

CALIFORNIA STATE ASSOCIATION OF COUNTIES

Board of Directors

Special Meeting

Thursday, August 31, 2006

10:00am - 1:00pm

CSAC Conference Center, Sacramento

A G E N D A

Presiding: Connie Conway, President

10:00am PROCEDURAL ITEMS

1. Roll Call Page 1
2. Approval of Minutes of June 15, 2006 Page 3

10:15am ACTION ITEMS

3. Consideration of November 2006 Ballot Initiatives Page 7
 - Proposition 84: Water Quality, Safety and Supply. Flood Control** Page 10
Natural Resource Protection. Park Improvements, Bonds.
 - Karen Keene & DeAnn Baker, CSAC staff
 - Michael Mantell, Yes on 84 campaign
 - Representative from No on 84 campaign
 - Proposition 86: Tax on Cigarettes** Page 16
 - Kelly Brooks, CSAC staff
 - Representative from Yes on 86 campaign
 - Representative from No on 86 campaign
 - Proposition 87: Alternative Energy, Research, Production Incentives.** Page 42
Tax on California Oil.
 - Jean Hurst & Karen Keene, CSAC staff
 - Dr. Shelley Luce, Yes on 87 campaign
 - Allen Zaremberg, President, California Chamber of Commerce (opponent)
 - Ted Green, Woodward & McDowell (opponent)
 - Proposition 88: Education Funding: Real Property Parcel Tax.** Page 53
 - Jean Hurst, CSAC staff
 - Representative from Yes on 88 campaign
 - Jon Coupal, President, Howard Jarvis Taxpayers Association (opponent)
 - Proposition 90: Government Acquisition. Regulation of Private Property** Page 58
 - Jean Hurst, CSAC staff

12:00pm INFORMATION ITEMS

4. National Association of Counties (NACo) Report
 - Supervisor Valerie Brown, NACo 2nd Vice President
5. Other Items

12:15pm LUNCH

1:00pm ADJOURN

ROSTER

CALIFORNIA STATE ASSOCIATION OF COUNTIES

Board of Directors

2006

<u>Section</u>	<u>County</u>	<u>Director</u>
U	Alameda County	Keith Carson
R	Alpine County	Terry Woodrow
R	Amador County	Richard Vinson
S	Butte County	Curt Josiassen
R	Calaveras County	Merita Callaway
R	Colusa County	Thomas Indrieri
U	Contra Costa County	Federal Glover
R	Del Norte County	Sarah Sampels
R	El Dorado County	James Sweeney
S	Fresno County	Judy Case
R	Glenn County	Gary Freeman
S	Humboldt County	Roger Rodoni
S	Imperial County	Gary Wyatt
R	Inyo County	Susan Cash
S	Kern County	Jon McQuiston
R	Kings County	Tony Oliveira
R	Lake County	Rob Brown
R	Lassen County	Robert Pyle
U	Los Angeles County	Don Knabe
R	Madera County	Gary Gilbert
S	Marin County	Susan Adams
R	Mariposa County	Dianne Fritz
R	Mendocino County	Michael Delbar
S	Merced County	Mike Nelson
R	Modoc County	Daniel Macsay
R	Mono County	Vikki Magee-Bauer
S	Monterey County	Fernando Armenta
S	Napa County	Brad Wagenknecht
R	Nevada County	Ted Owens
U	Orange County	Thomas Wilson
S	Placer County	Jim Holmes
R	Plumas County	Bill Dennison
U	Riverside County	John Tavaglione

U	Sacramento County	Roger Dickinson
R	San Benito County	Reb Monaco
U	San Bernardino County	Paul Biane
U	San Diego County	Bill Horn
U	San Francisco City & County	Jake McGoldrick
S	San Joaquin County	Victor Mow
S	San Luis Obispo County	Harry Ovitt
U	San Mateo County	Jerry Hill
S	Santa Barbara County	Joni Gray
U	Santa Clara County	Liz Kniss
S	Santa Cruz County	Jan Beautz
S	Shasta County	Glenn Hawes
R	Sierra County	Arnold Gutman
R	Siskiyou County	LaVada Erickson
S	Solano County	Barbara Kondylis
S	Sonoma County	Valerie Brown
S	Stanislaus County	Jeff Grover
R	Sutter County	Larry Munger
R	Tehama County	Gregg Avilla
R	Trinity County	Jeff Morris
S	Tulare County	Steven Worthley
R	Tuolumne County	Richard Pland
U	Ventura County	Kathy Long
S	Yolo County	Mike McGowan
R	Yuba County	Mary Jane Griego

President: Connie Conway, Tulare County
 First Vice President: Frank Bigelow, Madera County
 Second Vice President: Richard Gordon, San Mateo
 Immed. Past President: Greg Cox, San Diego

SECTION: U=Urban S=Suburban R=Rural

2/18/06

MINUTES OF JUNE 15, 2006

CALIFORNIA STATE ASSOCIATION OF COUNTIES
BOARD OF DIRECTORS
Thursday, June 15, 2006
CSAC Conference Center, Sacramento

MINUTES

Presiding: Richard Gordon, 2nd Vice President

1. ROLL CALL

Alameda	Keith Carson	Orange	absent
Alpine	Terry Woodrow	Placer	Jim Holmes
Amador	Richard Vinson	Plumas	Bill Dennison
Butte	absent	Riverside	absent
Calaveras	Merita Callaway	Sacramento	Roger Dickinson
Colusa	absent	San Benito	Reb Monaco
Contra Costa	Federal Glover	San Bernardino	absent
Del Norte	absent	San Diego	Cox/Horn
El Dorado	absent	San Francisco	Jack McGoldrick
Fresno	Judy Case	San Joaquin	absent
Glenn	absent	San Luis Obispo	Harry Ovitt
Humboldt	absent	San Mateo	Gordon/Hill
Imperial	Gary Wyatt	Santa Barbara	Joni Gray
Inyo	Susan Cash	Santa Clara	Liz Kniss
Kern	Jon McQuiston	Santa Cruz	absent
Kings	Tony Oliveira	Shasta	Glenn Hawes
Lake	Gary Lewis	Sierra	absent
Lassen	absent	Siskiyou	absent
Los Angeles	absent	Solano	absent
Madera	absent	Sonoma	absent
Marin	Susan Adams	Stanislaus	Jeff Grover
Mariposa	Dianne Fritz	Sutter	Larry Munger
Mendocino	Jim Wattenburger	Tehama	absent
Merced	absent	Trinity	absent
Modoc	Daniel Macsay	Tulare	Steven Worthley
Mono	absent	Tuolumne	absent
Monterey	Fernando Armenta	Ventura	Kathy Long
Napa	Brad Wagenknecht	Yolo	Mike McGowan
Nevada	absent	Yuba	absent

