

# Item No. 14

## **“To Be Delivered” Material**

For

### **City of Sacramento**

City Council

Financing Authority

Housing Authority

Redevelopment Agency

### **Agenda Packet**

**For the Meeting of: August 19, 2008**

The attached materials were not available at the time the Agenda Packet was prepared.

**Title: Update on the State Budget and Use of Local Government Revenues Balancing the State Budget**

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Please include this “To Be Delivered” material in your agenda packet. This material will also be published to the City’s Internet. For additional information, contact the City Clerk Department at Historic City Hall, 915 I Street, First Floor, Sacramento, CA 95814-2604, (916) 808-7200.

**Update on the State  
Budget and Use of Local  
Government Revenues  
Balancing the State  
Budget**

**[ORAL REPORT]  
RESOLUTION**

[see attached]

## **RESOLUTION NO.**

Adopted by the Sacramento City Council

### **RESOLUTION OPPOSING STATE BUDGET ACTIONS THAT WOULD "BORROW" LOCAL GOVERNMENT, REDEVELOPMENT AND TRANSPORTATION FUNDS**

#### **BACKGROUND**

- A. The July 1, 2008, the Constitutional deadline for the state to approve its budget was missed. Both the Governor and the Legislative Budget Conference Committee have recommended balanced budgets without resorting to "loans" or seizures of local government property tax, redevelopment tax increment and transportation sales tax funds.
- B. In 1952, the voters of California approved Article XVI, Section 16 of the California Constitution, providing for tax increment financing for community revitalization and redevelopment. The voters never authorized the legislature to take or "borrow" community redevelopment funds for state programs.
- C. In 2004, by an 84% margin of approval, the voters of California approved Proposition 1A, which provided protections against the practice of taking local government funds to finance the state budget and address the state deficit. In 2006, by a 77% margin of approval, the voters of California provided similar protections against using transportation funding (under previously approved Proposition 42) for state and local transportation projects, including important street maintenance and public transit programs to balance the state budget.
- D. Both of the approved ballot measures allow the Governor to declare a severe state of fiscal hardship and borrow these funds if they are repaid in three years with interest, but the Governor believes it would be irresponsible to borrow such funds because it would deepen the state's structural deficit and cripple local government and transportation services.
- E. Refusal by the Legislature to carry out its constitutional obligation to compromise on a balanced budget is not a severe state of fiscal hardship and would not justify reductions in critical local services, community revitalization programs and infrastructure maintenance at a time when cities are struggling to balance their own budgets during this economic down turn. City investments in infrastructure, affordable

housing and basic public safety and other community services will create needed jobs and speed our economic recovery.

- F. The state budget should be balanced with state revenues and respect the overwhelming support of voters for not using local property taxes, redevelopment tax increment and transportation sales tax funds to fund the day-to-day operating cost of state programs.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

**Section 1.** The City Council hereby opposes any and all efforts by state government to “borrow” or seize local tax funds, redevelopment tax increment and transportation sales tax funds by the state government to finance state operations. Such a move would hamper effective local services and infrastructure investments.

**Section 2.** The City Manager is hereby directed to send this resolution and communicate this Council’s strong and unswerving opposition on this matter to our Legislators and the Governor along with an expression of our continued appreciation for the Governor’s and any supportive legislators’ steadfast opposition to further borrowing or seizure of these funds.

APPROVED this \_\_\_\_\_ day of \_\_\_\_\_, 2008.