than Asians (53%) and far more likely than Latinos (39%) to disapprove of the legislature.

“Overall, do you approve or disapprove of the way that...”

		All Adults	Party			Likely Voters
			Dem	Rep	Ind	
<i>...Jerry Brown is handling his job as governor of California?</i>	Approve	46%	63%	22%	35%	44%
	Disapprove	31	20	54	34	38
	Don't know	23	17	24	31	17
<i>...the California Legislature is handling its job?</i>	Approve	28	27	12	18	17
	Disapprove	56	57	75	66	71
	Don't know	16	16	12	16	12

Californians’ approval of their individual state legislators is higher than their approval of the legislature overall, with 36 percent approving and 47 percent disapproving of their own legislators’ performance. Approval of individual state legislators is similar to last September (35%) and March (36%). Likely voters are slightly more disapproving (55%) than all adults (47%). Across parties, Democrats (41%) are much more likely than independents (25%) and Republicans (22%) to approve of their own legislators. Among racial/ethnic groups, Latinos (46%) are much more likely to express approval than whites (31%) and Asians (30%). Fewer than four in 10 across regions express approval (31% Los Angeles, 35% Central Valley, 37% San Francisco Bay Area, 39% Other Southern California region).

“Overall, do you approve or disapprove of the way that the state legislators representing your assembly and senate districts are doing at this time?”

	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
Approve	36%	41%	22%	25%	32%
Disapprove	47	42	65	56	55
Don't know	17	17	13	20	14

PROSPECTS FOR WORKING TOGETHER

Partisan differences and policy conflicts emerged at both the state and federal level last year. How do Californians view the chances of elected officials working together in the coming year?

At the state level, Californians are divided, with 44 percent saying Governor Brown and the state legislature will be able to work together and accomplish a lot in the next year, and 47 percent saying they will not be able to do so. Last January, residents were more optimistic, with 58 percent saying the new governor and the legislature would be able to work together.

Today, likely voters are less optimistic than all adults, with nearly six in 10 (59%) saying that the governor and legislature will not be able to work together, and 32 percent saying that they will. Democrats are more likely to say the governor and legislature will be able to work together (51%) than not (39%). Most Republicans and independents say the governor and the legislature will not be able to work together, but Republicans (70%) are much more likely to say this than independents (56%). Among racial/ethnic groups, Asians are divided (48% work together, 47% not), Latinos are optimistic (65% work together), and whites are pessimistic (61% not).

“Do you think that Governor Brown and the state legislature will be able to work together and accomplish a lot in the next year, or not?”

	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
Yes, will be able to work together	44%	51%	25%	29%	32%
No, will not be able to work together	47	39	70	56	59
Don't know	9	10	5	15	8

Californians are less optimistic about working relations at the federal level. Sixty-two percent say President Obama and the U.S. Congress will not be able to work together, while 35 percent say that they will be able to work together and accomplish a lot in the next year. This view has changed from January 2010, when 56 percent said they would be able to work together and 38 percent said they would not. In January 2009, when President Obama first took office and Democrats controlled the U.S. Congress, 81 percent said that President Obama and the U.S. Congress would be able to work together.

Likely voters are even more pessimistic than all adults about the chances of federal elected officials being able to cooperate in the next year (77% not work together, 19% work together). Across parties, Republicans (84%) and independents (72%) are more likely than Democrats (58%) to think that President Obama and the U.S. Congress will not be able to work together. Pessimism about these relationships rises as age, education, and income increase. Latinos are more likely to say that they will be able to work together (53%) than not (42%), while whites (78%) and Asians (64%) think that the president and the U.S. Congress will not be able to work together.

“Do you think that President Obama and the U.S. Congress will be able to work together and accomplish a lot in the next year, or not?”

	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
Yes, will be able to work together	35%	37%	13%	26%	19%
No, will not be able to work together	62	58	84	72	77
Don't know	3	4	4	2	4

APPROVAL RATINGS OF FEDERAL ELECTED OFFICIALS

At the beginning of a presidential election year, Barack Obama has the approval of 54 percent of Californians, while 42 percent disapprove. In February 2009, just after Obama took office, 70 percent expressed approval. The share approving of his performance declined to 61 percent by December 2009 and reached a low of 51 percent in September 2011. Today, Obama’s approval ratings are the same as George W. Bush’s in January 2004 (54%), at the start of the last presidential election year.

Partisan differences exist between Democrats (81% approve) and Republicans (83% disapprove). Independents are divided (44% approve, 48% disapprove), as are likely voters (49% each saying approve and disapprove). Adults nationwide are divided about President Obama’s job performance (47% approve, 45% disapprove), according to a recent CBS News/*New York Times* poll.

One in four Californians (25%) approve of the U.S. Congress, while nearly seven in 10 (69%) disapprove. Approval of Congress declined to a record low in December 2011 (20%). In January 2010, at the beginning of the midterm election year, 36 percent approved of Congress. Across parties today, overwhelming majorities disapprove of Congress. Likely voters are even more disapproving (82%). In a recent CBS News/*New York Times* poll, 79 percent adults nationwide disapprove of Congress, and 13 percent approve.

“Overall, do you approve or disapprove of the way that...”

		All Adults	Party			Likely Voters
			Dem	Rep	Ind	
<i>...Barack Obama is handling his job as president of the United States?</i>	Approve	54%	81%	16%	44%	49%
	Disapprove	42%	16%	83%	48%	49%
	Don't know	4%	3%	1%	7%	2%
<i>...the U.S. Congress is handling its job?</i>	Approve	25%	25%	15%	21%	14%
	Disapprove	69%	73%	77%	75%	82%
	Don't know	5%	3%	8%	4%	4%

Californians are more likely to approve (46%) than disapprove (39%) of their member of the U.S House of Representatives, while 15 percent are unsure. These approval ratings were similar last year (48% September, 50% March). Republicans and independents are more likely to disapprove, while Democrats are more likely to approve. Less than half across regions approve (47% Los Angeles, 45% San Francisco Bay Area, 44% Central Valley, 44% Other Southern California).

“Overall, do you approve or disapprove of the way your own representative to the U.S. House of Representatives in Congress is handling his or her job?”

	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
Approve	46%	58%	37%	37%	47%
Disapprove	39%	30%	50%	47%	41%
Don't know	15%	12%	14%	15%	12%

APPROVAL RATINGS OF FEDERAL ELECTED OFFICIALS (CONTINUED)

Senator Dianne Feinstein is running for reelection this year. Forty-seven percent of all adults approve of her job performance, 35 percent disapprove, and 18 percent are unsure. Among likely voters, 47 percent approve, 42 percent disapprove, and 11 percent are unsure. Approval among all adults today is similar to September (46%) and March 2011 (48%), and similar to March 2006 (51%), prior to her last reelection.

Partisan differences are apparent, with 71 percent of Democrats approving of her job performance, and 66 percent of Republicans disapproving. Independents are more likely to disapprove (43%) than approve (36%), with one in five (21%) unsure of how to rate her job performance. Nearly six in 10 residents in the San Francisco Bay Area (58%) approve of her performance, compared to more than four in 10 and fewer than half in the state's other major regions (47% Central Valley, 46% Los Angeles, 41% Other Southern California region). Approval is higher among Asians (56%) and Latinos (51%) than among whites (42%). Among Californians who approve of President Obama, 67 percent also approve of Senator Feinstein. Among those who approve of Senator Boxer, 82 percent approve of Senator Feinstein.

“Overall, do you approve or disapprove of the way that Dianne Feinstein is handling her job as U.S. senator?”

	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
Approve	47%	71%	21%	36%	47%
Disapprove	35	17	66	43	42
Don't know	18	12	13	21	11

Forty-six percent of adults approve of U.S. Senator Barbara Boxer, while 38 percent disapprove and 17 percent are unsure. Likely voters are divided in their ratings of Senator Boxer (45% approve, 45% disapprove, 10% unsure). Approval is similar to September (49%) and March 2011 (45%).

Today, partisans differ greatly in their views of Senator Boxer, with seven in 10 Democrats (72%) approving and seven in 10 Republicans (72%) disapproving. Independents are more likely to disapprove (43%) than approve (34%), while 23 percent are unsure. Regional differences also exist, with residents in the San Francisco Bay Area (54%) most likely to approve, followed by residents in Los Angeles (45%), the Other Southern California region (42%), and the Central Valley (40%). Approval is higher among Latinos (54%) and Asians (51%) than among whites (39%). Among Californians who approve of President Obama, 66 percent also approve of Senator Boxer. Among those who approve of Senator Feinstein, 80 percent approve of Senator Boxer.

“Overall, do you approve or disapprove of the way that Barbara Boxer is handling her job as U.S. senator?”

	All Adults	Party			Likely Voters
		Dem	Rep	Ind	
Approve	46%	72%	15%	34%	45%
Disapprove	38	18	72	43	45
Don't know	17	10	13	23	10

2012 PRESIDENTIAL ELECTION

After months of debates, the Republican primary season began in early January. With strong finishes in Iowa on January 3 and New Hampshire January 10, Mitt Romney (37%) holds the lead among Republican primary likely voters in California, followed by Newt Gingrich (18%), Rick Santorum (15%), and Ron Paul (11%). Seventeen percent are undecided. (Interviews were conducted before the South Carolina primary.) In our December survey, Newt Gingrich led Mitt Romney (33% to 25%) among likely voters.

Just over half of likely voters (53%) are satisfied with their choices of candidates in the election for president this year, while four in 10 (42%) are not satisfied. In December, 49 percent were satisfied and 45 percent were not satisfied. Two in three Democrats (67%) are satisfied, while half of Republicans (52%) and independents (51%) are not satisfied. While today's findings among Republicans are similar to those in December (47% satisfied, 47% not satisfied), satisfaction among Democrats has increased 10 points since December (57%). Independents were slightly more likely to be dissatisfied in December (58%) than they are today (51%). Similar majorities of men and women are satisfied with their choices of candidates in the 2012 presidential election, although men more often express dissatisfaction.

“In general, would you say you are satisfied or not satisfied with your choices of candidates in the election for U.S. president in 2012?”

<i>Likely voters only</i>	All Likely Voters	Party			Gender	
		Dem	Rep	Ind	Men	Women
Satisfied	53%	67%	44%	39%	51%	54%
Not satisfied	42	28	52	51	45	38
Don't know	6	5	5	11	4	8

Eighty-five percent of likely voters are following news about the 2012 presidential election very (36%) or fairly (49%) closely, while 16 percent report following news not too (13%) or not at all closely (3%). In December a similar 82 percent were closely following election news (40% very closely, 42% fairly closely). In September 2007, about five months before the state's February 2008 primary election, overall attention to the news was similar among likely voters, but the percentage paying very close attention is higher today (36% to 29% in 2007).

Today, eight in 10 or more likely voters across parties are following campaign news at least fairly closely, although Republicans (40%) are slightly more likely than Democrats (34%) or independents (32%) to say they are following it very closely. Men (43%) are much more likely than women (29%) to report following the news very closely, as are likely voters 55 and older (43%) compared to younger likely voters (30%).

“How closely are you following news about candidates for the 2012 presidential election—very closely, fairly closely, not too closely, or not at all closely?”

<i>Likely voters only</i>	All Likely Voters	Party			Gender	
		Dem	Rep	Ind	Men	Women
Very closely	36%	34%	40%	32%	43%	29%
Fairly closely	49	47	48	53	47	50
Not too closely	13	15	11	11	7	17
Not at all closely	3	4	—	4	2	3

METHODOLOGY

The PPIC Statewide Survey is directed by Mark Baldassare, president and CEO and survey director at the Public Policy Institute of California, with assistance from Sonja Petek and Jui Shrestha, co-project managers for this survey, and survey research associate Dean Bonner. The *Californians and Their Government* series is supported with funding from The James Irvine Foundation. We benefit from discussions with PPIC staff, foundation staff, and other policy experts, but the methods, questions, and content of this report were determined solely by Mark Baldassare and the survey team.

Findings in this report are based on a survey of 2,002 California adult residents, including 1,602 interviewed on landline telephones and 400 interviewed on cell phones. Interviews took an average of 20 minutes to complete. Interviewing took place on weekday nights and weekend days from January 10 to 17, 2012.

Landline interviews were conducted using a computer-generated random sample of telephone numbers that ensured that both listed and unlisted numbers were called. All landline telephone exchanges in California were eligible for selection and the sample telephone numbers were called as many as six times to increase the likelihood of reaching eligible households. Once a household was reached, an adult respondent (age 18 or older) was randomly chosen for interviewing using the “last birthday method” to avoid biases in age and gender.

Cell phones were included in this survey to account for the growing number of Californians who use them. These interviews were conducted using a computer-generated random sample of cell phone numbers. All cell phone numbers with California area codes were eligible for selection and the sample telephone numbers were called as many as eight times to increase the likelihood of reaching an eligible respondent. Once a cell phone user was reached, it was verified that this person was age 18 or older, a resident of California, and in a safe place to continue the survey (e.g., not driving).

Cell phone respondents were offered a small reimbursement to help defray the cost of the call. Cell phone interviews were conducted with adults who have cell phone service only and with those who have both cell phone and landline service in the household.

Live landline and cell phone interviews were conducted by Abt SRBI Inc. in English and Spanish according to respondents’ preferences. Accent on Languages, Inc. translated the survey into Spanish, with assistance from Renatta DeFever.

With assistance from Abt SRBI we used recent data from the U.S. Census Bureau’s 2007–2009 American Community Survey (ACS) through the University of Minnesota’s Integrated Public Use Microdata Series for California to compare certain demographic characteristics of the survey sample—region, age, gender, race/ethnicity, and education—with the characteristics of California’s adult population. The survey sample was closely comparable to the ACS figures. Abt SRBI used data from the 2008 National Health Interview Survey and data from the 2007–2009 ACS for California both to estimate landline and cell phone service in California and to compare the data against landline and cell phone service reported in this survey. We also used voter registration data from the California Secretary of State to compare the party registration of registered voters in our sample to party registration statewide. The landline and cell phone samples were then integrated using a frame integration weight, while sample balancing adjusted for any differences across regional, age, gender, race/ethnicity, education, telephone service, and party registration groups.

The sampling error, taking design effects from weighting into consideration, is ± 3.4 percent at the 95 percent confidence level for the total sample of 2,002 adults. This means that 95 times out

of 100, the results will be within 3.4 percentage points of what they would be if all adults in California were interviewed. The sampling error for subgroups is larger: For the 1,337 registered voters, it is ± 3.8 percent; for the 894 likely voters, it is ± 4.2 percent; for the 308 Republican primary likely voters, it is ± 7.3 percent. Sampling error is only one type of error to which surveys are subject. Results may also be affected by factors such as question wording, question order, and survey timing.

We present results for four geographic regions, accounting for approximately 90 percent of the state population. "Central Valley" includes Butte, Colusa, El Dorado, Fresno, Glenn, Kern, Kings, Madera, Merced, Placer, Sacramento, San Joaquin, Shasta, Stanislaus, Sutter, Tehama, Tulare, Yolo, and Yuba Counties. "San Francisco Bay Area" includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma Counties. "Los Angeles" refers to Los Angeles County, and "Other Southern California" includes Orange, Riverside, San Bernardino, and San Diego Counties. Residents from other geographic areas are included in the results reported for all adults, registered voters, and likely voters, but sample sizes for these less populated areas are not large enough to report separately.

We present specific results for non-Hispanic whites and for Latinos, who account for about a third of the state's adult population and constitute one of the fastest-growing voter groups. We also present results for non-Hispanic Asians, who make up about 14 percent of the state's adult population. Results for other racial/ethnic groups—such as non-Hispanic blacks and Native Americans—are included in the results reported for all adults, registered voters, and likely voters, but sample sizes are not large enough for separate analysis. We compare the opinions of those who report they are registered Democrats, registered Republicans, and decline-to-state or independent voters; the results for those who say they are registered to vote in another party are not large enough for separate analysis. We also analyze the responses of likely voters—so designated by their responses to voter registration survey questions, previous election participation, and current interest in politics.

In reporting the presidential primary preferences of all Republican likely voters, we allocated the Jon Huntsman and Rick Perry supporters to their second-choice candidates. The results reflect these alternate choices.

The percentages presented in the report tables and in the questionnaire may not add to 100 due to rounding.

We compare current PPIC Statewide Survey results to those in our earlier surveys and to those in national surveys by CBS News/*New York Times*. Additional details about our methodology can be found at <http://www.ppic.org/content/other/SurveyMethodology.pdf> and are available upon request through surveys@ppic.org.

QUESTIONNAIRE AND RESULTS

CALIFORNIANS AND THEIR GOVERNMENT

January 10–17, 2012

2,002 California Adult Residents:

English, Spanish

MARGIN OF ERROR $\pm 3.4\%$ AT 95% CONFIDENCE LEVEL FOR TOTAL SAMPLE

PERCENTAGES MAY NOT ADD TO 100 DUE TO ROUNDING

1. First, which one issue facing California today do you think is the most important for the governor and state legislature to work on in 2012?

