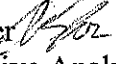


REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: August 6, 2013

TO: Honorable Members of the Rules, Elections, and Intergovernmental Relations Committee

FROM: Gerry F. Miller 
Chief Legislative Analyst

Assignment No. 13-07-0666
Council File No. 13-0002-S106

SUBJECT: Resolution (Blumenfield – Wesson) on ACA 8 – Lowering Two-Thirds Vote Threshold

CLA RECOMMENDATION: ADOPT Resolution (Blumenfield – Wesson), which would include in the City's 2013-14 State Legislative Program SUPPORT of ACA 8, which would place a measure on the 2014 statewide ballot to lower the threshold needed to pass local infrastructure bond measures from two-thirds to 55%.

SUMMARY

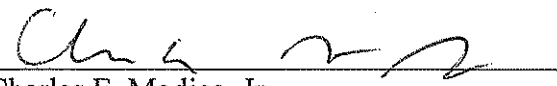
Resolution (Blumenfield – Wesson), introduced on July 30, 2013, is in support of ACA 8 (Blumenfield) a measure that would place on the 2014 statewide ballot a measure to lower the threshold needed to pass local infrastructure bond measures from two-thirds to 55%. The Resolution states that over the past 6 years, the annual investment needed to maintain infrastructure throughout the state has increased from \$37 billion to \$65 billion, and that many local bond measures in the state that would have provided such funding have failed to pass as a result of needing a two-thirds vote to be put into effect. The Resolution states that the State should remove obstacles that voters and communities face when investing in their communities, and that ACA 8 would give local governments more choices in determining how to make their infrastructure investments.

ACA 8 was introduced by State Assemblymember Blumenfield on February 13th, and passed the Assembly on June 15th. It is currently pending hearings in the Senate Committees on Government and Finance and Elections and Constitutional Amendments. The bill itself would place a measure on a statewide ballot in 2014 that, if passed, would allow local jurisdictions to pass general-obligation bonds to pay for public improvements and public safety facilities through votes subject to a 55% threshold. Existing law requires such measures to pass a two-thirds threshold.

Adoption of Resolution (Blumenfield – Wesson) would be consistent with past City positions in support of voter thresholds below two-thirds, including its opposition to a two-thirds vote requirement to expand public utility services (see CF 10-0002-S44), and its support of earlier statewide measures that would have lowered the two-thirds threshold (CF 03-0002-S97).

BILL STATUS

2/13/13 Introduced
6/15/13 Passed Assembly
6/27/13 Ref. to Senate Comms. on Governance & Finance and Elections & Constitutional Amendments


Charles E. Modica, Jr.
Analyst

Attachments:

- (1) Resolution (Blumenfield – Wesson)
- (2) ACA 8

13-002-5106

JUL 30 2013

RULES, ELECTIONS & INTERGOVERNMENTAL RELATIONS

RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies proposed to or pending before a local, state or federal governmental body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, most of California's infrastructure was designed and built over 40 years ago to accommodate 25 million people expected to live in California by the mid-1970s and we now have a population of 38 million that is projected to rise to 60 million by 2050; and

WHEREAS, California is overly dependent on infrastructure that was built in the 1950s and 60s and critical infrastructure needs are long overdue; and

WHEREAS, in 2006, Governor Arnold Schwarzenegger estimated that California's infrastructure needs are approximately \$500 billion over the next 20 years; and

WHEREAS, according to the American Society of Civil Engineers (ASCE) California Infrastructure Report Card 2012, our public infrastructure received an average grade of "C" and annual investment needs have increased from \$37 billion annually in 2006 to \$65 billion in just six years; and

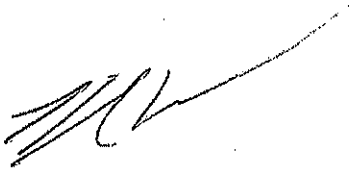
WHEREAS, according to ASCE, the overall grade for transportation infrastructure in California was determined to be a low "C-" due to existing conditions and lack of adequate funding; and

WHEREAS, according to ASCE, in transportation alone, the state needs \$10 billion per year more to be spent for ongoing maintenance in order to raise transportation to a "B" grade; and