The presence of a quorum was noted.

2. APPROVAL OF MINUTES

CSAC Flood Protection Principles (item 7), of the March 30, 2006 minutes was corrected to reflect that, in addition to San Joaquin County, all other counties should be recognized as having vital water, transportation, energy, agriculture and economic interests.

Motion and second to approve the minutes of March 30, 2006 as amended. Motion carried unanimously.

3. INFRASTRUCTURE BOND MEASURES

Staff outlined the five bond measures contained in the infrastructure bond package approved by the Legislature and signed by the Governor. The measures will appear on the November 2006 ballot and are as follows:

Proposition 1A: amends the Constitution to limit the ability of the Legislature and Governor to divert Proposition 42 funds. The protections allow Proposition 42 to be suspended twice in any 10-year period and would require the funds to be repaid.

Proposition 1B: Provides \$20.025 billion for transportation, air quality and homeland security.

Proposition 1C: Provides \$2.85 billion for housing and strategic growth.

Proposition 1D: Provides \$10.416 billion for education.

Proposition 1E: Provides \$4.09 billion for flood protection.

Jolena Voorhis with the State Housing and Community Development Agency provided a summary of the Governor's Strategic Growth Plan which will be Proposition 1C on the November ballot.

Motion and second to support Propositions 1A, 1B, 1C, 1D and 1E on the November 2006 ballot. Motion carried unanimously.

4. REQUEST TO JOIN ALTERNATIVE TO ANDERSON INITIATIVE COALITION

The "Anderson" initiative is a draft ballot measure that would restrict the use of eminent domain and significantly restrict land use authority by state and local agencies. The measure has not yet qualified for the November ballot, but is expected to. The League of California Cities and the California Redevelopment Association have been working on an alternative measure to be placed on the November ballot. This measure, which must be placed on the ballot by the Legislature, would include a "poison pill" clause that ensures that if the alternative measure receives more votes than the "Anderson" initiative, the alternative measure would prevail. The draft alternative language is focused more narrowly to respond to concerns raised by the U.S. Supreme Court decision in Kelo vs. City of New London.

CSAC has been asked to join the coalition and assist in developing the alternative measure as well as participating in a campaign to defeat the "Anderson" initiative if it does qualify for the November ballot. Staff requested that the Board of Directors authorize a contribution up to \$100,000 to join the coalition, with an initial contribution of \$50,000.

Motion and second to authorize up to \$100,000 to join the Coalition to Support Alternative to Anderson Initiative, with an initial contribution of \$50,000. Motion carried unanimously.

In addition, the CSAC Officers were directed to appoint a steering committee to work with staff and provide feedback in the development of the alternative measure as well as identify areas for future reform.

5. BOOKING FEE PROPOSAL

The CSAC Administration of Justice policy committee met on June 5 to consider a booking fee proposal which was negotiated between the California Police Chief's Association and the California State Sheriff's Association. The proposal is now before the Governor as part of the state budget package. The policy committee voted to Oppose the proposal because of concerns regarding fiscal, practical and operational difficulties too numerous to address in a short timeframe. However, staff was directed to continue discussions with the Administration, Legislature, stakeholders and policy makers on this issue in an attempt to craft a solution.

Motion and second to support the policy committee recommendation to OPPOSE the Booking Fee Proposal as currently drafted, and authorize staff to work with other organizations to craft a solution. Motion carried unanimously.

6. CSAC AGRICULTURE AND NATURAL RESOURCES PLATFORM WORKING GROUP RECOMMENDATIONS

The CSAC Agriculture and Natural Resources policy committee's Platform Working Group met on June 5 to discuss Chapters III and IV of the CSAC County Platform. Recommendations from the working group were then forwarded to the full policy committee for approval. The proposed amendments, as approved by the policy committee on June 14, were distributed to the Board of Directors for consideration.

It was noted that the policy committee would continue discussions on public lands issues, Endangered Species Act, tribal lands, water quality and illegal dumping.

Motion and second to adopt Chapters III and IV of the CSAC County Platform as proposed by the Agriculture and Natural Resources policy committee with the understanding that there will be continued discussions on relevant issues. San Francisco abstained. Motion carried.

7. REPORT ON INSTITUTE FOR LOCAL GOVERNMENT

The League of California Cities founded the Institute for Local Government (ILG) in 1955. The Institute's mission is to develop practical, forward-thinking resources that can help local officials in service to their communities. ILG also provides training for local officials and produces various publications. Currently, Jim Keene and Supervisor Greg Cox sit on the ILG Board of Directors as CSAC's representatives. ILG Director JoAnne Speers addressed the Board of Directors and thanked CSAC for the recent contribution and increased involvement in the Institute's activities. She also announced that ILG would be sponsoring ethics training during CSAC's annual conference this year.

8. CSAC FINANCE CORPORATION REPORT

Supervisor Greg Cox reported that this year's Finance Corporation rating agencies trip to New York was successful. He noted that the briefing materials compiled by staff for the trip are an excellent resource for supervisors and encouraged all Board of Directors members to utilize them. Finance Corporation revenues are up this year so it is anticipated that the contribution to CSAC's budget in FY 2007 will be over \$600,000. Contributions from the Finance Corporation allow CSAC to keep dues levels at a lower level.