[code, don't read]
38% jobs, economy
18 state budget, deficit, taxes
16 education, schools
7 immigration, illegal immigration
2 crime, gangs, drugs
2 health care, health costs
9 other
8 don't know
2. Overall, do you approve or disapprove of the way that Jerry Brown is handling his job as governor of California?

46% approve
31 disapprove
23 don't know
3. Overall, do you approve or disapprove of the way that the California Legislature is handling its job?

28% approve
56 disapprove
16 don't know
4. Overall, do you approve or disapprove of the job that the state legislators representing your assembly and senate districts are doing at this time?

36% approve
47 disapprove
17 don't know
5. Do you think that Governor Brown and the state legislature will be able to work together and accomplish a lot in the next year, or not?

44% yes, will be able to work together
47 no, will not be able to work together
9 don't know
6. Do you think things in California are generally going in the right direction or the wrong direction?

37% right direction
57 wrong direction
6 don't know
7. Turning to economic conditions in California, do you think that during the next 12 months we will have good times financially or bad times?

35% good times
56 bad times
9 don't know
8. Would you say that California is in an economic recession, or not? (*if yes: Do you think it is in a serious, a moderate, or a mild recession?*)

43% yes, serious recession
34 yes, moderate recession
9 yes, mild recession
13 no
2 don't know

9. On another topic, in general, how much would you say you know about how your state and local governments spend and raise money—a lot, some, very little, or nothing?

- 16% a lot
- 38 some
- 35 very little
- 9 nothing
- 2 don't know

10. In general, do you think the state government could spend less and still provide the same level of services, or not?

- 59% yes, could *[ask q10a]*
- 37 no, could not *[skip to q11]*
- 4 don't know *[skip to q11]*

10a. *[of those who answered yes to q10]* How much could the state government cut its spending without reducing services: under 10 percent, 10 percent to under 20 percent, 20 percent to under 30 percent, 30 percent or more?

- 18% under 10 percent
- 41 10 percent to under 20 percent
- 19 20 percent to under 30 percent
- 15 30 percent or more
- 8 don't know

[rotate questions 11 and 12]

11. I'm going to name some of the largest areas for state spending. Please tell me the one that represents the most spending in the state budget. *[rotate]* (1) K–12 public education, (2) higher education, (3) health and human services, *[or]* (4) prisons and corrections.

- 16% K–12 public education
- 5 higher education
- 27 health and human services
- 47 prisons and corrections
- 5 don't know

12. I'm going to name some of the largest areas for state revenues. Please tell me the one that represents the most revenue for the state budget. *[rotate]* (1) personal income tax, (2) sales tax, (3) corporate tax, *[or]* (4) motor vehicle fees.

- 29% personal income tax
- 28 sales tax
- 18 corporate tax
- 19 motor vehicle fees
- 6 don't know

13. Next, do you think the state budget situation in California—that is, the balance between government spending and revenues—is a big problem, somewhat of a problem, or not a problem for the people of California today?

- 64% big problem
- 30 somewhat of a problem
- 4 not a problem
- 2 don't know

14. Would you say that your local government services—such as those provided by city and county governments and public schools—have or have not been affected by recent state budget cuts? *(if they have, ask: Have they been affected a lot or somewhat?)*

- 62% affected a lot
- 27 affected somewhat
- 8 not affected
- 4 don't know

15. As you may know, the state government currently has an annual budget of around \$85 billion and faces a multibillion-dollar gap between spending and revenues. How would you prefer to deal with the state's budget gap—mostly through spending cuts, mostly through tax increases, through a mix of spending cuts and tax increases, or do you think that it is okay for the state to borrow money and run a budget deficit?

- 35% mostly through spending cuts
- 13 mostly through tax increases
- 40 through a mix of spending cuts and tax increases
- 6 okay to borrow money and run a budget deficit
- 1 other (*specify*)
- 4 don't know

16. In general, which of the following statements do you agree with more—**[rotate]** (1) I'd rather pay higher taxes and have a state government that provides more services, **[or]** (2) I'd rather pay lower taxes and have a state government that provides fewer services?

- 51% higher taxes and more services
- 41 lower taxes and fewer services
- 8 don't know

17. Some of the largest areas for state spending are: **[rotate]** (1) K–12 public education, (2) higher education, (3) health and human services, **[and]** (4) prisons and corrections. Thinking about these four areas of state spending, I'd like you to name the one you most want to protect from spending cuts.

- 55% K–12 public education
- 19 higher education
- 17 health and human services
- 6 prisons and corrections
- 3 don't know

Tax increases could be used to help reduce the state budget deficit. For each of the following, please indicate whether you would be willing to pay higher taxes for this purpose, or not.

[rotate questions 18 to 21]

18. What if the state said it needed more money just to maintain current funding for K–12 public education? Would you be willing to pay higher taxes for this purpose, or not?

- 72% yes
- 27 no
- 1 don't know

19. What if the state said it needed more money just to maintain current funding for higher education? Would you be willing to pay higher taxes for this purpose, or not?

- 57% yes
- 42 no
- 1 don't know

20. What if the state said it needed more money just to maintain current funding for health and human services? Would you be willing to pay higher taxes for this purpose, or not?

- 57% yes
- 42 no
- 2 don't know

21. What if the state said it needed more money just to maintain current funding for prisons and corrections? Would you be willing to pay higher taxes for this purpose, or not?

- 13% yes
- 85 no
- 1 don't know

Tax and fee increases could be used to help reduce the state's large gap between spending and revenues. For each of the following, please say if you favor or oppose the proposal.

[rotate questions 22 to 25]

22. How about raising the top rate of the state income tax paid by the wealthiest Californians?

- 74% favor
- 24 oppose
- 2 don't know

23. How about raising the state sales tax on all purchases?

- 29% favor
- 69 oppose
- 2 don't know

24. How about extending the state sales tax to services that are not currently taxed?

- 39% favor
- 54 oppose
- 6 don't know

25. How about raising the state taxes paid by California corporations?

- 68% favor
- 30 oppose
- 2 don't know

26. Under Proposition 13, residential and commercial property taxes are both strictly limited. What do you think about having commercial properties taxed according to their current market value? Do you favor or oppose this proposal?

- 60% favor
- 33 oppose
- 7 don't know

27. On another topic, Governor Brown proposed a budget plan for the current and next fiscal year to close the state's projected \$9.2 billion budget deficit. It includes spending cuts to welfare, child care, Medi-Cal, and other social service programs, and increases funding for K-12 public education. The proposal includes tax increases that would have to be approved by voters through an initiative on the November ballot. In general, do you favor or oppose the governor's budget plan?

- 50% favor
- 43 oppose
- 1 haven't heard anything about the budget (*volunteered*)
- 6 don't know

28. Do you favor or oppose Governor Brown's proposed spending cuts to welfare, child care, Medi-Cal, and other social service programs?

- 39% favor
- 58 oppose
- 4 don't know

29. Governor Brown's proposed tax initiative on the November ballot includes a temporary four-year half-cent increase in the state sales tax and a temporary five-year increase in the state personal income tax on those earning more than \$250,000 annually. The initiative would raise about \$5 to \$7 billion annually with the new revenues going to K-12 public schools. Do you favor or oppose the proposed tax initiative?

- 72% favor
- 26 oppose
- 2 don't know

30. If voters reject the proposed tax initiative on the November ballot, Governor Brown has said that automatic spending cuts will be made to K-12 public schools. Do you favor or oppose these automatic spending cuts to K-12 public schools?

- 20% favor
- 79 oppose
- 2 don't know

31. Fiscal reforms have been proposed to address the structural issues in the state budget. Do you think it is a good idea or a bad idea to strictly limit the amount of money that state spending could increase each year?

- 59% good idea
- 33 bad idea
- 8 don't know

32. Overall, how fair do you think our present state and local tax system is—would you say it is very fair, moderately fair, not too fair, or not at all fair?

- 7% very fair
- 50 moderately fair
- 27 not too fair
- 14 not at all fair
- 3 don't know

33. When you combine all of the taxes you pay to state and local governments, do you feel that you pay much more than you should, somewhat more than you should, about the right amount, or less than you should?

- 21% much more
- 25 somewhat more
- 47 about the right amount
- 6 less than you should
- 2 don't know

34. Next, would you favor or oppose a shift of some tax dollars and fees from the state government to local governments, in order for local governments to take on the responsibility of running certain programs currently run by the state?

- 66% favor
- 25 oppose
- 9 don't know

34a. If the state were to shift some tax dollars and fees to local governments, how confident are you that local governments would be able to take on the responsibilities of running certain programs currently run by the state? Are you very confident, somewhat confident, not too confident, or not at all confident?

- 10% very confident
- 49 somewhat confident
- 23 not too confident
- 16 not at all confident
- 2 don't know

35. As you may know, state funding is being provided to shift some of the lower-risk inmates from state prisons to county jails to reduce prison overcrowding and lower state costs. How confident are you that your local government is able to take on this responsibility? Are you very confident, somewhat confident, not too confident, or not at all confident?

- 12% very confident
- 38 somewhat confident
- 26 not too confident
- 22 not at all confident
- 3 don't know

36. On another topic, overall, do you approve or disapprove of the way that Barack Obama is handling his job as president of the United States?

- 54% approve
- 42 disapprove
- 4 don't know

[rotate questions 37 and 38]

37. Overall, do you approve or disapprove of the way that Dianne Feinstein is handling her job as U.S. senator?

- 47% approve
- 35 disapprove
- 18 don't know

38. Overall, do you approve or disapprove of the way that Barbara Boxer is handling her job as U.S. senator?

- 46% approve
- 38 disapprove
- 17 don't know

39. Overall, do you approve or disapprove of the way the U.S. Congress is handling its job?

- 25% approve
- 69 disapprove
- 5 don't know

40. Overall, do you approve or disapprove of the way your own representative to the U.S. House of Representatives in Congress is handling his or her job?

- 46% approve
- 39 disapprove
- 15 don't know

41. Do you think that President Obama and the U.S. Congress will be able to work together and accomplish a lot in the next year, or not?

- 35% yes, will be able to work together
- 62 no, will not be able to work together
- 3 don't know

42. Next, some people are registered to vote and others are not. Are you absolutely certain that you are registered to vote in California?

- 67% yes [ask q42a]
- 33 no [skip to q43b]

42a. Are you registered as a Democrat, a Republican, another party, or are you registered as a decline-to-state or independent voter?

- 44% Democrat [ask q43]
- 31 Republican [skip to q43a]
- 5 another party (specify) [skip to q45]
- 21 independent [skip to q43b]

43. Would you call yourself a strong Democrat or not a very strong Democrat?

- 55% strong
- 43 not very strong
- 2 don't know

[skip to q45]

43a. Would you call yourself a strong Republican or not a very strong Republican?

- 55% strong
- 44 not very strong
- 2 don't know

[skip to q44]

43b. Do you think of yourself as closer to the Republican Party or Democratic Party?

- 24% Republican Party
- 45 Democratic Party
- 24 neither (volunteered)
- 7 don't know

[skip to q45]

Changing topics,

44. [Republican primary likely voters only] If the 2012 Republican primary for president were being held today, and these were the candidates, who would you vote for? [rotate names and then ask "or someone else?"]

- 36% Mitt Romney
- 16 Newt Gingrich
- 14 Rick Santorum
- 9 Ron Paul
- 4 Rick Perry
- 3 Jon Huntsman
- 1 someone else [specify]
- 16 don't know

44. [Republican primary likely voters only; Jon Huntsman and Rick Perry supporters allocated based on their 2nd choice] If the 2012 Republican primary for president were being held today, and these were the candidates, who would you vote for? [rotate names and then ask "or someone else?"]

- 37% Mitt Romney
- 18 Newt Gingrich
- 15 Rick Santorum
- 11 Ron Paul
- 1 someone else [specify]
- 17 don't know

45. [likely voters only] In general, would you say you are satisfied or not satisfied with your choices of candidates in the election for U.S. president in 2012?

- 53% satisfied
- 42 not satisfied
- 6 don't know

46. **[likely voters only]** How closely are you following news about candidates for the 2012 presidential election—very closely, fairly closely, not too closely, or not at all closely?

- 36% very closely
- 49 fairly closely
- 13 not too closely
- 3 not at all closely
- don't know

47. Next, would you consider yourself to be politically:

[read list, rotate order top to bottom]

- 11% very liberal
- 23 somewhat liberal
- 28 middle-of-the-road
- 23 somewhat conservative
- 12 very conservative
- 2 don't know

48. Generally speaking, how much interest would you say you have in politics—a great deal, a fair amount, only a little, or none?

- 20% great deal
- 39 fair amount
- 34 only a little
- 7 none
- don't know

[d1–d17: demographic questions]

PPIC STATEWIDE SURVEY ADVISORY COMMITTEE

Ruben Barrales

President and CEO
San Diego Regional Chamber of Commerce

Angela Blackwell

Founder and CEO
PolicyLink

Paul Brest

President
The William and Flora Hewlett Foundation

Mollyann Brodie

Senior Vice President
Kaiser Family Foundation

Bruce E. Cain

Executive Director
University of California Washington Center

James E. Canales

President
The James Irvine Foundation

Jon Cohen

Director of Polling
The Washington Post

Russell Hancock

President and CEO
Joint Venture Silicon Valley Network

Sherry Bebitch Jeffe

Senior Scholar
School of Policy, Planning, and Development
University of Southern California

Robert Lapsley

President
California Business Roundtable

Carol S. Larson

President and CEO
The David and Lucile Packard Foundation

Monica Lozano

Publisher and CEO
La Opinión

Donna Lucas

Chief Executive Officer
Lucas Public Affairs

Lisa Pitney

Vice President, Government Relations
The Walt Disney Company

Dan Rosenheim

News Director
KPIX-TV

Robert K. Ross, M.D.

President and CEO
The California Endowment

Most Reverend Jaime Soto

Bishop of Sacramento
Roman Catholic Diocese of Sacramento

Cathy Taylor

Vice President and
Editorial Commentary Director
Orange County Register

Raymond L. Watson

Vice Chairman of the Board Emeritus
The Irvine Company

Carol Whiteside

President Emeritus
Great Valley Center

The PPIC Statewide Survey Advisory Committee is a diverse group of experts who provide advice on survey issues. However, survey methods, questions, content, and timing are determined solely by PPIC.

PPIC BOARD OF DIRECTORS

Gary K. Hart, Chair

Former State Senator and
Secretary of Education
State of California

Mark Baldassare

President and CEO
Public Policy Institute of California

Ruben Barrales

President and CEO
San Diego Regional Chamber of Commerce

María Blanco

Vice President, Civic Engagement
California Community Foundation

Brigitte Bren

Chief Executive Officer
International Strategic Planning, Inc.

Robert M. Hertzberg

Partner
Mayer Brown, LLP

Walter B. Hewlett

Chair, Board of Directors
William and Flora Hewlett Foundation

Donna Lucas

Chief Executive Officer
Lucas Public Affairs

David Mas Masumoto

Author and Farmer

Steven A. Merksamer

Senior Partner
Nielsen, Merksamer, Parrinello,
Gross & Leoni, LLP

Kim Polese

Chairman
ClearStreet, Inc.

Thomas C. Sutton

Retired Chairman and CEO
Pacific Life Insurance Company



PPIC

**PUBLIC POLICY
INSTITUTE OF CALIFORNIA**

The Public Policy Institute of California is dedicated to informing and improving public policy in California through independent, objective, nonpartisan research on major economic, social, and political issues. The institute's goal is to raise public awareness and to give elected representatives and other decisionmakers a more informed basis for developing policies and programs.

The institute's research focuses on the underlying forces shaping California's future, cutting across a wide range of public policy concerns, including economic development, education, environment and resources, governance, population, public finance, and social and health policy.

PPIC is a private operating foundation. It does not take or support positions on any ballot measures or on any local, state, or federal legislation, nor does it endorse, support, or oppose any political parties or candidates for public office. PPIC was established in 1994 with an endowment from William R. Hewlett.

Mark Baldassare is President and CEO of PPIC.

Gary K. Hart is Chair of the Board of Directors.

Short sections of text, not to exceed three paragraphs, may be quoted without written permission provided that full attribution is given to the source and the copyright notice below is included.

Copyright © 2011 Public Policy Institute of California

All rights reserved.

San Francisco, CA

PUBLIC POLICY INSTITUTE OF CALIFORNIA
500 Washington Street, Suite 600
San Francisco, California 94111
phone: 415.291.4400
fax: 415.291.4401

www.ppic.org
survey@ppic.org

PPIC SACRAMENTO CENTER
Senator Office Building
1121 L Street, Suite 801
Sacramento, California 95814
phone: 916.440.1120
fax: 916.440.1121



CSAC 2012 STATE ADVOCACY PRIORITIES

YEAR OF REFORM

The 2011 legislative session set in motion monumental fiscal and policy shifts that have permanently altered the path of governance for California counties. The year began with a new governor committed to the devolution of government service from the state to the local level. Most notably, the 2011 realignment of public safety and health and human services shifted significant new responsibilities and populations that historically have been state provided services.