WHEREAS, according to ASCE, urban runoff infrastructure needs in the state are underfunded and investment costs are estimated at \$6.7 billion per year for the next 10 years; and

WHEREAS, many local government officials across our state have said they have avoided placing badly needed infrastructure bond measures on the ballot because of the difficulty of achieving the required two-thirds super-majority; and

WHEREAS, since 2002, 33 local bond measures throughout the state have received more than 55% of the vote yet failed because they were slightly short of the two-thirds requirement; and



WHEREAS, ACA 8 (Blumenfeld) would place a measure on the 2014 statewide ballot that would make electoral reforms allowing communities to pass infrastructure bond measures with the same 55% majority that now applies to school bonds; and

WHEREAS, the ACA 8 ballot measure does not change voter threshold requirements established by Prop 13, but rather changes the two-thirds requirement for local bonds that was adopted in 1879 as Section 18 of Article XI of the California Constitution; and

WHEREAS, this is the only measure of its kind to lower the threshold for general obligation bonds that has actually passed (54-25) and is now pending in the Senate; and

WHEREAS, ACA 8 will allow the voters of California to make it easier for cities, counties, special districts and transit districts to meet the infrastructure needs of our growing population; and

WHEREAS, the state can and should remove obstacles that voters and communities face when investing in their communities and ACA 8 frees communities to make these investments; and

WHEREAS, ACA 8 is about giving local governments like the City of Los Angeles the choice to determine how we invest in our city; and

WHEREAS, in Los Angeles, the 2011 California Streets and Roads Needs Assessment of streets, highways and bridges determined an overall Pavement Condition Index (PCI) to be 68.6 out of a possible 100 and;

WHEREAS, according to ASCE with respect to levees and flood control systems, Los Angeles County does not meet current levee design criteria and;

WHEREAS, most of Los Angeles's infrastructure is not being adequately maintained, does not provide reliable service to the public, or keeps citizens mobile and economically competitive and Los Angeles's infrastructure simply does not make the grade, according to a 2012 comprehensive report by the Metropolitan Los Angeles Branch of the American Society of Civil Engineers; and

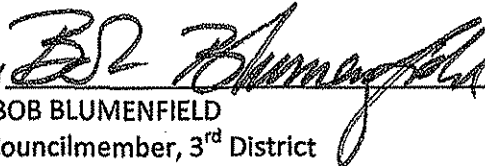
WHEREAS, the report entitled the 2012 Los Angeles County Infrastructure Report awarded Los Angeles County an overall "C" grade; and

WHEREAS, ACA 8 has already garnered support from a wide variety of Los Angeles area business organizations such as the Los Angeles County Business Federation, the Los Angeles Area Chamber of Commerce, the Los Angeles Business Council and the Valley Industry and Commerce Association;

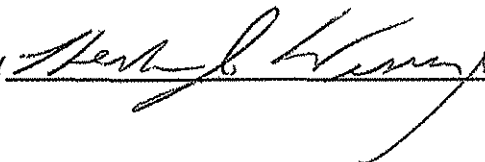
WHEREAS this measure already has garnered support from numerous labor groups, law enforcement and fire services such as State Building & Construction Trades Council of California, California Professional Firefighters, Police Officers Research Action Committee, Association for LA Deputy Sheriffs, Los Angeles Police Protective League, Riverside Sheriffs Association and the LA County Probation Officers Union and;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2013 - 2014 State Legislative Program SUPPORT for ACA 8, which would place a measure on the 2014 statewide ballot to lower the threshold needed to pass local infrastructure bond measures from two-thirds to 55%.

PRESENTED BY


BOB BLUMENFIELD
Councilmember, 3rd District

SECONDED BY



ORIGINAL

JUL 30 2013

JUL 30 2013

AMENDED IN ASSEMBLY APRIL 4, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

Assembly Constitutional Amendment

No. 8

Introduced by Assembly Member Blumenfield
*(Coauthors: Assembly Members Chesbro, Jones-Sawyer, Nazarian,
Rendon, and Williams)*

February 13, 2013

Assembly Constitutional Amendment No. 8—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by amending Section 1 of Article XIII A thereof, and by amending Section 18 of Article XVI thereof, relating to local government finance.