9. NATIONAL ASSOCIATION OF COUNTIES REPORT

All 58 California counties are now members of the National Association of Counties (NACo). This is the first time California has been a 100% NACo member state. Achieving this status will greatly assist the campaign to elect Valerie Brown as NACo 2nd Vice President in 2006, by bringing the total number of votes from California to 977. However, in order for the votes to

count when the election takes place at the NACo conference in Chicago, each county must be registered for the conference. All counties were encouraged to register for the NACo conference even if they do not plan to attend.

10. INTRODUCTION OF NEW CSAC STAFF MEMBERS

Two new legislative analysts recently joined the CSAC staff and were introduced at the meeting. They are Geoff Neill who will be working in the government finance and operations unit, and Kiana Buss who will be working in the housing, land use and transportation unit.

11. STATE BUDGET UPDATE

Staff reported that the Legislative Budget Conference Committee completed its work last week and today, June 15, is the official deadline for adopting a state budget. It is anticipated that a budget deal will be reached by the end of June. Some issues that remain unresolved are law enforcement grants and money for the Healthy Families program. The proposed state budget contains an additional \$75m for foster care and \$130m for Proposition 36 funding. AB 2987, telecommunications, bill, unanimously passed in the Assembly and is now scheduled to be heard in the Senate Energy, Utilities and Communications Committee on June 28. AB 1634, elections reimbursement, has been amended to include individual county costs incurred for the special election held last November. It is scheduled to be heard in Senate Appropriations Committee.

12. CORPORATE ASSOCIATES REPORT

The 4th annual Corporate Associates Bocce Ball tournament was held last night at the CSAC Conference Center. Board of Directors members and Corporate Associates teamed up to play in the event. It was very well attended.

13. NEXT MEETING

The Board of Directors will hold a special meeting prior to the November election in order to consider ballot measures. September 7 was suggested as a possible date for the meeting, but it was determined that date was not viable due to a conflict with the CALAFCO conference. Officers and staff were directed to find a date for the meeting and notify Board of Directors members.

14. OTHER ITEMS

Supervisor Oliveira presented a Kings County Budget and Revenue Issues report which was prepared by county staff at his request and describes how county operations are funded with particular emphasis on the interrelationship between Kings County and the State of California.

Supervisor Fritz encouraged Board members to visit Mariposa County. Tourism has decreased dramatically due to a rockslide that closed the main route into Yosemite Valley and many of the small businesses are suffering.

Supervisor Gray reported that the measure to split Santa Barbara County into two counties failed on the June ballot.

CSAC staff member, Gayle Rivera, was recognized for twenty years of service with CSAC.

Jim Keene reported that an RFP for federal lobbying services will be sent out in mid-July.

The meeting was adjourned in memory of Mono County Supervisor John Cecil who passed away earlier this year.

NOVEMBER 2006 BALLOT INITIATIVES

August 21, 2006

To: CSAC Board of Directors

From: James Keene, Executive Director

Re: **CSAC Executive Committee Ballot Measure Recommendations**

The CSAC Executive Committee met on Thursday, August 17, 2006, to develop recommendations for five initiatives that will be on the November ballot. Materials on all of the ballot measures considered by the Executive Committee are attached.

Proposition 84: Water Quality, Safety and Supply. Flood Control. Natural Resource Protection. Park Improvements. Bonds. Initiative Statute.
Recommendation: Neutral

Proposition 84 would authorize \$5.4 billion in general obligation bonds to fund water, water-related and resource-related improvements and programs for safe drinking water, local water supply reliability, flood protection and preservation of California's natural landscapes including parks, forests, lakes, rivers, beaches, bays, ocean and coastline. CSAC's positions on prior water bonds have varied, with the Board of Directors adopting a support position on 2000's Proposition 13 and an oppose position on 2003's Proposition 50. The CSAC County Platform has competing policy direction on such matters as flood protection funding and land acquisition matters.

The Executive Committee voted to recommend that CSAC take a "neutral" position on Prop. 84, as did the Agriculture and Natural Resources Policy Committee and the Housing, Land Use and Transportation Policy Committee.

Proposition 86: Tax on Cigarettes. Initiative Constitutional Amendment and Statute.
Recommendation: Support

Proposition 86 would increase the state tax on a pack of cigarettes by an additional \$2.60, bringing the total state tax to \$3.47 and the average price of a pack to \$6.55. If passed, Prop. 86 would collect approximately \$2.1 billion during its first full year (2007-08), which would be used to provide direct, tangible improvements in health and health care for Californians. CSAC is supportive of the goals of the the initiative, which include reducing smoking, especially among children, and funding health care priorities such as disease prevention, medical research and emergency room care. However, funding statewide health care programs for children and adults with a revenue base that will diminish over time will not effectively address the long-term health care challenges of the state.

The Executive Committee voted to recommend that CSAC take a "support" position on Prop. 86, as did the Health and Human Services Policy Committee.

Proposition 87: Alternative Energy. Research, Production, Incentives. Tax on California Oil. Initiative Constitutional Amendment and Statute.

Recommendation: Oppose

Proposition 87 would impose an assessment on oil extracted in California, revenues from which would fund alternative energy-related research, venture capital incentives, loans and other measures designed to decrease oil consumption in the state by 25% over ten years. The assessment is expected to raise about \$4 billion over that time. Such a tax would impact property tax revenues in oil-producing counties by decreasing the assessed value of the oil wells due to their incremental loss of profitability.

The Executive Committee voted to recommend that CSAC take an “oppose” position on Prop. 87, as did the Agriculture and Natural Resources Policy Committee and the Government Finance and Operations Policy Committee.

Proposition 88: Education Funding, Real Property Parcel Tax. Initiative Constitutional Amendment and Statute.

