



September 1, 2010

Even After End of Session, No End in Sight for State Budget

Californians awoke this morning to a new legislative environment - one in which the Legislature is limited in its ability to act on new legislation to measures that are urgency matters, include a tax levy, call for an election, or override the Governor's veto. The 2009-10 Legislature concluded its regular business at midnight and now is in Final Recess. The Governor has until September 30 to sign or veto bills sent to him by the Legislature. And, of course, there's the matter of the state budget to attend to...

During the waning hours of the session, a number of bills of interest to California's counties were debated. Notably, AB 155 (Mendoza), the municipal bankruptcy bill, was not taken up for a vote in the Senate. After amendments were put in the bill by Senate Rules Committee late on Tuesday evening to address a procedural issue, the bill was sent back to the Senate Floor, where it sat while the clock ticked toward midnight. California counties can note that AB 155 is dead.

Many of the bills responding to the scandal in the City of Bell failed passage before the end of session; the package - and status of individual bills - is summarized below.

- AB 192 (Gatto) would have required any CalPERS contracting agency that provides more than a 15 percent raise to an individual to bear the entire cost of the retirement increase even for service with a previous employer covered by CalPERS. AB 192 was put on hold, with an expectation that legislation to address this issue in 2011 will be forthcoming.
- AB 194 (Torricono) would create a new cap on the salary or payrate that is used to determine a pension benefit. AB 194 passed the Legislature and is to the Governor.
- AB 827 (De La Torre) would (1) prevent "evergreening" clauses (automatic renewals) in the contracts of unrepresented individuals who report directly to a governing body and (2) require a performance review of those individuals prior to a local agency providing an increase in compensation above a cost-of-living adjustment. AB 827 passed the Legislature and is to the Governor.
- AB 1955 (De La Torre) would have required the State Controller to determine whether a charter city is an excess compensation city, as defined, and mandates penalties if such a determination is made. AB 1955 would also have amended the Brown Act to require 5 days notice

prior to considering a contract for employment. AB 1955 was defeated in the Senate.

- AB 2064 (Huber) would have required all levels of government to post employee salary information on their websites. AB 2064 was not taken up for a vote in the Senate and therefore failed.
- SB 501 (Correa) would have require specified individuals to complete a new salary and benefit disclosure form created by the Secretary of State. SB 501 was not taken up for a final vote in the Senate and therefore failed.

As for the Williamson Act, AB 2530, by Assembly Member Jim Nielsen, was approved by the Assembly last night and is on its way to the Governor's desk. As you may recall, this bill is the California Farm Bureau's Williamson Act alternative funding source proposal that would shorten Williamson Act contracts to 9 or 18 years, depending on the current term of the contract, in exchange for the landowners forfeit of no more than 10% of their tax benefit.

CSAC, along with the Regional Council of Rural Counties, is continuing to work with the Farm Bureau and other stakeholders to ensure that this is a workable proposal. Clean-up language may be necessary if this bill is enacted.

Finally, AB 602 (Feuer), which would increase the statute of limitations from the existing one year to five years for challenges brought against a city or county related to the housing element and a number of related housing statutes from any interested stakeholder, was unfortunately passed by the Legislature in the last two days of session. This extension exposes local governments to additional uncertainty in planning for housing and meeting state mandates. Additionally, the 21 counties outside of SB 375 (Chapter 728, Statutes of 2008) that could remain on a five-year housing element cycle would be subject to perpetual potential litigation and have absolutely no certainty in their housing-related planning efforts. CSAC is requesting a veto by the Governor and urges counties to do the same. Contact Kiana Buss, CSAC Legislative Analyst, at kbuss@counties.org for more information.

On the budget front, the morning of the last day of session was dedicated to discussion of both Democrat and Republican versions of the budget. The largely partisan debate ended as expected, with no budget bill achieving the necessary 2/3 vote of the Legislature.

September 1 marks 63 days without a state budget in place, the 2nd longest delay in state history, and brings the necessity to issue IOUs in lieu of state payments even closer. In a press conference this morning, the Governor once again pitched his budget reform and pension reform demands. "We are very close," he told reporters. "You should know that a lot of work was done."

The Governor did not call an extraordinary session of the Legislature, stating "there's no reason to call a special session." Also noted, however, was that the Governor is continuing with his plans to visit Asia next week.

Back at the Capitol, the Legislature has convened a joint informational hearing of the Senate and Assembly Revenue and Taxation Committees to discuss the "Governor's Proposed Tax Reform Proposal," which is a euphemism for extending the sales tax to services, as the Governor had mentioned during one of his regional chamber of commerce visits over the last few weeks.

While it has been a grueling legislative session, there is still much left to do in Sacramento. Thus far, California's counties have dodged a number of bullets. More are yet to come, however. Keep your eye on CSAC for the latest budget information.

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