For the coming year, the Legislature and the Administration must acknowledge that counties no longer have capacity, fiscal or human, to continue to provide more with less. In addition, to address the perpetual fiscal crisis of California there has to be a balanced approach of multiple reforms and revenue enhancements. There will be at least a dozen initiatives on the November 2012 ballot asking Californians to determine what reforms and revenues they desire in shaping the changing governance model of California.

While there are many pressing legislative priorities for counties, none is as critical as securing constitutional protections necessary to make the 2011 realignment manageable and sustainable. Next year presents many challenges (election year, with multiple competing initiatives, roll-out of 2011 realignment, reforms, etc.). The political landscape has never been more complicated. CSAC needs to stay positioned to seize opportunities and minimize exposure as realignment and reform policies evolve over the course of the next year. CSAC has identified the following issues that will consume our advocacy efforts throughout the 2012 legislative session.

- **2011 Realignment:** Faced with a Supreme Court decision mandating the reduction of the state's prison population by 30,000, the Administration crafted a realignment of low level offenders to counties rather than releasing felons from state prison into the streets. The political calculus at the time was choosing between having hardened criminals released back into our communities without money or a realigned low level offender program with money. The Board of Directors opted to endorse a realignment package that included transferring program responsibility to the local level, with constitutional protections, flexibility in service delivery and extension of temporary taxes to fund the realigned programs. By the end of the legislative session, counties received a continuous appropriation for realigned programs. Significant work remains to achieve the other components primarily to protect counties from fiscal exposure and provide the ability to effectively manage new program responsibilities that reflect each counties' priorities.

Constitutional Protections: CSAC worked closely with the administration to craft SCA 1 X1 last year that would have provided fiscal protections to the 2011 realignment package. The measure lacked the sufficient number of votes to put it on the ballot. Last fall the Board of Directors directed staff to pursue, as one option, a stand-alone constitutional amendment to effectively

provide the same protections. At the January 5, 2012 Board of Directors meeting action was taken to affirm that seeking constitutional protections was a CSAC priority and to suspend activities related to running a CSAC initiative.

AB 109: The funding for the public safety component of the 2011 realignment is continuously appropriated however it only contained a one year allocation methodology. This was done intentionally as there were many unknowns related to new populations and program needs. The Chief Administrative Officers Association has designated representatives from urban, suburban and rural counties to revisit the methodology.

- **Pension Reform:** Pension reform discussions began in 2011 as part of negotiations on the state budget. In the absence of an agreement, Governor Brown proposed a pension reform plan that would apply to all public employees, including county employees. Additionally, several initiative proposals have been filed with the Attorney General that will affect pension benefits for public employees. Further, a conference committee was convened to consider a comprehensive pension reform package. The conference committee is expected in early 2012 to finalize recommendations for the Legislature to consider. CSAC's analysis of the proposed initiatives and the Governor's proposal concludes that the issues of local control vs. statewide implementation of reforms and whether counties would support a shift from defined benefit pension plans to a hybrid model are the fundamental questions that counties will need to consider this upcoming year.
- **Regulatory Reform:** Although many state leaders have recently voiced support for regulatory reform, very little has been done to eliminate duplicative, inconsistent and outdated regulations. In fact, certain state agencies have proposed a series of new regulations and policies that are the antithesis of regulatory reform given the redundancy of their requirements and excessive costs associated with their implementation and compliance. Many of these proposed regulations and policies will detrimentally impact county operations and project delivery in addition to local economic development. Of particular concern are regulations concerning stormwater run-off; land use decisions and flood protection; on-site waste treatment systems; and, fees for fire protection in State Responsibility Areas.

As discussions ensue regarding ways to improve California's regulatory climate, counties remain committed to our longstanding policy direction to support environmental and economic cost-benefit evaluations of existing and proposed state regulations. We will also continue to communicate to the state regulatory bodies the practical ramifications of their proposals on county government.

STATE KEY ISSUES BY POLICY AREA

Housing, Land Use and Transportation

SB 375 Implementation: The first regional plan to reduce greenhouse gas emissions and link land use, housing and transportation investments was recently adopted by the San Diego region (SANDAG) as required by SB 375 (Chapter 728, Statutes of 2008). The Sacramento region (6 SACOG counties) and Southern California region (6 SCAG counties) plans are due next. There continues to be significant scrutiny of these plans beyond the statutory

review by the Air Resources Board as prescribed by SB 375. The Attorney General, Governor's Office of Planning and Research (OPR), as well as a coalition of stakeholders, have all weighed in on the SANDAG plan. Implementation has yet to begin. SB 375 was very carefully negotiated to retain regional flexibility and local control by elected officials that sit on the regional boards. CSAC will remain engaged to ensure there is no erosion of this compromise and also support any legislative changes necessary to ensure successful implementation.

Housing Element Reform: The housing element remains the only local general plan element (and local plan for that matter) that requires a state department compliance determination. This body of law has been expanded over several decades and contains very prescriptive requirements for cities and counties to follow with questionable outcomes. Further, the State Department of Housing (HCD) often times reaches beyond statute in their process of determining compliance with the law. In these tight fiscal times Governor Brown significantly reduced HCD's budget to review local housing elements. CSAC is working with other stakeholders and the administration to develop an alternative to the current review process that would address the budget reduction and place HCD's role back in line with existing statute. With respect to land use and local discretion, this area of law remains one of the most contentious between locals and the state.

CEQA Reform: With tight budgets and increasing pressure to meet housing needs, the CSAC Board of Directors directed staff to sponsor legislation to provide counties with additional tools to facilitate affordable housing infill projects. Unfortunately, our attempt to pursue more flexibility under current statutory CEQA streamlining provisions was met with significant opposition from the environmental community. However, recent legislation, with support from the administration, has tasked OPR with developing guidelines for CEQA streamlining for infill projects. CSAC is participating on a working group to pursue potential CEQA reform related to this and other aspects of the law. Our goal remains a challenge as the environmental community has strong feelings that development should occur within cities and that any relaxation of CEQA should be restricted to cities, while also meeting the goal of reducing vehicle miles traveled.

Government Finance and Operations

Pension Reform: At the end of the legislative session in 2011, the Legislature, in lieu of passing legislation addressing individual pension issues, convened a conference committee to consider a comprehensive pension reform package. The conference is expected in early 2012 to finalize recommendations for legislation that could move forward in 2012. Additionally, throughout 2011 several initiatives were filed with the Attorney General. Based on the information we have, there are two critical issues that CSAC will need to consider in anticipation of future discussion and action on the Governor's proposal and/or the any qualifying ballot measures.

- Local control vs. statewide implementation of reforms. CSAC has held that a statewide mandated retirement system is neither appropriate nor practical, given the diversity of California's communities, however there may be areas where statewide consistency make sense. The Legislative Analyst, in its response to the Governor's pension proposal, raised the question of whether some diminution in local control over retirement benefits is merited given the long-term nature of pension costs and the potential for competition among local and state employers to recruit and retain employees. This will be a key question for CSAC as well.

- Defined benefit vs. mandatory hybrid model. CSAC has supported providing local agencies the option to implement defined contribution retirement plans within both CalPERS and 1937 Act systems, as stand-alone benefits or hybrid systems. While the Governor's proposal is lacking sufficient detail to consider the merits of his particular hybrid plan, the threshold question of whether counties would support a shift from defined benefit pension plans to a hybrid model will be the more fundamental question.

Agriculture and Natural Resources

SB 5 Clean-Up Legislation (flood management/land use). SB 5 (Chapter 364) was one of a six-bill flood protection package signed into law in 2007. Viewed as the linchpin, SB 5, requires the State to adopt a Central Valley Flood Protection Plan by 2012, and requires cities and counties in the California Central Valley to achieve 200-year flood protection. Counties (and cities) within the Central Valley have expressed concerns with DWR's preliminary plans and process for implementing SB 5. Their concerns fall into three categories: (1) lack of useful data needed by local agencies to demonstrate a 200-year level of flood protection; (2) "unintended consequences" such as triggering 200-year protection for changes in uses requiring discretionary permits; and, (3) local agencies would have to depend on the completion of certain major "system-wide improvements" by the state and/or federal governments to achieve 200-year level of protection.

CSAC will work closely with Central Valley counties and other stakeholders to advocate for an extension of the SB 5 implementation dates and other necessary clean-up legislation.

Renewable Energy Facility Siting Legislation/Regulation.

On April 12, 2011, Governor Jerry Brown signed legislation requiring the State to achieve a 33% renewables portfolio standard by December 31, 2020. The Governor's strong commitment to the 33% standard has translated into actions and statements that threaten the local land use approval process for siting certain renewable facilities. Speaking at a UCLA energy conference on July 25, 2011, Governor Brown stated that he wanted to centralize decision-making so that local officials aren't able to slow or block the development of renewable resources. He also indicated that his administration will "crush" efforts to block renewable energy projects in California, intervening in local disputes to overcome opposition. Given these statements by the Governor and pressure by some renewable energy project proponents, there is a strong likelihood that additional attempts to streamline the siting approval process will be pursued in 2012. While CSAC supports the development and use of alternative energy sources, we will oppose proposals that diminish and/or eliminate local government involvement in the renewable energy facility siting process.

Water Quality Regulations. The State Water Resources Control Board is actively considering no less than three storm water permit updates as well as a wetland area protection policy, and regulations affecting on-site waste treatment systems. CSAC has expressed concerns and in some cases opposition to all of these regulatory updates/proposals throughout their respective processes. Generally, our concerns with each have a reoccurring theme: significant costs associated with their implementation with no reliable funding source; would impose overly prescriptive standards/requirements; would be redundant of other state and federal requirements; and, as proposed would not achieve significant water quality benefits. The public comment process on new draft or final versions of the permits, policies and regulations will extend through next year. CSAC will continue to voice county concerns with the various proposals via stakeholder and public processes. We will also work through other

channels to ensure that the Water Board does not move forward with the permits, policies and regulations without making substantial changes to address the concerns of a wide array of stakeholders.

Administration of Justice

Realignment: Implementation of the 2011 Criminal Justice Realignment will continue to be the main focus for Administration of Justice (AOJ) staff in 2012. Staff will continue to strengthen partnerships with local government stakeholders involved in this very important work. Further, staff will continue to participate in regular meetings with the Governor's Administration, the California State Sheriffs Association and the Chief Probation Officers of California regarding realignment implementation. These meetings continue to focus on counties' progress and challenges thus far in managing the new offender populations at the local level and include exploration of legislative changes that may be required in order to achieve more effective implementation.

Areas of ongoing policy discussion in 2012 include: creation of a county-level medical "probation" program for incapacitated jail inmates (similar to the medical parole policy adopted in SB 1399 (Leno) in 2009); finalizing the general terms and framework for state/county agreements related to use of fire camps and contracting back for state prison beds; and ensuring statutory authority is in place for counties' use of public community correctional facilities. In addition, other specific realignment areas that will receive significant attention during the next twelve months include the following:

- Funding allocation – Staff will continue to provide technical support and assistance to the County Administrative Officers' Realignment Allocation Committee (RAC) in its determination of a Year 2 funding formula for the criminal justice realignment portion (AB 109) of the realigned programs. This group is charged with developing a formula by March 2012.
- Court Security – Staff will continue to work with the Governor's Administration, the Administrative Office of the Courts, and the California State Sheriffs' Association on the implementation of court security reforms carried out in the 2011 realignment. Stakeholders continue to work on guiding principles to assist the courts, sheriff departments and counties as they work to implement the new funding construct.

Juvenile Justice: The Governor's 2012-13 Proposed Budget contemplates a revised juvenile justice reform proposal whereby the state would stop intake of juvenile offenders to the Division of Juvenile Justice (DJJ) facilities on January 1, 2013. After this date, all new commitments of youthful offenders to state DJJ facilities would cease. DJJ would continue to house those juvenile offenders who were placed with the state on or before January 1, 2013, but facilities would shut over time as the population phases out. In order for counties to prepare for this shift in responsibility, the budget proposes to provide \$10 million in planning funds to counties in the current year. The purpose of this funding is to give counties both the time and resources to develop appropriate placement and treatment options for this additional juvenile population. CSAC will work with probation, the state, and other stakeholders in examining and evaluating the juvenile justice reform proposal.

Health and Human Services

Realignment: Implementing language, as well as fiscal structures, for the first phase of Governor Brown's realignment of state responsibility to counties must be developed in 2012. HHS staff will also focus on any "Phase 2" realignment proposals, which are expected to solely include health and human programs. HHS staff will also provide technical and program expertise for the advancement of constitutional protections in realignment for counties.

Emergency Medical Services: Staff has been closely involved with the stakeholder process for developing legislation that would streamline the local emergency medical services system (AB 1387 by Assembly Member Jose Solorio). HHS staff will continue to work closely with county supervisors, county counsels, county legislative coordinators, and members of the county caucus and associations to preserve and protect county EMS authority.

Federal Health Care Reform and Medicaid Waiver Implementation: The Affordable Care Act (ACA) must be fully implemented by January 2014, so 2012 is truly a year where the implementation planning and execution must take place. Almost all of California's counties are also establishing Low Income Health Programs (LIHPs), which are part of the 2010 federal Section 1115 Medicaid waiver. Many of the LIHPs will be operational in 2012. CSAC is not only working on the legislative and regulatory aspects of the ACA, including the establishment of the Exchange Board but is also actively pursuing partnerships to offer educational and training opportunities for counties.

Long-Term Care Integration: The Brown Administration is aggressively pursuing federal waivers to allow for the integration of long-term care through a mostly managed care model. Impacts on counties include changes in federal reimbursement for the In Home Supportive Services program and long-term care services. CSAC is working with the state and county stakeholders to develop workable solutions for restructuring service delivery and financing.



CSAC 2012 FEDERAL ADVOCACY PRIORITIES

CSAC's contract for federal affairs services with Waterman and Associates provides for a nine-issue agenda. CSAC staff, in consultation with Waterman and Associates, developed the following list of eight federal issues of significance to California's counties, with one issue left in reserve to accommodate emerging topics.

New Authorization of the Nation's Surface Transportation Law (SAFETEA-LU)

After months of stakeholder discussions, the Senate Environment and Public Works Committee in late 2011 approved legislation (S 1813) that would reauthorize the nation's surface transportation law (SAFETEA-LU). The bill, entitled *Moving Ahead for Progress in the 21st Century (MAP-21)*, would reauthorize SAFETEA-LU for two years at current funding levels, plus inflation. The existing authority for federal transportation programs has been operating under a series of short-term extensions, the latest of which expires in March.

House transportation leaders are expected to unveil a five-year transportation bill early in 2012. The legislation will reportedly link new American energy production to investment in infrastructure projects. As of this writing, additional details of the House measure are unavailable.

For its part, CSAC continues to actively promote its transportation reauthorization agenda with key policymakers. Among other things, the association is recommending a more streamlined and flexible approach to allocating federal transportation funds to state, regional, and local agencies. CSAC also is promoting several environmental streamlining proposals such as a CEQA for NEPA reciprocity pilot program, as well as funding for a number of priority programs, including the Highway Bridge Program and the High Risk Rural Roads Program.

State Criminal Alien Assistance Program

The State Criminal Alien Assistance Program (SCAAP) is a critically important budget item for many of California's counties. CSAC is one of the leading local government organizations in the fight to protect and enhance funding for SCAAP, which continues to be underfunded by Congress. CSAC will continue to advocate for maximum funding levels to offset the cost of housing undocumented criminals in county detention facilities.

Additionally, CSAC supports legislation (S 638) introduced by Senator Dianne Feinstein (D-CA) that would require the Department of Justice to reimburse local jurisdictions for incarceration costs associated with undocumented individuals who have been convicted or accused of a felony or two or more misdemeanors. The current statute is limited to allowing reimbursement only in cases in which an individual is actually convicted of such crimes.

Property Assessed Clean Energy Program/Renewable Energy Policy

CSAC is urging Congress to approve legislation (HR 2599) that would restart stalled Property Assessed Clean Energy (PACE) programs in California and across the country. The bill – entitled the *PACE Protection Act of 2011* – would prevent federal housing regulators from adopting policies that contravene established state and local PACE laws, thus allowing counties and other local governments to once again offer the popular program. PACE programs create jobs, stimulate business growth, reduce greenhouse gas emissions, and add lasting value to residential and commercial properties without increasing risks of mortgage defaults.

On a related energy matter, CSAC is urging Congress to provide adequate funding for the Energy Efficiency and Conservation Block Grant, which provides resources to local governments for a variety of energy efficiency programs. Additionally, the association is promoting that the widest possible range of renewable energy sources – such as biomass, hydropower, and post-recycled municipal solid waste – qualify as resources to help California meet its renewable energy goals.

Native American Affairs

In the wake of the U.S. Supreme Court's *Carcieri v. Salazar* decision, which limits the secretary of Interior's trust land acquisition authority to those tribes that were under federal jurisdiction at the time of the passage of the Indian Reorganization Act (IRA) of 1934, several members of Congress have aggressively promoted legislation that would overturn the Court's ruling. Under pending legislation (S 676/HR 1291/HR 1234), the secretary of Interior would be granted authority to take land into trust for all Indian tribes.