Recommendation: Oppose

Proposition 88 would impose a statewide \$50 parcel tax, administered by counties, to benefit K-12 schools. The money would be used for class size reduction; textbooks and other materials; policing, gang-risk intervention, afterschool and intersession and development programs; facility grants for districts that do not receive state general obligation bond money, such as charter schools; and a teacher/student achievement data system to evaluate efficiency and effectiveness of programs and investments. Counties’ share for implementation of the parcel tax would be limited to 0.2%, or ten cents per successfully taxed parcel. County auditor-controller’s staff report that such a parcel tax is administratively complex and costly. More importantly, Prop. 88 significantly erodes the link between the local property tax and local property-related services. Because funds would be allocated on a per student basis statewide, revenues raised in some counties would presumably be spent on school services in others.

The Executive Committee voted to recommend that CSAC take an “oppose” position on Prop. 88, as did the Government Finance and Operations Policy Committee.

Proposition 90: Government Acquisition, Regulation of Private Property. Initiative Constitutional Amendment.

Recommendation: Oppose

Proposition 90, formerly known as the Anderson Initiative, would require the state and local governments to pay property owners for the loss of economic expectation caused by any government action – including citizen initiatives and implementations of federal law. It would prohibit the state and local governments from taking property unless that agency owned and occupied the taken land. It would change the definition of “just compensation” to require much higher payments for all government property acquisition,

by eminent domain or otherwise. At their last meeting, the CSAC Board of Directors authorized staff to spend up to \$100,000 in opposition to this measure and to be an active partner in the no campaign.

The Executive Committee voted to recommend that CSAC take an "oppose" position on Prop. 90, as did the Government Finance and Operations Policy Committee and the Housing, Land Use and Transportation Policy Committee.

August 21, 2006

To: CSAC Board of Directors

From: James Keene, Executive Director

Re: **Proposition 84**

Proposition 84: Water Quality, Safety and Supply. Flood Control. Natural Resource Protection. Park Improvements. Bonds. Initiative Statute. Recommendation: Neutral

Proposition 84 would authorize \$5.4 billion in general obligation bonds to fund water, water-related and resource-related improvements and programs for safe drinking water, local water supply reliability, flood protection and preservation of California's natural landscapes including parks, forests, lakes, rivers, beaches, bays, ocean and coastline. CSAC's positions on prior water bonds have varied, with the Board of Directors adopting a support position on 2000's Proposition 13 and an oppose position on 2003's Proposition 50.

The Executive Committee voted to recommend that CSAC take a "neutral" position on Prop. 84, as did the Agriculture and Natural Resources Policy Committee and the Housing, Land Use and Transportation Policy Committee at a joint meeting.

Background:

Key elements of Prop. 84 include:

- \$1.5 billion for water quality;
- \$928 million for protection of rivers, lakes and streams;
- \$800 million for flood control, including \$180 million for local flood control subventions and \$30 million for floodplain mapping and assistance for local land use planning;
- \$580 million for sustainable communities and climate change reduction, including \$400 million for parks, \$90 million for urban greening projects and \$90 million for planning grants and planning incentives to encourage the development of regional and local land use plans that encourage infill, compact development, protection of natural resources and reduction in automobile use;
- \$540 million for protection of beaches and coastal waters;
- \$500 million for parks and natural education facilities;
- \$450 million for forest and wildlife conservation; and
- \$65 million for statewide water planning.

While CSAC does not have existing policy direction on all of the issues addressed in the bond measure, Chapter Three of the CSAC County Platform (Agriculture and Natural

Resources) includes policies supportive of funding flood protection through a variety of mechanisms including statewide bond measures. Chapter Three also acknowledges the need for the development of new and expanded water resources. Land acquisition for public use is discouraged by the current policy, except in cases that meet specific criteria.

During a joint hearing of CSAC's Agriculture and Natural Resources Policy Committee and Housing, Land Use and Transportation Policy Committee, supervisors expressed concerns about the lack of funds in the measure provided directly for water storage. The committee requested staff to conduct further analysis on this matter and to report back at the Board of Directors meeting scheduled for August 31.

Despite potential concerns raised there was also significant discussion regarding the benefits of the bond measure for parks, flood control and the need to remain relevant in future discussions for implementation and allocation of the bond proceeds. In particular, \$580 million is being targeted to provide incentives for regional and county-wide planning with specific eligibility expected to be debated in the next legislative session.

Prop. 84 is supported by the League of California Cities, California Association of Councils of Government, and the Association of California Water Agencies.

Due to the conflicting policy considerations, the committees voted to jointly recommend a neutral position with the caveat that, should the measure pass and implementation talks occur, counties be included in those discussions.

Enclosed:

- LAO Analysis of Prop. 84

Proposition 84

Water Quality, Safety and Supply. Flood Control. Natural Resource Protection. Park Improvements. Bonds. Initiative Statute.

Background

State Spending on Resources Programs. The state operates a variety of programs to conserve natural resources, protect the environment, provide flood control, and offer recreational opportunities for the public. The state also operates a program to plan for future water supplies, flood control, and other water-related requirements of a growing population. In addition to direct state expenditures, the state also provides grants and loans to local governments and nonprofit organizations for similar purposes. These programs support a variety of specific purposes, including:

- *Natural Resource Conservation.* The state has provided funds to purchase, protect, and improve natural areas—including wilderness and open-space areas; wildlife habitat; coastal wetlands; forests; and rivers, lakes, streams, and their watersheds.
- *Safe Drinking Water.* The state has made loans and grants to public water systems for facility improvements to meet state and federal safe drinking water standards.
- *Flood Control.* The state has funded the construction and repair of flood control projects in the state Central Valley flood control system. The state has also provided financial assistance to local agencies for local flood control projects in the Sacramento-San Joaquin River Delta and in other areas outside the Central Valley.
- *Other Water Quality and Water Supply Projects.* The state has made available funds for various other projects throughout the state that improve water quality and/or the reliability of water supplies. For example, the state has provided loans and grants to local agencies for the construction and implementation of wastewater treatment, water conservation, and water pollution reduction projects.
- *State and Local Parks.* The state operates the state park system, and has provided funds to local governments for the acquisition, maintenance, and operation of local and regional parks.