LEGISLATIVE COUNSEL'S DIGEST

ACA 8, as amended, Blumenfield. Local government financing: voter approval.

(1) The California Constitution prohibits the ad valorem tax rate on real property from exceeding 1% of the full cash value of the property, subject to certain exceptions.

This measure would create an additional exception to the 1% limit for a rate imposed by a city, county, city and county, or special district, as defined, to service bonded indebtedness incurred to fund specified public improvements and facilities, or buildings used primarily to provide sheriff, police, or fire protection services, that is approved by 55% of the voters of the city, county, city and county, or special district, as applicable.

(2) The California Constitution prohibits specified local government agencies from incurring any indebtedness exceeding in any year the income and revenue provided in that year, without the assent of $\frac{2}{3}$ of

the voters and subject to other conditions. In the case of a school district, community college district, or county office of education, the California Constitution permits a proposition for the incurrence of indebtedness in the form of general obligation bonds for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities, to be adopted upon the approval of 55% of the voters of the district or county, as appropriate, voting on the proposition at an election.

This measure would similarly lower to 55% the voter-approval threshold for a city, county, or city and county to incur bonded indebtedness, exceeding in any year the income and revenue provided in that year, that is in the form of general obligation bonds to fund specified public improvements and facilities, or buildings used primarily to provide sheriff, police, or fire protection services.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

1 *Resolved by the Assembly, the Senate concurring,* That the
2 Legislature of the State of California at its 2013–14 Regular
3 Session commencing on the third day of December 2012,
4 two-thirds of the membership of each house concurring, hereby
5 proposes to the people of the State of California, that the
6 Constitution of the State be amended as follows:

7 First—That Section 1 of Article XIII A thereof is amended to
8 read:

9 SECTION 1. (a) The maximum amount of any ad valorem
10 tax on real property shall not exceed 1 percent of the full cash
11 value of that property. The 1 percent tax shall be collected by the
12 counties and apportioned according to law to the districts within
13 the counties.

14 (b) The limitation provided for in subdivision (a) shall not apply
15 to ad valorem taxes or special assessments to pay the interest and
16 redemption charges on any of the following:

17 (1) Indebtedness approved by the voters prior to July 1, 1978.

18 (2) Bonded indebtedness for the acquisition or improvement of
19 real property approved on or after July 1, 1978, by two-thirds of
20 the votes cast by the voters voting on the proposition.

21 (3) Bonded indebtedness incurred by a school district,
22 community college district, or county office of education to fund

1 the construction, reconstruction, rehabilitation, or replacement of
2 school facilities, including the furnishing and equipping of school
3 facilities, or the acquisition or lease of real property for school
4 facilities, approved by 55 percent of the voters of the district or
5 county, as appropriate, voting on the proposition on or after
6 November 8, 2000. This paragraph shall apply only if the
7 proposition approved by the voters and resulting in the bonded
8 indebtedness includes all of the following accountability
9 requirements:

10 (A) A requirement that the proceeds from the sale of the bonds
11 be used only for the purposes specified in this paragraph and not
12 for any other purpose, including teacher and administrator salaries
13 and other school operating expenses.

14 (B) A list of the specific school facilities projects to be funded
15 and certification that the school district board, community college
16 board, or county office of education has evaluated safety, class
17 size reduction, and information technology needs in developing
18 that list.

19 (C) A requirement that the school district board, community
20 college board, or county office of education conduct an annual,
21 independent performance audit to ensure that the funds have been
22 expended only on the specific projects listed.

23 (D) A requirement that the school district board, community
24 college board, or county office of education conduct an annual,
25 independent financial audit of the proceeds from the sale of the
26 bonds until all of those proceeds have been expended for the school
27 facilities projects.

28 (4) (A) Bonded indebtedness, approved by 55 percent of the
29 voters of a city, county, city and county, or special district, as
30 applicable, voting on the proposition on or after the effective date
31 of the measure adding this paragraph, incurred by the city, county,
32 city and county, or special district to fund the construction,
33 reconstruction, rehabilitation, maintenance, replacement, or
34 earthquake repair or seismic retrofit of any of the following:

35 (i) Public improvements, including, but not limited to,
36 improvements to transportation infrastructures, streets and roads,
37 sidewalks, transit systems, highways, freeways, sewer systems,
38 water systems, wastewater systems, storm drain systems, and park
39 and recreation facilities.