In response, CSAC has led a multi-state coalition of county government associations that opposes the aforementioned *Carcieri* bills. Known as "quick-fix" legislation, the bills would reverse *Carcieri* without providing for much-needed, long-overdue reforms in the fee-to-trust process. CSAC is actively advocating for its own trust reform bill, which includes modifications to the IRA that would require tribes to meet a set of heightened regulatory standards as a condition of the secretary of Interior approving trust land applications.

Temporary Assistance for Needy Families Reauthorization

The Temporary Assistance for Needy Families (TANF) program is currently operating on a short-term extension, the latest of which runs through February 29, 2012.

The temporary continuation of the TANF program sets the stage for Congress to debate the scope of the next multi-year bill in 2012. With the nation's economy continuing to struggle and unemployment rates still high, policymakers are looking at recent trends in welfare rolls and poverty figures as they consider options for reauthorizing TANF.

Congress – as well as previously issued regulations – placed additional administrative burdens on the TANF program. Many of those requirements had the effect of changing the focus on following federally imposed processes to the detriment of moving families into self-sufficiency.

CSAC is urging Congress to restore state and county flexibility to tailor work and family stabilization activities to families' individual needs. CSAC also supports maintaining the focus on work activities under TANF, while recognizing that "work first" does not mean "work only."

Secure Rural Schools Reauthorization

In 2011, House Republicans unveiled a draft Secure Rural Schools and Community Self-Determination Act (SRS) reauthorization bill that would substantially alter the way that SRS payments are made. Under the measure, the Secretary of Agriculture would be required to act as trustee to carry out various projects – which could include timber sales, issuance of special permits, etc. – to meet an annual revenue requirement (ARR) on each unit of the National Forest System. From the ARR, 75 percent of revenues would be shared with counties, 20 percent would go to the Forest Service, and five percent would be directed to the federal Treasury.

The House measure also would provide a transition period to temporarily continue SRS payments to counties and schools. Details of the transition period and how much would be authorized for payments have yet to be determined. GOP leaders from the Natural Resources Committee are expected to formally introduce their proposal early in 2012.

Originally passed and signed into law in 2000, SRS represents a contract between the federal government and more than 700 rural counties and school districts that have historically depended on revenues from timber harvests on federal lands in their jurisdictions. These rural communities and schools have relied upon a share of the national forest receipts program to supplement local funding for education services and roads. The most recent act expired on September 30, 2011, with final payments distributed in January of 2012.

CSAC is advocating for a long-term reauthorization of SRS supported by adequate funding.

Clean Water Act

The Clean Water Act (CWA) and subsequent amendments have positively impacted the health of the nation's rivers and streams. At the same time, however, the CWA has created a host of unintended consequences. One such unintentional result of the Act is the continued inability of counties and other local entities to properly maintain flood protection facilities and drainage ditches.

Pursuant to Section 404 of the CWA, the Secretary of the Army Corps of Engineers may issue permits for the discharge of dredged or fill material into navigable waters of the United States and exempts certain activities from the permitting process. Although the Act appears to explicitly exempt maintenance activities of currently serviceable flood control facilities from permitting requirements, the Corps has not interpreted the law in this manner. As a result, virtually all routine maintenance of flood protection facilities and drainage ditches are subject to 404 permits, which has caused significant backlogs in the Corps' permit processing times and ultimately thwarted local agencies from performing routine maintenance in a timely manner.

Working closely with CSAC, Congressman Gary Miller (R-CA) introduced in 2011 legislation that would provide a narrow permitting exemption for maintenance removal of sediment, debris, and vegetation from flood control channels and basins. Several members of the California congressional delegation have signed on as original cosponsors of the bill.

Levee Vegetation Management

CSAC supports modification to the Army Corps of Engineers' policy on vegetation management of Corps built flood control facilities that: considers regional variation across the nation; includes an exemption provision where appropriate; conforms to other federal and state laws; and, includes local government in a transparent and collaborative process.

The Corps released in late 2011 its System-Wide Improvement Framework (SWIF) policy for levee systems. The policy provides levee sponsors with a process to transition their levees over time to Corps' standards while remaining eligible for federal rehabilitation funding under Public Law 84-99. It should be noted that the policy allows deficiencies – which may include vegetation – to be addressed on a “worst first” basis as part of a larger system-wide plan.

According to the Corps, the SWIF process may complement the vegetation variance request process as a means for a levee sponsor to address levee deficiencies. If required, a vegetation variance request can be part of the SWIF process.

CSAC and other key stakeholders are reviewing the SWIF and will continue to actively pursue modifications to the Corps' levee vegetation process, where appropriate.

CSAC INTERNAL MONITORING

In addition, CSAC will continue to provide internal monitoring on a number of issues that are of significance to California's counties.

National Health Care Reform

The landmark *Patient Protection and Affordable Care Act* requires states to implement many of its major provisions by 2014. California's counties will play a key role in the implementation of the law over the next two years and must monitor and participate in the rulemaking and regulatory process at the federal level to help achieve a workable framework to provide health care to all Californians.

Transient Occupancy Tax

CSAC will work to ensure counties' continued authority to assess and collect transient occupancy taxes on the full rate paid by the consumer for all appropriate transient lodging, regardless of whether the consumer pays through a hotel or any other vendor.

Federal Geothermal Royalties

The Geothermal Steam Act of 1970 specifies a formula for the distribution of geothermal revenues to federal, state, and county governments. Under the formula, the federal government retains 25 percent of the revenue, the States receive 50 percent, and county governments receive 25 percent. Several recent attempts have been made to permanently repeal the sharing of geothermal revenues with counties. Given the importance of these revenues to the affected counties, CSAC opposes any legislation that would discontinue geothermal royalty payments to county governments.

Community Development Block Grant

The fiscal year 2012 budget includes \$2.95 billion for the Community Development Block Grant (CDBG) program. The current level of funding is close to a \$400 million reduction from fiscal year 2011.

CDBG, as well as many other discretionary spending programs, sustained cuts in the fiscal year 2012 budget as a result of the continued focus on deficit reduction. CSAC, along with other county and city government partners, are calling on Congress to restore funding for the CDBG program to allow localities to continue to provide a wide variety of economic and community development activities, such as home rehabilitation loans, public works and infrastructure projects, and various youth-related services.

Child Welfare Financing Reform

As part of TANF reauthorization, Congress may consider legislation to reform the child welfare financing system, as well as provide additional resources to stabilize families and train and retain child welfare staff. CSAC supports additional programmatic flexibility, along with an updated foster care payment methodology.

Byrne Grant Funding

The fiscal year 2012 budget provides \$470 million for the Byrne Memorial Justice Assistance Grant (JAG) program. CSAC strongly supports prioritizing Byrne funding in the annual appropriations process and will continue to work collaboratively with our congressional delegation and others to secure and promote increased funding for the program and the positive local outcomes it helps achieve.

Cooperative Endangered Species Conservation Fund

CSAC supports increased funding for the U.S. Fish and Wildlife Service's Cooperative Endangered Species Conservation Fund (CESCF). The CESCF is currently funded at \$47 million in fiscal year 2012, a cut of roughly \$12 million from the previous fiscal year, and down nearly 50 percent from fiscal year 2010 levels. Funding should be restored to help provide much needed support to regional Habitat Conservation Plans (HCPs) in California and nationally.

2-1-1 Statewide

CSAC has actively supported both state and federal legislation to help build and fund a statewide 2-1-1 referral system. 2-1-1 is a free, easy-to-remember telephone number that connects people to essential community information and services. In 2009, over 1.6 million Californians called 2-1-1 to find needed community services such as rent and mortgage assistance, food and shelter, health care, job training, transportation, child care, and senior care. 2-1-1 also plays an informational role during emergencies and disasters and relieves pressure on the 9-1-1 system at these critical times. The value of this service was evident during the 2007 San Diego wildfires when 2-1-1 call centers provided information and support to more than 130,000 callers in five days.

Currently, just 27 of California's 58 counties have 2-1-1 service covering 92 percent of the population. CSAC will continue to work at both the state and federal levels to promote the need for a comprehensive statewide 2-1-1 system.

State's Water Crisis

California's political leaders and various state and local water interests continue to pressure California's congressional delegation and the Obama administration to address the state's chronic water shortage. A wide range of proposals are being discussed that would address water transfers, endangered species laws, water quality and California Bay-Delta protections, to name a few. CSAC will monitor these proposals to ensure consistency with the organization's comprehensive policy direction on water.

Payments-in-lieu-of-Taxes

Pursuant to PL 110-343, all counties are receiving 100 percent of authorized Payments-in-lieu-of-Taxes (PILT) payments in fiscal years 2008 through 2012. Prior to fiscal year 2008, PILT payments were subject to the annual appropriations process. CSAC will support efforts to convert the temporary mandatory spending into a permanent feature of the PILT program.

Farm Bill Reauthorization

CSAC will continue to monitor congressional efforts to reauthorize the federal Farm Bill, including provisions affecting the Supplemental Nutrition Assistance Program (SNAP), rural development programs, and renewable energy development. Congressional authorizing committees are expected to hold hearings and consider a new Farm Bill sometime in 2012.

Waters of the U.S.

In 2011, the Obama administration announced that it was updating draft guidance on the scope of waters that would be regulated under the Clean Water Act (CWA). According to EPA, the number of waters identified as protected by the CWA under the revised "Waters of the U.S." guidance will increase compared to current practice. The expansion of federal jurisdictional authority over state and local waters has elicited concern from state and local resource agencies, as well as federal lawmakers.

CSAC, joined by other key state and local stakeholders, have provided substantive comments to EPA and the Army Corps of Engineers regarding the draft guidance. EPA has indicated that it will undertake a formal rulemaking process in 2012. At the same time, congressional efforts to block EPA's administrative actions are expected to continue.

FEMA Mapping

FEMA has launched a five year national Map Modernization Plan to update the nation's flood hazard maps. Once the new maps become effective, all new structures in the FEMA floodplain will be required to adhere to heightened land use and control measures. Properties mapped into the Special Flood Hazard Area (SFHA) and backed by a federally-insured mortgage will be required to carry flood insurance.

Additionally, Congress is considering a long-term reauthorization of the National Flood Insurance Program (NFIP). Legislative proposals in both houses of Congress would require some form of mapping of areas of residual risk. The Senate bill, however, would require residual risk areas to be included within a "special flood hazard area" and require the price of flood insurance policies in areas of residual risk to accurately reflect the level of flood protection provided, regardless of the certification status of the flood control structure.

CSAC opposes efforts that would mandate federal flood insurance coverage for homeowners and business that are protected by properly constructed and maintained flood protection structures. Additionally, CSAC supports a transparent and fiscally reasonable process by which counties and residents can revise and amend FEMA's Flood Insurance Rate Maps. CSAC also supports federal efforts to enhance flood hazard mapping outreach and technical assistance to local communities. And, CSAC supports a risk-based approach to mapping areas protected by non-accredited levee systems, taking into account the actual level of flood protection the system provides.

Pension Tier Changes – Conflict with IRS Requirements

The rising cost of public employee pension plans is a growing concern for California's counties. A number of counties have proposed their own local solutions, such as allowing current employees to elect lower pension benefits with lower retirement contributions, but Internal Revenue Service (IRS) rules are an obstacle to these reforms. Under a 2006 IRS ruling, allowing current county employees to elect lower pension benefits may force all county employees to have to pay taxes on their retirement deductions – whether they switch plans or not.

CSAC supports bipartisan legislation (HR 2934) introduced by Representative Loretta Sanchez (D-CA) that would revise the IRS ruling so that local governments can propose and implement their own local plans, without severe consequences.

Medical and Long-Term Care Premiums

In the Pension Protection Act of 2006, Congress granted specified public safety officers the ability to use up to \$3000 per year of tax free dollars from their qualified retirement plans to pay for medical and long term care premiums. Extension of this benefit to all retirees who participate in a qualified retirement plan could encourage people to save more while lessening the burden on government budgets to cover rising health care costs. CSAC supports federal legislation to extend to all retirees the option to use tax free distribution from qualified retirement plans to pay for medical and long-term care premiums.



February 7, 2012

1100 K Street
Suite 101
Sacramento
California
95814

Telephone
916.327-7500

Facsimile
916.441.5507

To: CSAC Board of Directors

From: Bruce Gibson, Chair, Government Finance and Operations Policy Committee

Re: **Revised CSAC Guiding Principles on Pension Reform – ACTION ITEM**

Recommendation. The Government Finance and Operations Policy Committee recommends the Board of Directors adopt the revised CSAC Guiding Principles on Pension Reform which recognize the need for statewide pension reform to ensure the sustainability of public pension systems.

Background. In response to proposed legislative, administrative and initiative proposals, in 2005, CSAC adopted Pension Reform Guiding Principles. Those principles were reaffirmed by the Board of Directors in 2010 to assist staff in public pension reform discussions generated by an unprecedented economic downturn and budget crises facing state and local governments. As expected, pension reform discussions have continued: in October 2011, Governor Brown issued his 12-Point Pension Reform Plan, which includes proposals that would require equal sharing of normal pension costs between employers and employees, a mandatory hybrid plan for new employees, increased retirement ages, and restrictions on the hiring of retired annuitants. Meanwhile, at the end of the 2011 legislative session, the Legislature, in lieu of passing legislation addressing individual pension issues, convened a conference committee to consider a comprehensive reform package. The committee has met three times and is expected to meet again in February and to make recommendation for legislative action. Several initiative measures to address public pension reform have also been proposed for the November 2012 ballot; however it does not appear likely that any of these initiatives will qualify for the ballot.

CAOAC Pension Reform Task Force

A Pension Reform Task Force (Task Force) was created at the business meeting of the CAOAC last November to, among other things, review pension reform proposals and consider recommendations for new principles for pension reform. The Task Force and CSAC staff began meeting in December to review existing principles and policies and to draft revised CSAC Guiding Principles for Pension Reform. The revised principles were approved by the CAOAC at their February 2 business meeting. The CAOAC and CSAC staff presented the revised principles to the Government Finance and Operations Policy Committee at a meeting convened for that purpose on February 6.

Policy Considerations. Largely due to devastating market losses in 2008, retirement systems are reporting historically low funding ratios and pension fund contributions have risen dramatically. In drafting the revised principles, staff and the CAOAC recognized that the long-term sustainability of public pensions, the need to balance the legitimate desires and needs of employees against the publics' right to a fair and accountable government, and the need for counties to recruit and retain quality employees are key issues to consider.

The significant changes to the pension reform guidelines include:

- A focus on ensuring fiscal and service sustainability by highlighting the need for more equitable sharing of costs and risks between employee and employer, the need to remove barriers to negotiating cost sharing agreements, and the need for accountability across pension systems.
- Adding a section to bring attention to the challenges counties face in recruiting and retaining the best employees and the interaction with pension benefits as part of a total compensation package.

Adoption of the revised principles is a significant first step in what will certainly be a lengthy process to address pension reform. The task force plans to continue to meet and will next study the various hybrid pension plans that have been discussed by the Legislature's pension conference committee. Additionally, both the task force and a subgroup of County Administrative Officers in counties with "1937 Act" retirement systems will likely make recommendations for specific legislative changes that the Board of Directors may wish to endorse at a future meeting.

Action Requested. The Government Finance and Operations Policy Committee recommends the CSAC Board of Directors adopt the revised CSAC Guiding Principles on Pension Reform.

Staff Contact. Please contact Eraina Ortega (eortega@counties.org or 916/650-8180) or Faith Conley (fconley@counties.org or 916/650-8117) for additional information.

Materials.

Proposed Revision: CSAC Guiding Principles on Pension Reform
2005 CSAC Guiding Principles on Pension Reform

CSAC Guiding Principles on Pension Reform

PROPOSED REVISION 2012

PREAMBLE

Public pension reform has garnered widespread interest and generated significant debate among policy leaders. Rising pension costs have called into question the long-term sustainability of pension benefits and pension abuses have left the public with little confidence in the fairness of the benefits. Much consideration will be given in the coming year to the appropriate remedy for restoring equity, trust, accountability, and financial sustainability to public pensions.

CSAC believes that there is a need for statewide reform to ensure that public retirement systems are sound and fiscally responsible. Local elected officials should adopt pension systems that meet the needs of their workforce, maintain principles of sound fiduciary management, and preserve their ability to recruit and retain quality employees. Proposed reforms should meet these broad goals, as well as CSAC's guiding principles.

GUIDING PRINCIPLES

Ensure Sustainability

Counties believe in providing career employees with fair and adequate retirement benefits. Market losses in 2008 have for the first time raised the specter of unsustainability, with retirement funds dipping to their lowest historical funding ratios and growing pension fund contributions coming at the expense of other taxpayer funded services. While many counties have negotiated second tier benefits for new employees, more significant change may be necessary to ensure that pension promises made to existing employees can be kept with minimal reduction of services to communities. To ensure fiscal and service sustainability, pension reforms should:

- **Provide for More Equitable Sharing of Costs and Risks between Employee and Employer**
A more equitable sharing of pension costs and risks promotes shared responsibility for the market vulnerability of pension systems and reduces the incentive for either employees or employers to advocate for changes that result in disproportionate costs to the other party, while diminishing the exclusive impact on employers for costs resulting from increases in unfunded liability.
- **Provide Flexibility to Reduce and Contain Costs**
Local elected officials should be able to negotiate cost sharing agreements that are equitable and promote shared responsibility for the financial health of pension funds. Legal, statutory, regulatory, and administrative barriers for such agreements should be removed. Counties should be afforded all the tools necessary to reach responsible and fair local agreements. Likewise, the Legislature should not approve legislation that shifts the balance of local labor negotiations in favor of employee representatives. Pension reform should seek to maximize options and reduce inequities in counties' ability to negotiate benefits, regardless of the pension system each county belongs to. Counties must be able to control rising pension costs so that service cuts and employee layoffs are minimized.