Funding for Resources Programs. Funding for these various programs has traditionally come from General Fund revenues, federal funds, and general obligation bonds. Since 1996, voters have authorized approximately \$11 billion in general obligation bonds for various resources purposes. Of this amount, approximately

\$1.4 billion is projected to remain available for new projects as of June 30, 2006, primarily for water-related purposes. Legislation enacted earlier this year provides \$500 million from the General Fund for emergency levee repairs and other flood control-related expenditures.

Proposal

This initiative allows the state to sell \$5.4 billion in general obligation bonds for safe drinking water, water quality, and water supply; flood control; natural resource protection; and park improvements. (See "An Overview of State Bond Debt" for basic information on state general obligation bonds.) Figure 1 summarizes the purposes for which the bond money would be available for expenditure by various state agencies and for loans and grants, primarily to local agencies and nonprofit organizations. In order to spend most of these bond funds, the measure requires the Legislature to appropriate them in the annual budget act or other legislation.

Figure 1 Proposition 84 Uses of Bond Funds	
	Amounts (In Millions)
Water Quality	\$1,525
• Integrated regional water management.	1,000
• Safe drinking water.	380
• Delta and agriculture water quality.	145
Protection of Rivers, Lakes, and Streams	\$928
• Regional conservancies.	279
• Other projects—public access, river parkways, urban stream restoration, California Conservation Corps.	189
• Delta and coastal fisheries restoration.	180
• Restoration of the San Joaquin River.	100
• Restoration projects related to the Colorado River.	90
• Stormwater pollution prevention.	90
Flood Control	\$800
• State flood control projects—evaluation, system improvements, flood corridor program.	315
• Flood control projects in the Delta.	275
• Local flood control subventions (outside the Central Valley flood control system).	180
• Floodplain mapping and assistance for local land use planning.	30
Sustainable Communities and Climate Change Reduction	\$580
• Local and regional parks.	400
• Urban water and energy conservation projects.	90
• Incentives for conservation in local planning.	90
Protection of Beaches, Bays, and Coastal Waters	\$540
• Protection of various coastal areas and watersheds.	360
• Clean Beaches Program.	90
• California Ocean Protection Trust Fund—marine resources, sustainable fisheries, and marine wildlife conservation.	90
Parks and Natural Education Facilities	\$500
• State park system—acquisition, development, and restoration.	400
• Nature education and research facilities.	100
Forest and Wildlife Conservation	\$450
• Wildlife habitat protection.	225
• Forest conservation.	180
• Protection of ranches, farms, and oak woodlands.	45
Statewide Water Planning	\$65
• Planning for future water needs, water conveyance systems, and flood control projects.	65
Total	\$5,388

Fiscal Effects

Bond Costs. The cost of these bonds would depend on interest rates in effect at the time they are sold and the time period over which they are repaid. The state would likely make principal and interest payments from the state's General Fund over a period of about 30 years. If the bonds were sold at an average interest rate of 5 percent, the cost would be about \$10.5 billion to pay off both the principal (\$5.4 billion) and interest (\$5.1 billion). The average payment would be about \$350 million per year.

Property Tax-Related Impacts. The initiative provides funds for land acquisition by governments and nonprofit organizations for various purposes. Under state law, property owned by government entities and by nonprofit organizations (under specified conditions) is exempt from property taxation. To the extent that this initiative results in property being exempted from taxation due to acquisitions by governments and nonprofit organizations, local governments would receive reduced property tax revenues. We estimate these reduced property tax revenues would be several million dollars annually.

Operational Costs. State and local governments may incur additional costs to operate or maintain the properties or projects, such as new park facilities, that are purchased or developed with these bond funds. The amount of these potential additional costs is unknown, but could be tens of millions of dollars per year.

August 21, 2006

To: CSAC Board of Directors

From: James Keene, Executive Director

Re: **Proposition 86**

Proposition 86: Tax on Cigarettes. Initiative Constitutional Amendment and Statute.

Recommendation: Support

Proposition 86 would increase the state tax on a pack of cigarettes by an additional \$2.60, bringing the total state tax to \$3.47 and the average price of a pack to \$6.55. If passed, Prop. 86 would collect approximately \$2.1 billion during its first full year (2007-08), which would be used to provide direct, tangible improvements in health and health care for Californians. CSAC is supportive of the goals of the the initiative, which include reducing smoking, especially among children, and funding health care priorities such as disease prevention, medical research and emergency room care. However, funding statewide health care programs for children and adults with a revenue base that will diminish over time will not effectively address the long-term health care challenges of the state.

The Executive Committee voted to recommend that CSAC take a "support" position on Prop. 86, as did the Health and Human Services Policy Committee.

Background:

In December 2005, the California Hospital Association and the Coalition for a Health California (comprised of the American Cancer Society, American Lung Association of California, American Heart Association, The Children's Partnership, PICO California, Children Now, California Primary Care Association and Campaign for Tobacco Free Kids) joined forces to place one unified proposal on the November 2006 ballot. The joint initiative, the Tobacco Tax Initiative of 2006, would increase the state tax on a pack of cigarettes by an additional \$2.60 (\$3.47 total state tax), raising the average price of a pack to \$6.55. If passed, Proposition 86 would collect approximately \$2.1 billion during the first full-year in 2007-08, which will be used to provide direct, tangible improvements in health and health care for all Californians.¹

This would not be the first tobacco tax ballot initiative in California. Please recall that in November 1998 California voters approved Proposition 10, which created the California Children and Families First Program to fund early childhood development programs. Proposition 99, which passed in 1988, provides funding for health services, health

¹ Legislative Analyst's Office, 2006 Proposition 86: Tax on Cigarettes. Initiative Constitutional Amendments and Statute.

education, and other programs, including resources and research programs. The passage of both propositions brought the states tax on cigarettes and other tobacco products to .87 cents per pack.

