



January 16, 2003 evening Council Presentation re: Governor's Budget

Ken Emanuels

Summary of Governor's Budget
Overview of State Budget process

Reina Schwartz

Summary of City impacts from Governor's Proposed Budget (table)

Fran Halbakken

Additional information on transportation funds (City and region)

Anne Moore/Satoshi Matsuda (SHRA)

Additional information on Redevelopment impacts

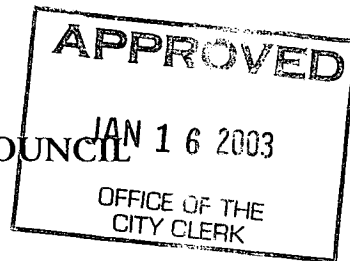
Reina Schwartz

Summary of overall presentation

Recommendations for Council action:

- 1) Direct staff to pursue, in collaboration with the League of California Cities, the Big 10 Cities and others, a permanent solution to the proposed Vehicle License Fee reductions and report back to the City Council.
- 2) Direct staff to pursue, in collaboration with the California Redevelopment Association and others an alternative to the proposed permanent ERAF shift from redevelopment agencies to schools.
- 3) Direct staff to report back to the full City Council with the Midyear Budget Report with additional information on potential cuts, impacts and recommended budget and legislative strategies.
- 4) Direct staff to forward the Resolution regarding the VLF to the League of California Cities.

RESOLUTION NO. 2003-016



ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

A RESOLUTION URGING THE CALIFORNIA LEGISLATURE TO REJECT THE GOVERNOR'S PROPOSED SHIFT OF LOCAL VEHICLE LICENSE FEE (VLF) REVENUES AND TO HONOR THE 1998 COMMITMENT TO RESTORE THE VLF

WHEREAS, prior to 1935, cities and counties collected property taxes on motor vehicles to fund essential local public health and safety services; and

WHEREAS, in 1935, the Legislature first enacted the Vehicle License Fee (VLF) Act, replacing the property tax on vehicles with a 1.75 percent fee charged against the value of the motor vehicle; and

WHEREAS, in 1948, the rate of the VLF was increased to 2 percent of the value of the vehicle; and

WHEREAS, in 1986, the voters voted overwhelmingly to constitutionally dedicate the proceeds of the VLF to fund city and county services; and

WHEREAS, in 1998, a period of strong economic growth, the Legislature approved the use of a portion of the rapidly growing state General Fund to reduce the VLF payments of vehicle owners. This amount, known as the "offset", grew in future years to a 67.5 percent offset against the amount owed. The amount paid to local governments in lieu of the reduced VLF payment is known as the "VLF backfill"; and

WHEREAS, the 1998 legislation and subsequent enactments contain clear provisions that when insufficient funds are available to be transferred from the General Fund to fully fund the offsets and backfill amount that the VLF offset shall be reduced and VLF payments increased; and

WHEREAS, VLF and backfill revenues constitute 15 to 25 percent of typical city and county general purpose revenues. On average, more than 60 percent of city general fund spending goes to front line law enforcement, fire and emergency medical services; and

WHEREAS, revenues derived from the VLF and backfill are of critical importance in funding vital local public health and safety services; and

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RESOLUTION NO.: _____

DATE ADOPTED: _____

WHEREAS, any failure by the Legislature to maintain the VLF backfill or restore the VLF will cause widespread disruption in local government services essential to the well-being of California citizens and their cities and counties; and

WHEREAS, Governor Davis' proposal to divert \$4 billion in local VLF backfill payments over the next 17 months fails to honor the 1998 commitment and is a direct assault on local services that will be felt by every California resident; and

WHEREAS, shifting \$4.2 billion in locally controlled revenues for local services is neither equitable nor fair. No state program or department has been asked to shoulder such a disproportionate share of the budget pain. These cuts come on top of the nearly \$5 billion each year that is transferred from local services to fund state obligations.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO, CALIFORNIA, that if the state General Fund can no longer afford the expense of part or all of the VLF "backfill" that the Legislature and Governor of California are hereby respectfully urged to implement the provisions of current law providing for the reduction of the VLF offset in bad economic times and to restore the VLF in an amount necessary to reduce the VLF backfill; and

RESOLVED FURTHER, the City Council directs staff to submit this Resolution to the League of California Cities.

Mayor

ATTEST:

City Clerk

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