➤ **Increase Pension Fund Accountability**

Public pension fund boards have a duty to ensure benefits are available to members and to minimize employer, and thereby, taxpayer costs. The constitution and state statutes should promote responsible financial management and public transparency and discourage conflicts of interest. Pension fund decisions should be based on sound principles and realistic fiscal and actuarial assumptions and not subject to political influence.

Improve Counties' Ability to Recruit and Retain the Best Talent

Counties must be able to recruit the best individuals to deliver a wide variety of services to all Californians. While not all counties provide the same salary or pension benefits there may be areas where counties can benefit from the implementation of statewide reforms. For those counties that have adopted pension reforms locally or for those who have maintained more modest benefits, efforts to create a level playing field for pension benefits among 1937 Act independent and CalPERS systems can assist in the recruitment of new talent in the future. Recognition must be given to the diversity of existing benefit structures across counties; participation in social security, as well as total compensation tradeoffs that have been made locally over the course of many years must be acknowledged. Policy makers should avoid restricting public sector compensation in a manner that makes it difficult for counties to recruit for positions that can be a challenge to fill. Counties should pursue a uniform approach to total compensation in order to give a more accurate picture of salaries and benefits across agencies and to allow comparisons to be more precise.

Eliminate Abuse

Public pension benefits provide an important public benefit by assisting public agencies to recruit and retain quality employees. Any fraud or abuse, both real and perceived, must be eliminated to ensure public trust and confidence in government to provide these benefits and to preserve the overall public value of these systems. Pension spiking and other attempts to manipulate pension benefits should be eliminated.

CSAC Guiding Principles for Pension Reform Adopted in 2005

Preamble

Public pension reform has garnered widespread interest and has generated significant debate among policy leaders about the appropriate remedy for actual and perceived abuse, rising costs, and accountability to taxpayers. CSAC welcomes this discussion and approaches the concept of reform with the overarching goal of ensuring public trust in public pension systems, and empowering local elected officials to exercise sound fiduciary management of pensions systems, as well as maintaining a retirement benefit sufficient to assure recruitment and retention of a competent local government workforce. Proposed reforms should meet these broad goals, as well as CSAC's guiding principles.

The guiding principles are intended to apply to new public employees in both PERS and 1937 Act retirement systems.

Guiding Principles

PROTECT LOCAL CONTROL AND FLEXIBILITY

Local elected officials should be able to develop pension systems that meet the needs of their workforce, maintain principles of sound fiduciary management, and preserve their ability to recruit and retain quality employees for key positions that frequently pay less than comparable positions in the private sector. A statewide mandated retirement system is neither appropriate nor practical, given the diversity of California's communities. Further, a mandated defined contribution retirement system could force a reconsideration of the decision of local governments not to participate in Social Security.

ELIMINATE ABUSE

Public pension systems provide an important public benefit by assisting public agencies to recruit and retain quality employees. Any fraud or abuse must be eliminated to ensure the public trust and to preserve the overall public value of these systems.

REDUCE AND CONTAIN COSTS

Public pension reform should provide for cost relief for government, public employees, and taxpayers.

INCREASE PREDICTABILITY OF COSTS AND BENEFITS FOR EMPLOYEE AND EMPLOYER

Responsible financial planning requires predictability. Employers must be able to predict their financial obligations in future years. Employees should have the security of an appropriate and predictable level of income for their retirement after a career in public service.

STRENGTHEN LOCAL CONTROL TO DEVELOP PLANS WITH EQUITABLE SHARING OF COSTS AND RISKS BETWEEN EMPLOYEE AND EMPLOYER

Equitable sharing of pension costs and risks promotes shared responsibility for the financial health of pension systems and reduces the incentive for either employees or employers to advocate changes that result in disproportionate costs to the other party, while diminishing the exclusive impact on employers for costs resulting from increases in unfunded liability.

INCREASE PENSION SYSTEM ACCOUNTABILITY

Public pension systems boards have a constitutional duty to (a) protect administration of the system to ensure benefits are available to members and (b) minimize employer costs. The constitutional provisions and state statutes governing such boards should promote responsible financial management and discourage conflicts of interest.

January 27, 2012

To: Board of Directors,
California State Association of Counties

From: CSAC Rural Caucus

Re: **Impact of Proposed Federal Post Office Closures on Rural Areas –
ACTION ITEM**

Background: The United States Postal Service has proposed closing 3,653 local post office locations nationwide as part of a restructuring plan to save \$20 billion by 2015. The proposal includes the closure of 111 California post office locations in 37 counties over the next three years.

The Postal Service developed the cost-saving plan last July in an effort to cope with the rapid decline in mail volume over the past 10 years. The plan also includes the closure of 250 mail processing facilities, eliminating Saturday delivery, slowing first-class mail delivery, and renegotiating labor union contracts.

The Postal Service is funded entirely by revenues from retail sales and may implement most aspects of the restructuring plan – including the proposed closures – without state, local, or Congressional approval.

In response to concerns about access to postal services, the Postal Service has begun to focus on co-locating traditional postal services within existing retail, grocery, drugstore and office supply outlets. They are also marketing online postal tools as an alternative to brick and mortar post office locations.

Timing: The Postal Service unveiled the restructuring plan last July and initially offered a 60-day public comment period. However, in the face of significant public opposition and caution from members of Congress, the comment period has been extended and a decision regarding the closures has been postponed until May 15 of this year. If the restructuring plan were to be adopted on May 15, closures and other cost-saving measures would be implemented over a three-year period.

Federal Action: Members of Congress have introduced several measures to reduce the number of post office locations slated for closure and grant the Postal Service some flexibility in meeting pension and health care obligations.

- The Postal Service Protection Act of 2011 (S. 1853 by Senator Bernard Sanders of Vermont and H.R. 3591 by Representative Peter DeFazio of Oregon) would recalculate the Postal Service's retirement and retiree health obligations and place restrictions on the closure of Postal Service facilities. The Senate version was introduced on November 10, 2011 and has been referred to the Senate Committee on Homeland Security and Governmental



Affairs. The House version was introduced on December 7, 2011 and referred to the House Judiciary Committee.

- Representative Rick Crawford of Arkansas also introduced the Protecting Our Rural Post Offices Act of 2011 (H.R. 3370) on November 4, 2011. This measure would prohibit the Postal Service from closing any post office that does not have another post office within eight miles as measured by public roads with year-round access. It has been referred to the House Committee on Oversight and Government Reform.

CSAC Rural Caucus Action: The CSAC Rural Caucus voted unanimously on November 30 to seek approval from the CSAC Board of Directors to submit the attached draft public comment letter outlining county concerns about the Postal Service's plan to close 111 post offices in California.

Members of the rural caucus expressed concerns about the economic, social, and environmental impacts of post office closures in small rural communities. Rural supervisors contend that post office closures would result in the loss of jobs in already economically depressed areas. Post offices also serve as social and informational linchpins in many small communities and towns, with some locations having operated for well over 100 years. Furthermore, the loss of access to services would force residents to utilize automobile transportation, which in turn would impact local air quality.

While this issue was raised in the CSAC Rural Caucus, it is important to note that the Postal Service's closure list includes locations in counties throughout California, whether rural, suburban, or urban. Advocates for urban areas have raised similar concerns about access, and, like their rural counterparts, contend that the Postal Service's plan to offer co-located post offices and online services will not meet the needs of residents who live in communities with few retail locations and limited access to the Internet.

ACTION REQUESTED:

The Rural Caucus respectfully requests the Board to approve the attached draft public comment letter on behalf of California's 58 counties to the United States Postal Service and the state's Congressional delegation.

Attachments:

- Draft CSAC Letter of Concerns to Postal Service
- Chart: Proposed Post Office Closures in California

1100 K Street
Suite 101
Sacramento
California
95814

Telephone
916.327-7500

Facsimile
916.441.5507



February 23, 2012

DRAFT

To: The United States Postal Service

RE: California County Concerns Regarding Proposed Post Office Closures

The California State Association of Counties, an association of county supervisors representing all 58 counties in the Golden State, wishes to express our opposition to the United States Postal Service's proposal to close 112 local post office locations in 37 counties throughout California.

California county supervisors are concerned about the negative economic, social, and environmental impacts that would result from the closure of key post office locations. These concerns are shared by rural and urban supervisors alike, who worry about the loss of jobs and access to services in their communities.

California is struggling with a statewide unemployment rate of 11 percent, and the closure of post offices would result in the loss of important jobs in economically depressed communities.

The loss of access to post office services, including the capability to obtain money orders and federal income tax forms, will also disadvantage many communities. We understand that the Postal Service is working to increase co-location in existing retail outlets and improve online access to postal services, but many of the towns and neighborhoods in which we serve do not support large retail outlets or broadband access to the Internet. The closure of a post office in these communities will effectively eliminate any access our residents have to these services.

Furthermore, the loss of access to services would force residents to utilize automobile transportation, which in turn would impact the county's air quality. In Northern California, miles travelled to access postal services could increase by 10, 20, and even 50 miles or more.

As local elected officials and residents in these communities, California county supervisors urge the Postal Service to reconsider any proposal to close local post offices. Closures would cause economic, social, and environmental damage to our residents and communities, and we ask that these impacts be considered in any future Postal Service restructuring proposal. Thank you.

Sincerely,

Mike McGowan
CSAC President
Yolo County Supervisor

cc: California Senate Delegation
California House Delegation

1100 K Street
Suite 101
Sacramento
California
95814

Telephone
916.327-7500

Facsimile
916.441.5507

Proposed California Post Office Closure List

December 2011

County	Office	City/Town	Zip
Alameda	Byron Rumford	Oakland	94612
Alameda	Eastmont	Oakland	94605
Butte	Clipper Mills	Clipper Mills	95930
Butte	Stirling City	Stirling City	95978
Colusa	Grimes	Grimes	95950
El Dorado	Kyburz	Kyburz	95720
El Dorado	Twin Bridges	Twin Bridges	95735
Fresno	Big Creek	Big Creek	93605
Fresno	Helm	Helm	93627
Glenn	Artois	Artois	95913
Humboldt	Blocksburg	Blocksburg	95514
Humboldt	Honeydew	Honeydew	95545
Humboldt	Kneeland	Kneeland	95549
Humboldt	Korbel	Korbel	95550
Humboldt	Phillipsville	Phillipsville	95559
Humboldt	Redcrest	Redcrest	95569
Humboldt	Samoa	Samoa	95564
Humboldt	Weott	Weott	95571
Inyo	Darwin	Darwin	93522
Inyo	Tecopa	Tecopa	92389
Kern	Fellows	Fellows	93224
Kern	Tupman	Tupman	93276
Kings	East Bakersfield	Bakersfield	93305
Lassen	Milford	Milford	96121
Lassen	Nubieber	Nubieber	96068
Lassen	Ravendale	Ravendale	96123
Los Angeles	Bandini Station	Bell	90201
Los Angeles	Eastgate	Beverly Hills	90211
Los Angeles	Hub City	Compton	90220
Los Angeles	Willowbrook	Compton	90222
Los Angeles	Cudahy	Cudahy	90201
Los Angeles	Soto	Huntington Park	90255
Los Angeles	State Street	Huntington Park	90255
Los Angeles	Crenshaw Imperial	Inglewood	90303
Los Angeles	Morningside Park	Inglewood	90305
Los Angeles	North Inglewood	Inglewood	90302
Los Angeles	Lennox	Inglewood	90304
Los Angeles	City of Industry	La Puente	91744

Proposed California Post Office Closure List
December 2011

Los Angeles	North Long Beach	Long Beach	90805
Los Angeles	Trade Center	Long Beach	90831
Los Angeles	Lockout	Lockout	96054
Los Angeles	Veterans Administration	Los Angeles	90073
Los Angeles	Westside Pavilion	Los Angeles	90064
Los Angeles	Baldwin Hills/Crenshaw Finan	Los Angeles	90008
Los Angeles	Hollywood Pavilion	Los Angeles	90028
Los Angeles	Arcade	Los Angeles	90013
Los Angeles	Arco	Los Angeles	90071
Los Angeles	Bunker Retail Postal Store	Los Angeles	90071
Los Angeles	Federal Finance Station LA	Los Angeles	90012
Los Angeles	Lugo	Los Angeles	90023
Los Angeles	Market	Los Angeles	90021
Los Angeles	Broadway Manchester	Los Angeles	90023
Los Angeles	Alla Vista	Los Angeles	90066
Los Angeles	Maywood	Maywood	90270
Los Angeles	Firestone	South Gate	90280
Los Angeles	Hollydale	South Gate	90280
Los Angeles	Del Amo	Torrance	90503
Mariposa	Fish Camp	Fish Camp	93623
Mariposa	Hornitos	Hornitos	95325
Mariposa	Yosemite Lodge	Yosemite National Park	95389
Modoc	Davis Creek	Davis Creek	96108
Modoc	Eagleville	Eagleville	96110
Modoc	Fort Bidwell	Fort Bidwell	96112
Modoc	Likely	Likely	96116
Mono	Topaz	Topaz	96133
Napa	Veterans Home	Yountville	94599
Nevada	Washington	Washington	95986
Orange	Center Ave	Huntington Beach	92605
Orange	Midway City	Midway City	92655
Orange	Olive	Orange	92857
Orange	Plaza Orange	Orange	92856
Placer	Gold Run	Gold Run	95717
Plumas	Canyon Dam	Canyon Dam	95923
Plumas	Twain	Twain	95984
Sacramento	Antelope	Citrus Heights	95621
Sacramento	Ryde	Ryde	95680
San Bernardino	Downtown Ontario	Ontario	91762

Proposed California Post Office Closure List

December 2011

San Bernardino	San Bernardino Mo Windows	San Bernardino	92403
San Diego	Marine Corps Recruit Depo	San Diego	92140
San Diego	Pala Vista Annex	Vista	92084
San Francisco	Bayview	San Francisco	94124
San Francisco	Civic Cntr P O Box Unit	San Francisco	94102
San Francisco	Federal Building San Fran	San Francisco	94102
San Francisco	McLaren Station	San Francisco	94134
San Francisco	Visitacion Station	San Francisco	94134
San Mateo	Colma	Daly City	94014
San Mateo	Loma Mar	Loma Mar	94021
San Mateo	San Gregorio	San Gregorio	94074
San Mateo	Linden	South San Francisco	94080
Santa Barbara	Victoria Court	Santa Barbara	93101
Santa Clara	Colonnade	San Jose	95112
Shasta	Castella	Castella	96017
Shasta	Hat Creek	Hat Creek	96040
Shasta	Old Station	Old Station	96071
Sierra	Alleghany	Alleghany	95910
Sierra	Goodyears Bar	Goodyears Bar	95944
Sierra	Sierraville	Sierraville	96126
Siskiyou	Callahan	Callahan	96014
Siskiyou	Forks of Salmon	Forks of Salmon	96031
Sonoma	Camp Meeker	Camp Meeker	95419
Sonoma	Villa Grande	Villa Grande	95486
Tehama	Paskenta	Paskenta	96074
Trinity	Big Bar	Big Bar	96010
Trinity	Zenia	Zenia	95595
Tulare	Posey	Posey	93260
Tulare	Yetter	Yetter	93670
Tuolumne	Chinese Camp	Chinese Camp	95309
Tuolumne	Moccasin	Moccasin	95347
Yolo	Downtown Davis	Davis	95616
Yolo	Zamora	Zamora	95698
Yuba	Challenge	Challenge	95925



February 8, 2012

1100 K Street
Suite 101
Sacramento
California
95814

To: Board of Directors
California State Association of Counties

From: Paul McIntosh
Executive Director

RE: **Employee Health Benefit Cooperative - INFORMATIONAL ITEM**

Telephone
916.327-7500
Facsimile
916.441.5507

Last summer, the Board of Directors authorized the pursuit of an analysis of the feasibility of establishing an Employee Health Benefits pool within CSAC to provide an opportunity to California counties to better manage and contain employee health care costs. CSAC prepared a comprehensive Request for Proposals that laid out four phases needed to establish the program, the first phase being the feasibility analysis. Several proposals were submitted with a group of consultants being interviewed. Aon Hewitt, a company with a lengthy history of successful analysis and implementation of health pools, was selected for the analysis.

Aon Hewitt conducted a focus group discussion and prepared a lengthy written survey to gauge the relative interest of counties and the potential for establishing an employee health insurance pool. After a meeting between CSAC and Aon Hewitt to discuss the results of the survey, unfortunately, there does not appear to be a level of interest on the part of California counties to overcome the potential hurdles of setting up such an employee health insurance pool.