A Closer Look at the Nation’s Cigarette Tax Trends

Since 2000, 42 states have raised cigarette taxes. The median state tax per pack is .80 cents, and the federal tax is .39 cents. Currently, California ranks 23rd in the nation with a .87 cent tobacco tax. The 300 percent state only tobacco tax increase proposed by Proposition 86 would make California the leader in the nation in the growing trend of tobacco tax increases.²

Highest	Cigarette Tax	Lowest	Cigarette Tax
California*	\$3.47	South Carolina	\$0.07
Rhode Island	\$2.46	Missouri	\$0.17
New Jersey	\$2.40	Mississippi	\$0.18
Washington	\$2.03	Tennessee	\$0.30
Maine	\$2.00	Kentucky	\$0.30
Michigan	\$2.00	Virginia	\$0.30

**If Proposition 86 passes a \$3.47 tobacco tax would be imposed on January 1, 2007.*

In analyzing national tobacco taxes it is also important to examine the taxes in the states bordering California. Currently, in Nevada, the tobacco tax is \$0.80 per pack and in Arizona and Oregon it is \$1.18 per pack. To the extent that Californians can visit other states to purchase tobacco products, it will have an impact on revenues.

How Additional Tobacco Revenues Would Be Distributed

There are three major accounts comprising the initiative. After providing backfill funds to Proposition 10 programs (\$170 million), the funds would be distributed as follows³:

□ **Health and Disease Research Account (5%)**

This funding would be used to support medical research relating to breast and lung cancer. In addition, it would support research into tobacco-related diseases, as well as the effectiveness of tobacco control efforts. Part of these funds would be used to support a statewide cancer registry, a state program that collects data on cancer cases.

- Tobacco related disease and cancer research = \$96.5 million

□ **Health Maintenance and Disease Prevention Account (42.25%)**

Almost one-half of these funds would be allocated to expand the Healthy Families Program (HFP) to provide health coverage to include (1) children from families with incomes between 250 percent and 300 percent of the FPL and (2) children from families with incomes up to 300 percent of the FPL who are undocumented

² Federation of Tax Administrators, “State Excise Tax Rates on Cigarettes Report”, <http://www.taxadmin.org>.

³ Coalition for a Healthy California, Fact Sheet “Tobacco Tax of 2006-Allocation for Treatment, Prevention and Research.”

immigrants or legal immigrants not now eligible for HFP. Funds in this account would also support media advertising and public relations campaigns, grants to local health departments and other local organizations, and education programs for school children to prevent and reduce smoking. Funding would also go to state and local agencies for enforcing laws and court settlements, which regulate and tax the sale of tobacco products.

- Children's health insurance expansion = \$371 million
- Tobacco prevention, education and enforcement programs = \$117 million
- Cancer, heart, asthma and other disease prevention and control programs = \$267 million

□ **Health Treatment and Services Account (52.75%)**

Nearly three-fourths of the funds in this account would be allocated to hospitals to pay their un-reimbursed costs for emergency services and to improve or expand emergency services, facilities, or equipment. Private hospitals and certain public hospitals, including those licensed to the University of California (UC) and operated by counties, cities, and hospital districts would be eligible to receive funding. The California Association of Public Hospital (CAPH) estimates that counties will receive approximately 27 percent of hospital funds, or roughly \$200 million each year. They also estimate that the University of California hospitals will receive approximately 5 percent or \$40 million. Funding would also be available to expand nursing education programs in UC, California State University, community college, and privately operated nursing education programs. Funding would also be allocated for the support of nonprofit community clinics; to help pay for uncompensated health care for uninsured persons provided by physicians.

Hospitals would also receive funding reimbursements for uncompensated care cost associated with charity care. Proposition 86 clearly states that each hospital's charity care policy and discount payment policy shall include eligibility criteria based on the income and monetary assets of the patient. Patients that are at or below 350 percent of the federal poverty level shall be eligible to apply for participation under each hospital's charity care policy or discount payment program. However, rural hospitals, may establish eligibility levels for charity care at less than 350 percent of the federal poverty level.

- Hospital emergency care services = \$758 million
- Nurse education = \$92 million
- Community clinics = \$58 million
- Emergency physicians = \$66 million
- Steve Thompson physician education fund = \$7.6 million
- Prostate cancer treatment = \$18 million
- Tobacco cessation services = \$18 million

The Department of Health Services will be required to provide annual reports describing all programs that receive Tobacco Tax Act of 2006 funds and detailing the use of those funds.

Impacts on Current Tobacco Tax-Funded Programs

One of the primary goals of Proposition 86 is to strengthen existing and proven anti-smoking and health care programs. The initiative requires backfill funding for First 5 (Proposition 10) programs for the loss of funding that would result from the enactment Proposition 86. The tax increase over time will result in reduced sales tax for tobacco products and cause a decline in funding for the programs. The Board of Equalization will determine backfill payments needed to offset any loss of funding for Proposition 10. Please note that CSAC supported Proposition 10 in 1998.

The measure does not directly back fill any lost Proposition 99 revenue. The LAO estimates that Proposition 86 would initially result in an annual funding reduction of about \$5 million for the public resources account and almost \$25 million for an account that can be used to support any program eligible for Proposition 99 funding. However, while Proposition 86 would reduce revenues for other Proposition 99 accounts, it would also initially provide significant increases in funding for activities comparable to those now funded through Proposition 99. In the aggregate, these activities could initially experience a net gain in funding of almost \$950 million if this measure were enacted.⁴

Proposition 86 does not backfill funding for the Breast Cancer Fund. However, this measure would allocate a set portion of the new tax revenues for breast cancer research and breast cancer early detection services, with the result that these activities initially would likely experience a net gain of about \$80 million annually.