1 (ii) Facilities or buildings used primarily to provide sheriff,
2 police, or fire protection services to the public, including the
3 furnishing and equipping of those facilities or buildings.

4 (B) "Special district," for purposes of this paragraph, has the
5 same meaning as that term is used in subdivision (c) of Section 1
6 of Article XIII C, *and includes a transit district*, but does not
7 include a school district or a redevelopment agency.

8 (c) Notwithstanding any other provisions of law or of this
9 Constitution, a school district, community college district, county
10 office of education, city, county, city and county, or special district,
11 *including a transit district*, may levy a 55 percent vote ad valorem
12 tax pursuant to subdivision (b).

13 Second—That Section 18 of Article XVI thereof is amended to
14 read:

15 SEC. 18. (a) No county, city, town, township, board of
16 education, or school district, shall incur any indebtedness or
17 liability in any manner or for any purpose exceeding in any year
18 the income and revenue provided for that year, without the assent
19 of two-thirds of the voters of the public entity voting at an election
20 to be held for that purpose, except that with respect to any such
21 public entity that is authorized to incur indebtedness for public
22 school purposes, any proposition for the incurrence of indebtedness
23 in the form of general obligation bonds for the purpose of repairing,
24 reconstructing, or replacing public school buildings determined,
25 in the manner prescribed by law, to be structurally unsafe for school
26 use, shall be adopted upon the approval of a majority of the voters
27 of the public entity voting on the proposition at that election; nor
28 unless before or at the time of incurring the indebtedness, provision
29 shall be made for the collection of an annual tax sufficient to pay
30 the interest on the indebtedness as it falls due, and to provide for
31 a sinking fund for the payment of the principal thereof, on or before
32 maturity, which shall not exceed forty years from the time of
33 contracting the indebtedness.

34 (b) Notwithstanding subdivision (a), on or after November 8,
35 2000, in the case of any school district, community college district,
36 or county office of education, any proposition for the incurrence
37 of indebtedness in the form of general obligation bonds for the
38 construction, reconstruction, rehabilitation, or replacement of
39 school facilities, including the furnishing and equipping of school
40 facilities, or the acquisition or lease of real property for school

1 facilities, shall be adopted upon the approval of 55 percent of the
2 voters of the district or county, as appropriate, voting on the
3 proposition at an election. This subdivision shall apply only to a
4 proposition for the incurrence of indebtedness in the form of
5 general obligation bonds for the purposes specified in this
6 subdivision if the proposition meets all of the accountability
7 requirements of paragraph (3) of subdivision (b) of Section 1 of
8 Article XIII A.

9 (c) Notwithstanding subdivision (a), on or after the effective
10 date of the measure adding this subdivision, in the case of any city,
11 county, or city and county, any proposition to incur indebtedness
12 in the form of general obligation bonds shall be adopted by 55
13 percent of the voters of the city, county, or city and county, as
14 applicable, voting on the proposition at an election, where the
15 general obligation bonds would fund the construction,
16 reconstruction, rehabilitation, maintenance, replacement, or
17 earthquake repair or seismic retrofit of any of the following:

18 (1) Public improvements, including, but not limited to,
19 improvements to transportation infrastructures, streets and roads,
20 sidewalks, transit systems, highways, freeways, sewer systems,
21 water systems, wastewater systems, storm drain systems, and park
22 and recreation facilities.

23 (2) Facilities or buildings used primarily to provide sheriff,
24 police, or fire protection services to the public, including the
25 furnishings and equipping of those facilities or buildings.

26 (d) When two or more propositions for incurring any
27 indebtedness or liability are submitted at the same election, the
28 votes cast for and against each proposition shall be counted
29 separately, and when two-thirds or a majority or 55 percent of the
30 voters, as the case may be, voting on any one of those propositions,
31 vote in favor thereof, the proposition shall be deemed adopted.