While many counties expressed frustration -particularly with the CalPERS healthcare system - during the focus group, they also noted the need to illustrate significant cost savings if they were to be able to successfully negotiate with their various labor representatives on the need for change. Simply suggesting the potential of savings or improvements in benefits was not perceived as sufficient to effect movement. Many noted that the health insurance world is very complicated and doubted they could achieve the level of effort necessary on a county by county basis to make such a move work.

Recognizing some of the limitations noted in the focus group, Aon Hewitt developed a survey questionnaire that was sent to all 58 counties to seek information about the type and level of benefits provided, as well as the census of employees and dependents receiving benefits and using the insurance plans. The response was underwhelming. Despite being given additional time in which to complete the survey, only 17 of the 58 counties completed the questionnaire. Of those, only 12 of the 17 counties provided census data sufficient to make any representations regarding coverage. Of the 17 respondents, only four counties indicated a level of interest and no county indicated a strong level of interest.

Given the lackluster embrace of the concept of an employee health insurance pool, CSAC does not see any point in continuing to investigate the feasibility of establishing

such a pool. There remain, however, other opportunities in which CSAC can play a significant role in helping member counties better deal with spiraling health care costs. As an example, wellness programs that are well-coordinated and styled to be duplicated across counties offer some potential. The opportunity to develop a partnership with other pools, such as the Excess Insurance Agency, also provides some potential. CSAC is in a unique position to help those pools better market their programs and add value to such a partnership.

The incentive to pursue an employee health insurance pool was to provide better member services to California counties while at the same time diversifying CSAC's revenue base. CSAC will continue to seek such opportunities, but will not further pursue establishing a stand-alone employee health insurance pool.



Agriculture and Natural Resources Policy Committee

Wednesday, February 15, 2012 · 10:00 a.m. – 12:00 p.m.

CSAC First Floor Conference Room

1100 K Street, 1st Floor, Sacramento, CA 95814

Conference Call Line: 916-445-5476

AGENDA

Supervisor, Richard Forster, Amador County, Chair
Supervisor Kim Vann, Colusa County, Vice- Chair

- | | | |
|-------------------|------|---|
| 10:00- 10:10 a.m. | I. | Welcome and Introductions
<i>Supervisor Richard Forster, Amador County</i>
<i>Supervisor Kim Vann, Colusa County</i> |
| 10:10- 10:40 | II. | Review & Discussion of Governor's Regional Water Quality Control Board (RWQCB) Budget Proposal
<i>Karen Keene, CSAC Senior Legislative Representative</i>
<i>Cara Martinson, CSAC Senior Legislative Analyst</i> |
| 10:40- 11:20 | III. | Overview: Proposed National Flood Insurance Program (NFIP) Federal Legislation
<i>Karen Keene, CSAC Senior Legislative Representative</i>
<i>Cara Martinson, CSAC Senior Legislative Analyst</i> |
| 11:20- 11:50 | IV. | Discussion of Farm Bill Reauthorization
<i>Rayne Pegg, California Farm Bureau Federation</i> |
| 11:50-12:00 p.m. | V. | Other Items & Adjournment |

The complete Agriculture and Natural Resources Policy Committee agenda, including attachments, is available on the CSAC website under "Agendas & Meeting Materials."

February 8, 2012

To: Board of Directors
California State Association of Counties

From: Paul McIntosh
Executive Director

Re: **Redevelopment Dissolution: Update – INFORMATIONAL ITEM ONLY**

As you are aware, on December 29, 2011, the California Supreme Court ruled in *CRA v. Matosantos*, upholding AB 26X, which eliminated community redevelopment agencies, but striking down AB 27X, the companion measure that would have allowed the agencies to continue to operate if they made specified payments to the state. The Supreme Court's decision requires that, as of February 1, 2012, community redevelopment agencies are dissolved. (While there were legislative efforts to extend this date to April 15, 2012, those efforts were unsuccessful.)

Dissolution of Redevelopment Agencies

Counties have a variety of responsibilities associated with the dissolution of redevelopment agencies, including:

- Acting as successor agency to county-sponsored former redevelopment agencies.
- Appointing members to the oversight boards of successor agencies.
- Administering the allocation of property taxes to successor agencies for purposes of meeting enforceable obligations; auditing successor agencies to determine the agency's assets and liabilities, pass-through obligations, and existing indebtedness; allocating residual property taxes to other affected taxing entities.

The attached memo outlines the specific duties of counties required by AB 26X. Because of the tight timeframes set out by the court, county activities associated with AB 26X, particularly those that reside with the auditor-controller, are necessarily moving at a brisk pace. Auditor-Controllers continue to work with a variety of stakeholders, including the Department of Finance and State Controller's Office, to establish statewide uniform guidelines to provide a consistent approach throughout the state in administering this complex process. Those guidelines will hopefully be finalized by month's end.



1100 K Street
Suite 101
Sacramento
California
95814

Telephone
916.327-7500

Facsimile
916.441.5507

To assist local agencies through this process, the Department of Finance has set up a website with contact information and Frequently Asked Questions regarding AB 26X: http://www.dof.ca.gov/assembly_bills_26-27/view.php.

We continue to encourage counties to engage with local stakeholders during the process to ensure a common understanding of the practical implementation efforts in your county. We also urge counties to work closely with county counsel for legal assistance, as we know there will likely be considerable legal challenges through the dissolution process.

What’s Next for Redevelopment?

Determining the so-called “resurrection” of redevelopment is a challenging task in the current political climate. There are a few legislative measures that would make changes to the dissolution process to help facilitate a future for certain projects.

Bill	Author	Summary
SB 654	Steinberg	Authorizes existing Low and Moderate Income Housing Funds to be used by the successor housing agency for purposes of affordable housing; expands the definition of “enforceable obligation” to include certain agency loans from the host city or county.
SB 986	Dutton	Allows for the use of unencumbered bond proceeds by a successor agency for the purposes for which the bonds were sold until December 2014.
AB 1585	Perez	Authorizes existing Low and Moderate Income Housing Funds to be used by the successor housing agency for purposes of affordable housing; expands the definition of “enforceable obligation” to include certain agency loans from the host city or county; amends provisions relating to eligible administrative costs; includes obligations associated with collective bargaining agreements in the definition of “enforceable obligation”; authorizes oversight boards to approve new bonds if necessary to meet enforceable obligation requirements.

There are a number of issues that have been raised by redevelopment agencies, cities, labor, the bond community, county auditors, and others as to needed clarification or amendment to AB 26X to assist with the dissolution process. It has been made very clear, however, that the Administration wants to ensure that statutory changes are in fact necessary for the effective implementation of the wind down process, as opposed to hypothetical or unique scenarios that can be handled administratively.

That said, there is a significant interest in the Legislature for moving forward on a mechanism to provide opportunities for local economic development and affordable housing. The Senate Governance and Finance and Transportation and Housing Committees are convening a joint hearing to discuss “Financing Affordable Housing and Local Economic Development: New Reality, New

Opportunity” on February 22, 2012. Senate President pro Tempore Darrell Steinberg has discussed with the press his preference to authorize new economic development activities associated with his SB 375.

CSAC has communicated our interest in discussions that focus on additional tools for economic development and/or significant reforms to the redevelopment construct. Obviously, counties have a great deal of interest in ensuring that our communities are able to find the resources to provide for infrastructure and public facilities; at the same time, we must also focus on ensuring sufficient resources for the other critical public services counties provide and in a balanced and stable state budget. This is particularly important in light of 2011 realignment.

We anticipate this issue to be a priority for the Legislature this year and will continue to keep counties apprised of new developments and proposals both for redevelopment dissolution and future efforts to finance economic development efforts and affordable housing.

Attachment

January 30, 2012



To: CSAC Board of Directors
County Administrative Officers
County Auditor-Controllers
County Counsels

From: Paul McIntosh, Executive Director

Re: **Dissolution of Redevelopment Agencies: Implementation of AB 26X**

1100 K Street
Suite 101
Sacramento
California
95814

Telephone
916.327-7500

Facsimile
916.441.5507

CSAC has received a number of inquiries regarding counties' role in the implementation of the dissolution of redevelopment agencies, as outlined in AB 26X (Chapter 5, Statutes of 2011). The tight timeline directed by the California Supreme Court's decision in *California Redevelopment Association v. Matosantos* that upheld the constitutionality of AB 26X means that counties will be fully engaged in dissolution activities in a matter of days. This memo is intended to summarize the variety of county duties associated with AB 26X.

The California Department of Finance has also created a webpage with staff contact information and questions and answers on bonded indebtedness and dissolution issues. The Senate Local Government Committee staff has prepared a timeline for AB 26X activities, as well, that we have attached here.

This memo does not constitute legal advice. Please contact your county counsel for legal assistance.

Successor Agencies

AB 26X defines "successor agencies" as successor entities to the former redevelopment agencies. These agencies essentially have the same authority, rights, powers, duties, and obligations that previously belonged to redevelopment agencies, except that they can no longer incur debt or engage in redevelopment planning or execution of redevelopment projects. A city or county that chooses not to serve as the successor agency should have provided a resolution to that effect, adopted by its governing board, to the county auditor-controller by **January 13, 2012**.

If a city or county has elected to not serve as the successor agency, the first local agency that notifies the county auditor-controller that it wishes to become the successor agency for that city or county with a resolution to that effect becomes the successor agency.

If no local agency elects to do so, a public body called the "designated local authority" is immediately formed and is vested with all the powers and duties of a successor agency. The Governor shall appoint three residents of the county to serve as successor agency until a local agency elects to take that role.

As of **February 1, 2012**, redevelopment agencies are dissolved and successor agencies are created. All of the former redevelopment agency's assets, properties, contracts, leases, books

and records, buildings and equipment are transferred to the control of the successor agency, including cash and cash equivalents.

AB 26X states very clearly that pledges of revenue associated with a redevelopment agency's enforceable obligations are to be honored. The Legislature intends that cessation of any redevelopment agency shall not affect either the pledge, the legal existence of that pledge, or the stream of revenues available to meet that pledge. To that end, successor agencies are directed to:

- Continue to make payments due for enforceable obligations according to approved payment schedules.
- Maintain reserves in the amounts required by indentures, trust indentures, or similar documents governing the issuance of outstanding redevelopment agency bonds.
- Perform obligations required pursuant to any enforceable obligation.
- Remit unencumbered balances of redevelopment agency funds to the county auditor-controller for distribution to local taxing entities.
- Dispose of assets and properties of the former redevelopment agency as directed by the oversight board in an expeditious manner, aimed at maximizing value.
- Enforce all former redevelopment agency rights for the benefit of taxing entities, including continuing to collect loans, rents, and other revenues that were due to the redevelopment agency.
- Effectuate transfer of housing functions and assets to the designated entity.
- Expeditiously wind down the affairs of the redevelopment agency in accordance with statute and as directed by the oversight board.
- Continue to oversee development of properties until the contracted work has been completed or contractual obligations can be transferred to other parties.
- Prepare a proposed administrative budget and submit it to the oversight board for its approval.
- Provide administrative cost estimates to the county auditor-controller for each six-month period.
- Before each six-month period, prepare a Recognized Obligation Payment Schedule in accordance with statutory requirements.

Oversight Boards

Counties must appoint members to oversight boards for each successor agency within the county. These oversight boards are composed of seven members, appointed as follows:

- One member appointed by the county board of supervisors
- One member appointed by the mayor for the city that formed the redevelopment agency
- One member appointed by the largest special district by property tax share with territory in the jurisdiction of the former redevelopment agency
- One member appointed by the county superintendent of education to represent schools
- One member appointed by the Chancellor of the California Community Colleges to represent community college districts in the county
- One member of the public appointed by the county board of supervisors

- One member representing the employees of the former redevelopment agency appointed by the mayor or chair of the board of supervisors from the recognized employee organization representing the largest number of former redevelopment agency employees employed by the successor agency

The Governor may appoint individuals to fill any oversight board member position that has not been filled by May 15, 2012 or any member position that remains vacant for more than 60 days.

An individual may serve on up to five oversight boards.

The oversight board is staffed by the staff to the successor agency and costs associated with the oversight board's work are to be paid by the successor agency.

A majority of the total membership of the oversight board constitutes a quorum and the oversight board may begin meetings as soon as a quorum is appointed. By **May 1, 2012**, each successor agency's oversight board must report the name of its chairperson and other members to the Department of Finance.

Oversight board actions may be reviewed by the Department of Finance. As such, all actions shall not take effect for three days, pending a request for review by the department. If the department requests a review, it has 10 days from the date of such request to approve the oversight board action or return it to the oversight board for reconsideration and approval by the department.

Importantly, oversight boards have fiduciary responsibilities to holders of enforceable obligations and the taxing entities that benefit from distributions of property tax revenues. Oversight boards are tasked with approving successor agency actions, as follows:

- The establishment of new repayment terms for outstanding loans
- Refunding of outstanding bonds or other debt of the former redevelopment agency in order to provide for savings
- Setting aside of amounts in reserves as required by indentures, trust indentures, or similar documents governing the issuance of outstanding redevelopment agency bonds
- Merging of project areas
- Continuing the acceptance of state/federal grants that require matching funds from the successor agency
- Agreements to retain properties or other assets by the city or county
- Establishment of the Recognized Obligation Payment Schedule
- A request by the successor agency to pledge property tax revenues

Oversight boards shall direct successor agency activities, as follows:

- Disposal of all assets and properties of the former redevelopment agency that were funded by tax increment revenues. This disposal shall be done expeditiously and in a manner aimed at maximizing value.
- Terminate existing agreements that do not qualify as enforceable obligations

- Transfer housing responsibilities and all rights, powers, duties, and obligations, along with funds on deposit in the Low and Moderate Income Housing Fund to the appropriate entity
- Terminate any agreements with other public entities within the county for debt service obligations of the public entity or construction or operation costs of the public entity if the board determines that early termination is in the best interests of the taxing entities.
- Determine whether existing agreements between the former redevelopment agency and private parties should be terminated or renegotiated to reduce liabilities and increase net revenue to the taxing entities, if found in the best interest of taxing entities.

Auditor-Controller Duties

As administrator of property taxes within the county, the county auditor-controller has significant new responsibilities associated with the dissolution of redevelopment agencies. The State Association of County Auditors is working diligently with a variety of stakeholders on statewide uniform guidelines to provide guidance and assistance to county auditors as they take on these new challenges.

The county auditor-controller shall create a Redevelopment Property Tax Trust Fund within the county treasury for each former redevelopment agency. Property tax revenues for each former redevelopment agency must be deposited in these funds. The county auditor-controller is to calculate the amount of property taxes that would have been allocated to the former redevelopment agency and shall deposit that amount in the Redevelopment Property Tax Trust Fund. The county auditor-controller is to administer this fund for the benefit of the holders of former redevelopment agency enforceable obligations and to the taxing entities that receive passthrough payments and distributions of property taxes. Administrative costs associated with these activities may be charged to the Redevelopment Property Tax Trust Fund.

By **May 16, 2012**, the county auditor-controller must allocate moneys from the Redevelopment Property Tax Trust Fund to the successor agency for payments listed in its Recognized Obligation Payment Schedule for the period of January 1, 2012 through June 30, 2012. The county auditor-controller must also allocate any moneys remaining to local taxing entities. Twice annual payments will be made to successor agencies and to local taxing entities on January 16 and June 1 for each year thereafter.

County auditor-controllers are to perform audits of each redevelopment agency within the county by **July 1, 2012**. These audits are to establish the agency's assets and liabilities, to document and determine each agency's passthrough obligations, and to document and determine the amount and terms of indebtedness incurred by the redevelopment agency and certify the initial Recognized Obligation Payment Schedule.

County auditor-controllers are to submit copies of all audits to the State Controller by **July 15, 2012**.

The county auditor-controller is also required to report specified information regarding the distribution of property tax revenues to the State Controller and the Director of Finance by **October 1, 2012**.

Next Steps

CSAC will continue to keep counties apprised of new developments that occur during the dissolution process. As you know, there may be legislative changes or administrative directions that could require these processes to be modified. We also urge counties to dialogue with local stakeholders and utilize the expertise of counsel during this complex transition. We recognize that this is a challenging time and remain available to assist counties through the process.