Fiscal Impacts of State and County Children's Health Care Coverage Efforts

The Healthy Families Program offers health insurance to eligible children in families who generally have incomes below 250 percent of Federal Poverty Level (FPL) (about \$50,000 per year for a family of four) who do not qualify for Medi-Cal. The HFP is administered by the Managed Risk Medical Insurance Board (MRMIB) and provides medical coverage for about 781,000 children.

In the short term, the revenues allocated by Proposition 86 to expand HFP would probably exceed the costs to make additional children eligible for health coverage. This would particularly be the case in the early years as enrollment gradually increases. Over time, as the excise tax revenues allocated for this purpose decline and the number of children enrolled in HFP grows, the costs of the expanded HFP could eventually exceed the available revenues. Current state law would permit MRMIB to limit enrollment in the program to prevent this from occurring. However, if actions were not taken to offset program costs at that point, additional state financial support for the program would be necessary.

⁴ Legislative Analyst's Office

Enclosed:

- LAO Analysis of Proposition 86
- "Proposition 86 Tobacco Tax: Fiscal Benefits for Counties" prepared by Blue Sky Consulting Group

**Proposition 86
Tax on Cigarettes.
Initiative Constitutional Amendment and Statute.**

BACKGROUND

Tobacco Taxes

Current state law imposes certain taxes directly on cigarettes and other tobacco products that are known as excise taxes. Excise taxes are taxes collected on selected goods or services. Currently, the excise taxes total 87 cents per pack of cigarettes (with a similar tax on other types of tobacco products). The total tax of 87 cents per pack consists of:

- 50 cents to support early childhood development programs, enacted by the voters as Proposition 10 in 1998.
- 25 cents to support tobacco education and prevention efforts, tobacco-related disease research programs, health care services for low-income uninsured persons, and environmental protection and recreational programs, enacted by the voters as Proposition 99 in 1988.
- 10 cents for the state General Fund.
- 2 cents to support research related to breast cancer and breast cancer screening programs for uninsured women.

Current taxes on cigarettes and other tobacco products are estimated to raise about \$1.1 billion in 2006-07.

Children's Health Care Coverage

Medi-Cal. The Medi-Cal Program (the federal Medicaid Program in California) provides health care services to low-income persons, including eligible children (depending on the age of the child). Families with incomes up to 133 percent of the federal poverty level (FPL) (about \$27,000 per year for a family for four) are generally eligible for coverage. The program is administered by the state Department of Health Services (DHS).

Under the Medicaid Program, matching federal funds are available for the support of comprehensive medical services for United States citizens and to "qualified aliens"—that is, immigrants who are permanent residents, refugees, or a member of certain other groups granted the legal right to remain in the United States. Federal matching funds are also available for nonqualified aliens, but only for emergency medical services.

The Medi-Cal Program currently serves about 3.2 million adults and 3.2 million children.

Healthy Families. The Healthy Families Program (HFP) offers health insurance to eligible children in families who generally have incomes below 250 percent of FPL (about \$50,000 per year for a family of four) who do not qualify for Medi-Cal. (Children in some families with higher incomes are also eligible.) Funding is generally on a two-to-one federal/state matching basis. Children in HFP must be eligible United States citizens or qualified aliens. The HFP is administered by the Managed Risk Medical Insurance Board (MRMIB).

The HFP provides medical coverage for about 781,000 children.

Local Health Coverage Programs. The County Health Initiative Matching (CHIM) Fund program, which is administered by MRMIB and counties, provides health coverage for children in families with an income between 250 percent and 300 percent of FPL (between \$50,000 and \$60,000 per year for a family of four). The CHIM program relies on county funds as the match required to draw down federal funds to pay for this health coverage. This program has a caseload of about 3,000 children.

In addition to the CHIM program, some counties have established their own health coverage programs for children that are ineligible for Medi-Cal or HFP. These programs are primarily supported with local funding. These programs serve about 69,000 children.

PROPOSAL

This measure increases excise taxes on cigarettes (and, as discussed below, indirectly on other tobacco products) to provide funding for hospitals for emergency services as well as programs to increase access to health insurance for children, expand nursing education, support various new and existing health and education activities, curb tobacco use and regulate tobacco sales. Major provisions of the measure are described below.

New State Tobacco Tax Revenues

A pack of cigarettes now costs roughly \$4.00 in California, including 87 cents in excise taxes. This measure increases the existing excise tax on cigarettes by \$2.60 per pack effective January 2007. Existing state law requires the Board of Equalization (BOE) to increase taxes on other tobacco products—such as loose tobacco and snuff—in an amount equivalent to any increase in the tax on cigarettes. Thus, this measure would also result in a comparable increase in the excise tax on other tobacco products. All of the additional tobacco revenues (including those on other tobacco products) would be used to support various new and existing programs specified in this measure.

How Additional Tobacco Revenues Would Be Spent

Revenues from the excise tax increase would generally be deposited in a new fund called the Tobacco Tax of 2006 Trust Fund and would be allocated for various specified purposes, as shown in Figure 1 later in this analysis.

Backfill of Proposition 10 Programs. An unspecified amount of the additional excise tax revenues would be used to fully backfill Proposition 10 programs for early childhood development for a loss of funding that would result from the enactment of the new tax measure. This is because the tax increases contained in this measure are (1) likely to result in reduced sales of tobacco products and (2) could result in more sales of tobacco products for which taxes would not be collected, such as for smuggled products and out-of-state sales. This, in turn, would reduce the amount of revenues collected through the excise taxes imposed under Proposition 10. The amount of backfill payments needed to offset any loss of funding for the Proposition 10 program would be determined by BOE.