CSAC Staff Contacts

Jean Kinney Hurst, Legislative Representative	jhurst@counties.org 916.327.7500 ext 515
Geoffrey Neill, Legislative Analyst	gneill@counties.org 916.327.7500 ext 567



Memorandum

To: CSAC Board of Directors

From: Nancy Parrish
Executive Director, CSAC Finance Corporation
John Samartzis
Director of Corporate Relations

Re: Corporate and Sponsorship Program Update

Date: February 23, 2012

Last fall we began an effort to dramatically improve CSAC's Corporate Membership and Sponsorship Programs by:

- Increasing the quality and quantity of opportunities for our Corporate and County Members to interact
- Increasing sponsorship opportunities to provide additional networking venues and revenue
- Improving the content provided to Corporate Members at their meetings

We also needed to address some internal issues around these programs by:

- Moving our Corporate membership program from a calendar year membership to match CSAC's fiscal year
- Consolidating our internal tracking of revenues and expenses related to Corporate and Sponsorship programs so as to accurately reflect the value of the program
- Simplifying the existing membership levels to reflect the value of the opportunities offered
- Providing a higher level of staff support to develop and grow the program to a level appropriate to CSAC's value

We began by increasing sponsorship opportunities at our Annual Meeting last November which resulted in an additional \$40,000 in conference revenue. We also replaced the previous Coordinator position with a Director of Corporate Relations and recruited John Samartzis to fill the new position. John brings significant experience in creating and growing corporate sponsorship programs. Most recently John spent five years at the National Association of Counties overseeing their corporate relations. During his time there, John was responsible for dramatic increases in membership and revenue generated by the program.

We have also revamped our Corporate Membership program to reduce the number of membership levels and increase the amount of staff time devoted to our top tier members.

Below are the details for the new levels of membership:

Premier Members*\$25,000 Annual Membership*

CSAC staff will work with each Premier Member to develop an annual business plan designed to help your company achieve its goals in the county government marketplace. Each plan is unique to your company and may include convening focus groups, planning meetings or social events with key county officials, providing thought leadership on key issues or distributing communications regarding your products and services. Our goal is to help you meaningfully interact with county officials. Additionally, there are exclusive sponsorship opportunities available only to our Premier Members. CSAC Premier Members also receive four complimentary registrations to both of our conferences and a complimentary 10x10 booth at our Annual Conference.

Associate Members*\$3,000 Annual Membership*

Associate Members receive one complimentary registration to CSAC's Legislative and Annual Conferences and a 25% discount on a 10x10 booth space at the Annual Meeting. Associates can attend Committee Meetings at the Legislative and Annual Conferences and receive attendee lists for both events.

Sponsorship

We have dramatically increased the number of opportunities for sponsorships at our Legislative and Annual Conferences to provide additional venues for our corporate members and other private sector folks to engage our membership.

To ease the transition to the new membership offering and to bring our corporate and sponsorship programs in line with CSAC's budget cycle, the initial period of time covered by these dues will be January 1, 2012 to June 30, 2013.



Premier Membership

Opportunities for your company to access county decision makers.

Premier Membership Overview

CSAC Premier Membership gives your company an opportunity to meaningfully interact with California county officials. To ensure that your Premier Membership provides value to your organization, CSAC staff will work with each Premier Member individually to develop an annual business plan designated to help your company achieve goals in the county government marketplace. Each plan is unique to your company and may include highlights such as convening focus groups, planning meetings or social events with key county officials, providing thought leadership on key issues or distributing communications regarding your products and services.

In addition to the customized business plan and access to CSAC staff for facilitating county relationships, there are numerous other benefits for Premier Members including the following:

- ❖ Complimentary Registrations (4) to the CSAC Annual Meeting
- ❖ Complimentary Registrations (4) to the CSAC Legislative Conference
- ❖ Complimentary 10'x10' Annual Meeting Exhibit Booth in Prime Location
- ❖ Discounts on Additional Conference Registrations
- ❖ Exclusive Sponsorship Opportunities
- ❖ Access to CSAC Committee Meetings
- ❖ Unlimited Subscriptions to weekly email publication, *The CSAC Bulletin*
- ❖ Listing on CSAC Website With Company Description and Link

2012-2013 Premier Membership - \$25,000

CSAC IS PROUD TO REPRESENT THE COUNTIES OF CALIFORNIA.

With involvement of our county and corporate members along with staff commitment, we are refining and expanding programs and services that will ensure the success of counties well into the future as the closest level of government to the people.

FOR MORE INFORMATION CONTACT:

John Samartzis
 Director of Corporate Relations
jsamartzis@counties.org
 916.650.8107



Premier Membership

"Our interactions with County Officials at CSAC events has proven extremely valuable to our organization. We have built relationships over the years that bring tremendous value to our business."

CSAC Corporate Member

"Counties throughout the state are facing unprecedented challenges. As a County Supervisor it is vital for me to have strong private sector partners at the table as we seek new ways to deliver services more effectively and efficiently."

*Mike McGowan
CSAC President
Yolo County Supervisor*

While California's 58 counties - ranging from Alpine with a little more than 1,200 people, to Los Angeles with more than 10 million - are diverse, many common issues exist.

2012-2013 Conference Schedule

CSAC Legislative Conference *
May 30 - 31
Sacramento County

CSAC Annual Conference*
November 27 – 30
Los Angeles County

Corporate Member Forum
January 2013
TBD

***Sponsorship Opportunities Available**

**FOR MORE INFORMATION
CONTACT:**

*John Samartzis
Director of Corporate Relations
jsamartzis@counties.org
916.650.8107*



Associate Membership

Associate Membership Benefits

- ❖ Complimentary Registration (1 person) to the CSAC Annual Meeting
- ❖ Complimentary Registration (1 person) to the CSAC Legislative Conference
- ❖ Discounts on Conference Registrations
- ❖ 25% Discount on Annual Meeting Exhibit Booth
- ❖ Access to CSAC Committee Meetings
- ❖ Unlimited Subscriptions to weekly email publication, *The CSAC Bulletin*
- ❖ Listing on CSAC Website

2012 Conference Schedule*

CSAC Legislative Conference

May 30 - 31

Sacramento County

CSAC Annual Conference

November 27 – 30

Los Angeles County

***Sponsorship Opportunities Available**

2012-2013 Associate Membership - \$3,000

While California's 58 counties - ranging from Alpine with a little more than 1,200 people, to Los Angeles with more than 10 million - are diverse, many common issues exist.

CSAC IS PROUD TO REPRESENT THE COUNTIES OF CALIFORNIA.

With involvement of our county and corporate members along with staff commitment, we are refining and expanding programs and services that will ensure the success of counties well into the future as the closest level of government to the people.

FOR MORE INFORMATION CONTACT:

John Samartzis
 Director of Corporate Relations
jsamartzis@counties.org
 916.650.8107



Sponsorship

CSAC Legislative Conference

May 30-31, 2012 – Sacramento
Average 350-400 Attendees

\$2,500 Sponsorship Opportunities

- Registration Area Coffee Service
- CSAC Policy Committee Breakfasts
 - Administration of Justice
 - Agriculture & Natural Resources
 - Government Finance & Operations
 - Health & Human Services
 - Housing, Land Use, & Transportation

\$5,000 Sponsorship Opportunities

- Delegate Bags
- Hotel Key Cards
- Internet Station
- Lanyards
- Luncheon Speaker
- Rural Caucus Meeting & Reception
- Suburban Caucus Meeting & Reception

\$7,500+ Sponsorship Opportunities

- Legislative Conference Reception (\$7,500 – 2 available)
- Wednesday Reception Suite (\$10,000)
- Thursday Reception Suite (\$10,000)

CSAC Annual Meeting

November 27-30, 2012 – Long Beach
Average 800-1,000 Attendees

\$3,000 Sponsorship Opportunities

- CSAC Policy Committee Breakfasts
 - Administration of Justice
 - Agriculture & Natural Resources
 - Government Finance & Operations
 - Health & Human Services
 - Housing, Land Use, & Transportation

\$5,000 Sponsorship Opportunities

- Annual Banquet (3 available)
- Banquet Reception (3 available)
- Exhibit Hall Seated Massages (3 available)
- Exhibit Hall Reception (3 available)
- Internet Station
- Lanyards
- Registration Coffee Service
- Rural Caucus Meeting & Reception
- Suburban Caucus Meeting & Reception

\$10,000 Sponsorship Opportunities

- County Night Conference Wide Event
- Delegate Bags
- General Session Speaker
- Hotel Key Cards
- Luncheon Session Speaker
- Tuesday Reception Suite
- Wednesday Reception Suite

Advertising

Conference program advertising is also available.
Price varies depending on ad specs. \$500-\$1,500.

FOR MORE INFORMATION
CONTACT:

John Samartzis

Director of Corporate Relations

jsamartzis@counties.org

916.650.8107



INSTITUTE FOR LOCAL GOVERNMENT

Update on Activities 2/12

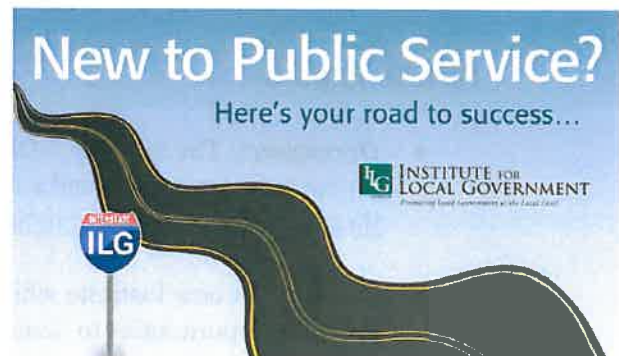
Supervisor Greg Cox Elected Institute Board Vice Chair

The Institute Board has elected Supervisor Greg Cox from San Diego as its vice chair. Supervisor Cox has served as the liaison between the CSAC board and the Institute board, along with CSAC Executive Director Paul McIntosh.

The County Administrators Association also has a representative on the CSAC Board: Nevada County Administrator Rick Haffey. Rick also serves on the Institute Board's Finance Committee.

Newly Elected Officials Resource Center Launched

The Institute has added a new section to its website specifically for newly elected officials: www.ca-ilg.org/NewOfficialResourceCenter. We also created a brochure that is available for CSAC to use in its communications and education work with newly elected officials and/or can be shared with board clerks, if that's more appropriate. Copies of the brochure will be on hand at the board meeting.



CSAC Educational Program Support

CSAC Institute

In November, the Institute organized the CSAC Institute session on joint use of facilities and joint provision of services. The course showcased the good work in intergovernmental collaboration being accomplished in Sonoma, Solano and San Mateo counties. Materials from the course are available on the Institute's website at http://www.ca-ilg.org/CSACInstituteCourse12_1_11 (under the Intergovernmental Collaboration section). The session is scheduled to be offered again in 2012.

The Institute is organizing a session for June on elected official/staff relations. Suggestions welcome (see JoAnne's contact information on page 4).

Promoting Good Government at the Local Level

Webinars:

- **Financing Sustainability Webinar* #2: Financing Energy at the Local Level (12/6/11).** This webinar provided information on three different strategies for financing energy efficiency, highlighting the experiences of three different California communities (Chula Vista, Pleasanton and El Cerrito). 156 individuals participated, and 80 percent of respondents to a post-webinar survey “agreed” or “strongly agreed” that the webinar provided them with useful tips and insights in financing energy efficiency. The average rating of the delivery and presentation of the webinar was 4.2 on a 5-point scale. Materials from the webinar are available at <http://www.ca-ilg.org/FinancingSustainabilityWebinars/2>.
- **Financing Sustainability Webinar* #3: Opportunities to Fund Local Parks and Open Space (1/31/12).** This webinar focused on innovative financing mechanisms for parks and open space, including joint use agreements and a partnership bringing together Ventura County, the city of Simi Valley, and the local parks and school districts. Attendance and evaluation information from the webinar is still being compiled. Materials from the webinar are available at <http://www.ca-ilg.org/FinancingSustainabilityWebinars/3>.

**The Financing Sustainability webinar series is funded through a partnership with the Information Center for the Environment at the University of California, Davis, with support from the Strategic Growth Council and The California Endowment.*

White Papers

- **December:** The Institute’s December Everyday Ethics piece was a 10 year retrospective on the program’s work and a request for input on future efforts. <http://www.ca-ilg.org/WhatPromotesPublicServiceEthics>
- **January:** A new Institute whitepaper, “Regional Partnerships Provide Leadership,” explores opportunities to demonstrate leadership through regional partnerships and highlights regional partnerships among cities, counties and others in Stanislaus County and San Diego County. www.ca-ilg.org/SustainabilityRegionalPartnership
- **February:** The Everyday Ethics white paper explores and encourages officials to consider using the “newspaper test” for evaluating the advisability of a given course of action.

Other ILG Program News

General

- The Institute made a presentation to the California County Planning Director's Association at their annual meeting about the Institute's resources, with a particular emphasis on public engagement resources.
- The Institute staff presented materials and information on public engagement, civility and public trust to the Marin County Managers (which includes staff from the county administrator's office) at their annual retreat on November 29.

Ethics

The Institute was privileged to travel in January to Siskiyou County to provide AB 1234 ethics training for county elected officials and staff. Attendees rated the course quality a 4.44 on a five point scale (with five being highest).

Public Engagement

- New video clips on public engagement-related topics by Butte County Director of Development Services, Tim Snellings, and Sonoma County Supervisor, Efren Carillo, have been added to the ILG website.
- The Institute moderated a panel on realignment best practices at Solano County's "Summit on Public Safety Realignment" on February 8th.
- The Institute's website offers three new and/or revised tip sheets: "Measuring the Success of Public Engagement" (www.ca-ilg.org/MeasuringPESuccess); "Three Orientations to Local Government Public Engagement: Passive-Active-Sustaining." (<http://www.ca-ilg.org/PEOrientations>) and Tips for Public Engagement on Shared Services or the Joint Use of Facilities (www.ca-ilg.org/PEandSharedServices).
- *Perspectives on Public Engagement and Local Government*, an e-newsletter, was disseminated to a 1,000 plus mailing list of local officials, funders and others in December. Find it at:
<http://archive.constantcontact.com/fs039/1102150261861/archive/1107788486425.html>

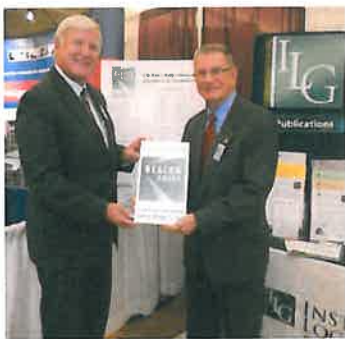
Sustainability

- An updated sample flyer template is now available to help counties and cities comply with a new state law directing them to outreach to businesses and educate them about state

requirements to recycle. The sample flyer template is available in English and Spanish. The sample flyer and other resources were developed under a contract with CalRecycle.

www.ca-ilg.org/CommercialRecyclingFlyer

- The fourth issue of the Institute's Sustainability E-News, released in late January, focused on best practices to promote and maintain parks and open space. The theme of the E-News reinforced the January 31 webinar on funding parks and open space. www.ca-ilg.org/newsletters
- Participation in the Institute's sustainability and climate change recognition program, The Beacon Award, continues to increase steadily. By late-January, 35 counties and cities are participating, with several more expected in the next few months. A list of counties and cities participating in the Beacon Award program, with links to their participant profile pages, is available at www.ca-ilg.org/BeaconAward/Participants.



Supervisors from San Diego, Sonoma and Yolo Counties, including CSAC President Mike McGowan (Yolo County) and past CSAC Presidents Greg Cox (San Diego) and Valerie Brown (Sonoma) dropped by the ILG booth at the CSAC Annual Conference to celebrate their counties' participation in the Beacon Award program.

INSTITUTE PROGRAM STAFF CONTACT INFORMATION

JoAnne Speers, Executive Director • 916.658.8233 • jspeers@ca-ilg.org

Kelly Plag, Director, Communications and Development • 916.658.8231 • kplag@ca-ilg.org

Terry Amsler, Director, Public Engagement • 916.658.8263 • tamsler@ca-ilg.org

Yvonne Hunter, Co-Director, Sustainability • 916.658.8242 • yhunter@ca-ilg.org

Steve Sanders, Co-Director, Sustainability • 916.658.8245 • ssanders@ca-ilg.org

General Contact Information:

Telephone: 916.658.8208 • Fax: 916.444.7535 • 1400 K Street, Suite 205, Sacramento, CA 95814

www.ca-ilg.org

Cities-Counties-Schools Partnership



Beginning in July of 2011 and after the retirement of the CCS executive director, the Institute agreed to staff the Cities Counties Schools Partnership (CCS), which focuses on improving the conditions of children, families and communities at the local level.

Organization/Board: Historically, the membership of the CCS board has been the officers from the three associations. Although this has worked for some groups of officers, others have found the press of their responsibilities made participation in CCS challenging.

As a result, the plan is to return to the approach specified in the CCS bylaws, which is that each association designates five representatives (one is typically the association executive director). The hope is that this approach will attract representatives from each association that will be more able to participate in meetings and advance the CCS mission. The CSAC representatives will be CSAC Second Vice President John Gioia, Supervisor, and Contra Costa County, Dave Cortese, Santa Clara County Supervisor, Brad Wagenknecht, Supervisor, Napa County, Don Saylor, Supervisor, Yolo County, and Paul McIntosh, CSAC Executive Director.

Safe Routes to Schools Project:

- **Contract Renewal Status.** After numerous meetings and communications with the State Department of Public Health, the contract between CCS and UCSF for the second year work program for Safe Routes to Schools was approved in mid-November. The contract goes through June 2012.
- **Work Program.**
 - **Policymaker Toolkit.** The toolkit's purpose is help local policy makers identify the resources and partnerships needed to increase the number and frequency of children biking and walking to school. The toolkit will focus on the unique role elected officials and top administrators can play to support walking and biking.
 - **Safe Routes to Schools Funding Guide.** This guide will explain the basics of funding sources available for safe routes to schools projects and for bicycle and pedestrian infrastructure and non-infrastructure projects, with a specific focus on the role policymakers can take in championing safe routes to school and securing funding.
 - **Input Welcome.** Staff plans to identify and consult a group of advisors for input concerning the program's work products. Suggestions on potential advisors welcome.



CALIFORNIA STATE ASSOCIATION OF COUNTIES FINANCE CORPORATION

February 23, 2012

To: CSAC Board of Directors
From: Nancy Parrish, Executive Director, CSAC Finance Corporation
RE: **Finance Corporation Program Update
INFORMATION ITEM**

The following are highlights of the numerous programs that the CSAC Finance Corporation offers to your counties:

CalTRUST

- CalTRUST currently has assets of approximately \$900 million and over 110 participant accounts.
- The first annual CalTRUST Stakeholder's Meeting will be held April 17th in Sacramento.
- The next meeting of the CalTRUST Board of Trustees will be held April 27, 2012.

California Communities (CSCDA)

- CSCDA has recently adopted updated policy and procedures to reflect changes in business practices that have evolved over the last ten years. As part of those updates we will renegotiate our contract with CSCDA in the early part of 2012. No major changes are expected.
- The CSCDA Tax & Revenue Anticipation Notes (TRANs) program will soon be kicking off for the 2012 TRANs season. Please contact us if you would like additional information on the TRANs program for your county.

U.S. Communities

- A new flooring products and accessories, installation and related services contract was recently awarded to Empire and is now available for use.
- U.S. Communities will be expanding provider offerings soon as they are currently soliciting bids for water treatment chemicals, temporary staffing, and facilities solutions.

Coast2CoastRx

- We have launched our discount prescription drug card program with Coast2CoastRx and have 17 counties currently participating. Approximately \$25,000 in revenue has been received from the program for October and November activity.
- Coast2Coast continued to expand in January with Kings County implementing the program and San Bernardino County adopting the program.

General Information

- The CSAC Finance Corporation is currently developing RFPs for two new programs including a property tax postponement loan program and a medicare coordinator program.
- The next meeting of the CSAC Finance Corporation Board of Directors will be held April 26th and 27th, 2012.
- We continue to meet with individual counties and their department heads to present our programs and benefits. Please let us know if you would like a meeting set with your county's department heads.

If you have any questions regarding these or any other CSAC Finance Corporation programs please do not hesitate to contact us via phone, 916.950.8120, or via email, nparrish@counties.org; Laura Labanieh Campbell at 916.650.8186 or lalabanieh@counties.org.



County Counselors' Association of California

BOARD OF DIRECTORS

MEMORANDUM

Officers
President
Michael L. Rood
Imperial County

Vice-President
James N. Fincher
Merced County

Secretary-Treasurer
Jeanine B. Nadel
Mendocino County

Immediate Past President
Patrick K. Faulkner
Marin County

Historian (Nonvoting)
James A. Curtis
Sierra County

Directors
Pamela J. Walls
Riverside County
2010-2012

Thomas E. Montgomery
San Diego County
2010-2012

Charles J. McKee
Monterey County
2011-2013

Thomas R. Parker
Colusa County
2011-2013

EXECUTIVE DIRECTOR
Jennifer B. Henning

**To: Supervisor Mike McGowan, President, and
Members of the CSAC Board of Directors**

From: Jennifer Henning, Litigation Coordinator

Date: February 23, 2012

Re: Litigation Coordination Program Update

This memorandum will provide you with information on the Litigation Coordination Program's activities since you received your last regular update in December, 2011. If you have questions about any of these cases, please do not hesitate to contact me.

I. New Amicus Case Activity Since December

American Tower Corporation v. City of San Diego

Pending in the Ninth Circuit Court of Appeals (filed Oct. 13, 2011)(11-56766)

Plaintiff applied for new conditional use permits for three telecommunications towers when its existing CUPs expired. The city denied the permits since the height and design of the existing towers did not comply with the city's current regulations. Plaintiff filed this action in federal court alleging Telecommunications Act and Permit Streamlining Act violations. The district court granted summary judgment to the city on all issues except the Permit Streamlining Act claim. As to that issue, the district court found that the CUPs were "deemed approved" as a matter of law because they were not approved within the statute's time limit. In reaching its decision, the court rejected the city's argument that the CUPs could not be deemed approved under relevant California law. The city has appealed, and CSAC will file a brief in support.

Avenida San Juan Partnership v. City of San Clemente

201 Cal.App.4th 1256 (4th Dist. Div. 3 Dec. 14, 2011)(G043479), *petition for review pending* (filed Jan. 20, 2012)(S199533)

The city imposed an "RVL" or "residential, very low" set of land use restrictions on an undeveloped parcel in the middle of a residential tract otherwise zoned "Residential, Low (RL) Density Zone." The trial court concluded the restrictions amounted to spot zoning, which constituted a compensable taking. It gave the city the choice of lifting the RVL restriction or paying \$1.3 million in compensation. The Fourth District affirmed in part, concluding that the city's refusal to lift the imposition of the RVL restriction on this particular parcel was

arbitrary and capricious, and constituted a taking. The city is seeking California Supreme Court review, and CSAC will file a letter in support on the regulatory takings issue.

Citizens for Open and Public Participation v. City of Montebello

Unpublished Opinion of the Second Appellate District, 2011 Cal.App.Unpub.LEXIS 9976 (2d Dist. Dec. 30, 2011)(B232700), *request for publication pending* (filed Fed. 3, 2012)(S199867)

The Second District recently issued an unpublished opinion on an issue of ongoing interest to counties—the Brown Act’s real property negotiations provision. In the decision, the court rejects the argument that the Brown Act’s exemption for real property negotiations is strictly limited to price and terms of payment. Instead, the court concludes that a discussion of relocations costs, sales, and environmental issues can be construed as part of the price and terms of payment, such that discussion of those issues in closed session does not violate the Brown Act. CSAC has requested that the opinion be published.

Comite De Jornaleros De Redondo Beach v. City of Redondo Beach

657 F.3d 936 (9th Cir. Sept. 16, 2011)(06-55750)(en banc), *petition for cert. pending* (filed Dec. 19, 2011)(11-760)

Plaintiffs brought a First Amendment challenge to an ordinance prohibiting the act of standing on a street or highway and soliciting employment, business, or contributions from the occupants of an automobile. The federal trial court struck down the ordinance. On appeal, a panel of the Ninth Circuit originally reversed, concluding that the ordinance is a valid time, place, or manner restriction. But the court granted en banc review and then issued a new opinion, this time concluding that the ordinance is a facially unconstitutional restriction on speech. Specifically, the court concluded that the ordinance is “not narrowly tailored because it regulates significantly more speech than is necessary to achieve the city’s purpose of improving traffic safety and traffic flow at two major Redondo Beach intersections, and the city could have achieved these goals through less restrictive measures, such as the enforcement of existing traffic laws and regulations.” Chief Judge Kozinski, joined by Judge Bea, dissented, calling the opinion “folly.” Concluding that the ordinance is a valid time, place and manner restriction, an obviously frustrated Judge Kozinski stated, “The majority is demonstrably, egregiously, recklessly wrong. If I could dissent twice, I would.” The city plans to seek United States Supreme Court review. The city is seeking U.S. Supreme Court review, and CSAC has filed a brief in support.

Dex Media West v. City of Seattle

Pending in the Ninth Circuit Court of Appeals (filed Sept. 21, 2011) (11-35399 & 11-35787)

The City of Seattle adopted an ordinance establishing an “opt-out” registry for the delivery of yellow pages directories. Telephone book publishers are prohibited from delivering the directories unless they meet certain conditions -- including not delivering to residents and businesses who have opted out, displaying information in the directories about the opt-out option, and securing an annual license and paying a fee to distribute the books. Publishers challenged the ordinance, claiming First Amendment and Commerce Clause violations. The federal trial court treated the books as commercial speech and

upheld the ordinance. The publishers have appealed, arguing that yellow pages directories are “fully protected” noncommercial speech subject to strict scrutiny under the First Amendment. CSAC will file a brief in support of the city in the Ninth Circuit Court of Appeals.

Guerrero v. Superior Court (Weber)

Pending in the First Appellate District (filed Sept. 19, 2011)(A133202)

Plaintiff alleges that she worked as an IHSS worker 7 hours per day, 7 days per work for several months, but that her hours were fraudulently claimed by the recipient’s grandmother. As a result, plaintiff received no payment for the work she allegedly performed. She brought this action against the Sonoma County Human Resources Director and the Manager of the Sonoma County IHSS Public Authority. The trial court granted Sonoma County’s demurrer, agreeing that Sonoma County is not plaintiff’s employer for purposes of wage and hour laws. The court further found that even if the county is a joint employer with the recipient, the IHSS provider is within a job class that is exempt from federal and state wage and hour laws. The Court of Appeal accepted her writ petition, and brief is underway. CSAC has filed an amicus brief in support of Sonoma County.

Jaramillo v. County of Orange

200 Cal.App.4th 811 (4th Dist., Div. 3 Nov. 8, 2011)(G043142), *petition for depublication pending* (filed Dec. 9, 2011)(S198559)

When plaintiff, a former Assistant Sheriff, was hired, he signed waivers acknowledging that he was an at-will employee and could be terminated without notice, cause, or right of appeal. Some years later, Orange County dismissed plaintiff without notice or hearing, or any POBR process. Some time after his termination, he pleaded no contest to a number of felony offenses involving tax fraud. He later brought this action, and the trial court found in his favor, awarding backpay from the date of his termination to the date of his fraud conviction. The county appealed, but the Court of Appeal affirmed, finding he did not effectively waive his POBR rights. Orange County is seeking Supreme Court review, and another interested party has requested depublication. CSAC is supporting review or depublication.

NetJet Large Aircraft v. Guillory

Pending in the Fourth Appellate District, Division Three (filed Mar. 21, 2011)(G044970)

This case, and another consolidated with it at the court, appeal a trial court ruling striking down legislation designed to capture escaped assessments on “fractionally owned aircraft.” Under fractionally owned aircraft programs, plaintiffs sell fractional ownership in their aircraft fleets, which permits the owners to use a certain number of hours of aircraft time, but does not guarantee use of a particular aircraft at a particular time. Before 2007, these fractionally owned aircraft escaped property tax assessment. In 2007, the Legislature passed SB 87 on a 2/3 vote (Rev. & Tax Code, §§ 1160-1162), which directed Assessors to assess the management companies for the taxes due on these fractionally owned aircraft. Plaintiffs, which manage fleets of fractionally owned aircraft, sued the Orange and Santa Barbara County Assessors challenging SB 87. The trial court held that SB 87 is unconstitutional because of its retroactive application, and because it imposes the tax on

managers who do not own, possess, or control the aircraft. The Assessors have appealed, and CSAC will file a brief in support.

People v. Gonzalez

Pending in the Fifth Appellate District (filed Oct. 6, 2011)(F063445)

Among the duties of the County Counsel's Office is to prosecute cases in which a bail agent seeks to vacate the forfeiture of bail money after a criminal defendant fails to appear. The Penal Code permits the County Counsel to recover "costs" in successfully opposing motions to vacate a forfeiture. In this case, the Fresno County Counsel's office was successful in its summary judgment motion on a bail bond forfeiture, and the summary judgment was upheld in an unpublished opinion on appeal. County Counsel moved for attorney fees, but the trial court denied the fees, concluding that attorney fees do not qualify as "costs" under the Penal Code. Fresno County has appealed, and CSAC will file a brief in support.

Salmon Protection and Watershed Network v. County of Marin

Pending in the First Appellate District (filed Sept. 8, 2011)(A133109)

The county adopted its General Plan in 2007. Plaintiff had concerns with the plan, and the county attempted to resolve those issues through negotiation. Part of the negotiation included tolling the statute of limitations period for challenging the General Plan under CEQA. After several tolling periods and attempts to reach agreement, plaintiffs nevertheless filed this CEQA action challenging the General Plan. Two landowners who obtained development rights under the adopted General Plan intervened. They argued that the county did not have the authority to toll the statute of limitations period for challenging the General Plan, and that Plaintiff's action was therefore time-barred. Plaintiff and the county both opposed intervenors' argument, and the trial court agreed that the county could toll the limitations period. Intervenors have now filed a writ petition in the Court of Appeal. CSAC has filed a brief in support of Marin County.

II. Amicus Cases Decided Since December

In addition to the new amicus cases already decided, which are discussed above, the following amicus case was decided since the Board's last meeting in December:

City of San Diego v. Board of Trustees of the California State University

201 Cal.App.4th 1134 (4th Dist. Div. 1 Dec. 13, 2011)(D057446)

Outcome: Positive

The city brought this action against CSU's certification of an EIR and approval of a revised master campus plan for CSU San Diego, challenging CSU's refusal to guarantee funding for off-campus environmental mitigation. During the CEQA process, the city identified approximately \$20 million in necessary traffic and infrastructure costs required for the total campus build-out. And while the CSU acknowledged at least \$6 million of these costs, it alleged it met its obligation to secure funding by making a budget request to the Legislature, even if the Legislature does not appropriate the funds. At issue in the case

is the proper interpretation of the Supreme Court's recent decision in *City of Marina v. Board of Trustees of California State University* (2006) 39 Cal.4th 341. The city argued that *Marina* required actual funding for offsite impacts, while CSU argued that *Marina* only requires what is feasible, and it is not feasible to require CSU to do more than request an appropriation for the impacts. The trial court ruled in favor of CSU, but the Fourth District reversed: "Were we to accept CSU's interpretation of *Marina*, it would, in effect, allow CSU to avoid its obligation under CEQA to take feasible measures to mitigate or avoid the significant off-site environmental effects of the Project and thereby obtain the benefits of the Project while leaving City and other public agencies with the entire burden of paying for mitigation of the off-site environmental effects of the Project (or causing neighboring residents and commuters to suffer the unmitigated adverse impacts of the Project). Also, to so limit CSU's duty to mitigate under CEQA would not further the Legislature's intent that CEQA 'be interpreted in such manner as to afford the fullest possible protection to the environment within the reasonable scope of the statutory language.'" CSAC filed a brief in support of the city.

Calendar of Events

2012

January

- 5 CSAC Special Board of Directors Meeting, Sacramento County
- 19 CSAC Executive Committee Meeting, Sacramento County

February

- 1-3 CSAC Corporate Associates Retreat, Orange County
- 23 CSAC Board of Directors Meeting, Sacramento County

March

- 3-7 NACo Legislative Conference, Washington, D.C.

April

- 19 CSAC Executive Committee Meeting, Sacramento County
- 26-27 CSAC Finance Corporation Meeting, Monterey County

May

- 16-18 NACo Western Interstate Region Conference, Santa Fe County, New Mexico
- 30-31 CSAC Legislative Conference, Sacramento County
- 31 CSAC Board of Directors Meeting, Sacramento County

July

- 13-17 NACo Annual Meeting, Allegheny County (Pittsburgh), Pennsylvania

August

- 2 CSAC Executive Committee Meeting, Los Angeles County

September

- 6 CSAC Board of Directors Meeting, Sacramento County
- 13-14 CSAC Finance Corporation Meeting, San Diego County

October

- 3-5 CALAFCO Annual Conference, Monterey County
- 10-12 CSAC Executive Committee Retreat, Orange County
- 17-20 NACo National Council of County Association Executives Annual Fall Meeting

November

- 27-30 CSAC 118th Annual Meeting, Long Beach, Los Angeles County
- 29 CSAC Board of Directors Meeting, Long Beach, Los Angeles County

December

- 12-14 CSAC Officers Retreat, Site TBD

2013

January

17 CSAC Executive Board Meeting, Sacramento County

February

21 CSAC Board of Directors Meeting, Sacramento County

March

2-6 NACo Legislative Conference, Washington, D.C.

April

18 CSAC Executive Committee Meeting, Sacramento or Los Angeles

May

22-24 NACo Western Interstate Region Conference, Flagstaff, Arizona

29-30 CSAC Legislative Conference, Sacramento County

30 CSAC Board of Directors Meeting, Sacramento County

July

19-23 NACo Annual Conference, Tarrant County, Ft. Worth, Texas

August

8 CSAC Executive Committee Meeting, Sacramento or Los Angeles

September

5 CSAC Board of Directors Meeting, Sacramento

10-13 CSAC Finance Corporation Fall Meeting

October

9 -11 CSAC Executive Committee Retreat, Site TBD

November

19-22 CSAC 119th Annual Meeting, San Jose, Santa Clara County

21 CSAC Board of Directors Meeting, San Jose, Santa Clara County

December

4-6 CSAC Officers Retreat, Napa County

2014

March

1-5 NACo Legislative Conference, Washington, D.C.

May

28-29 CSAC Legislative Conference, Sacramento County

July

11-15 NACo Annual Conference, New Orleans Parish, New Orleans, LA

November

18-21 CSAC 120th Annual Meeting, Anaheim, Orange County