Health Treatment and Services Account. Under the measure, 52.75 percent of the funds that remain after providing the Proposition 10 backfill funding would be allocated to a Health Treatment and Services Account. This funding would be used for the purposes outlined below:

- **Hospital Funding.** Nearly three-fourths of the funds in this account would be allocated to hospitals to pay their unreimbursed costs for emergency services and to improve or expand emergency services, facilities, or equipment. Allocations would be based largely on the number of persons that hospitals treat in their emergency departments and their costs for providing health care for patients who are poor. Private hospitals and certain public hospitals, including those licensed to the University of California (UC), would be eligible to receive funding. Hospitals licensed to other state agencies or the federal government would not be eligible for funding.
- **Nursing Education Programs.** These funds would be used to expand nursing education programs in UC, California State University, community college, and privately operated nursing education programs.
- **Additional Allocations.** Funding would be allocated for the support of nonprofit community clinics; to help pay for uncompensated health care for uninsured persons provided by physicians; for college loan repayments to encourage physicians to provide medical services to low-income persons in communities with insufficient physicians; to provide prostate cancer treatment services; and for services to assist individuals to quit smoking.

Health Maintenance and Disease Prevention Account. Under the measure, 42.25 percent of the funds that remained after providing the Proposition 10 backfill funding would be allocated to a Health Maintenance and Disease Prevention Account. This funding would be used for the purposes outlined below:

- ***Children's Health Coverage Expansion.*** Almost one-half of these funds would be allocated to expand the HFP to provide health coverage to include (1) children from families with incomes between 250 percent and 300 percent of the FPL and (2) children from families with incomes up to 300 percent of the FPL who are undocumented immigrants or legal immigrants not now eligible for HFP. This measure requires MRMIB and DHS to simplify the procedures for enrolling and keeping children in HFP and Medi-Cal coverage and creates a pilot project to provide coverage for uninsured children in families with incomes above 300 percent of the FPL.
- ***Tobacco-Related Programs.*** These funds would support media advertising and public relations campaigns, grants to local health departments and other local organizations, and education programs for school children to prevent and reduce smoking. Funding would also go to state and local agencies for enforcing laws and court settlements which regulate and tax the sale of tobacco products. Also, some funds would be used to evaluate the effectiveness of these tobacco control programs.
- ***Health and Education Programs.*** Part of these funds would be set aside for various new or existing health programs related to certain diseases or conditions, including colorectal, breast, and cervical cancer; heart disease and stroke; obesity; and asthma.

Health and Disease Research Account. Under the measure, 5 percent of the funds that remained after providing the backfill funding discussed above would be allocated to a Health and Disease Research Account. This funding would be used to support medical research relating to cancer in general and breast and lung cancer in particular. In addition, it would support research into tobacco-related diseases, as well as the effectiveness of tobacco control efforts. Part of these funds would be used to support a statewide cancer registry, a state program that collects data on cancer cases.

Other Major Provisions

In addition to the provisions that raise tobacco excise taxes and spend these same revenues, this measure contains a number of other significant provisions, which are described below.

Existing Funding for Physician Payments Continued. In recent years, the state has spent almost \$25 million per year in Proposition 99 funds for allocations to counties to reimburse physicians for uncompensated medical care for persons who are poor. This measure requires that this same level of Proposition 99 funds be allocated annually in the future for this purpose.

Expenditure Rules. The funds allocated under this measure would not be appropriated through the annual state budget act and thus would not be subject to change by actions of the Legislature and Governor. The additional revenues would

generally have to be used for the services noted above and could not take the place of existing state or local spending. The state and counties could not borrow these new revenues to use for other purposes, but they could be used to draw down additional federal funds. Contracts to implement some of the new programs funded by this measure would be exempted from state contracting rules for the first five years.

Oversight Provisions. This measure requires DHS to prepare an annual report describing the programs that received additional excise tax funding and how that funding was used. This information would be made available to the public by DHS on its Web site. Programs receiving these funds would be subject to audit. New state committees would be established to oversee the expansion of children's health coverage and antiobesity programs.

Hospital Charges and Bill Collections. Hospitals that are allocated funds under this measure for emergency and trauma care services would be subject to limits on what they could charge to certain patients in families with incomes at or below 350 percent of the FPL. These hospitals would also have to adopt written policies on their bill collection practices and, under certain circumstances, could not send unpaid bills to collection agencies, garnish wages, or place liens on the homes of patients as a means of collecting unpaid hospital bills.

Coordination of Medical Services by Hospitals. Subject to the approval of certain local officials, hospitals receiving funding under this measure would be allowed to coordinate certain medical services, including emergency services, with other hospitals. For example, hospitals would be permitted to jointly share the costs of ensuring the availability of on-call physicians who provide emergency services. The measure seeks to exempt such coordination of emergency services from antitrust laws that might limit or prohibit such coordination efforts.

FISCAL EFFECTS

This measure would have a number of fiscal effects on state and local governments. The major fiscal effects we have identified are discussed below.

Impacts on State and Local Revenues

Revenues Affected by Consumer Response. Our revenue estimates assume that the excise tax increase of \$2.60 per pack is passed along to consumers by the distributors of tobacco products who actually pay the excise tax. In other words, we assume that the prices of tobacco products would be raised to include the excise tax increase. This would result in various consumer responses. The price increase is likely to result in consumers reducing the quantity of taxable tobacco products that they purchase. Consumers could also shift their purchases so that taxes would not be collected on tobacco products, such as through Internet purchases or purchases of smuggled products.

The magnitude of these consumer responses is uncertain given the size of the proposed tax increase. There is substantial evidence regarding the response of consumers to small and moderate tax increases on tobacco products in terms of reduced tobacco consumption. As a result, for small-to-moderate increases in price, the revenue impacts can be estimated with a reasonable degree of confidence. However, the increase in taxes proposed in this measure is substantially greater than that experienced previously. As a result, we believe that revenue estimates based on traditional assumptions regarding this consumer response would likely be overstated. Therefore, our revenue estimates below assume a greater consumer response in terms of reduced tobacco consumption to this tax increase than has traditionally been the case. These estimates are subject to uncertainty, however, given a variety of factors, including the large tax changes involved.

Revenues From Tax Increase on Tobacco Products. We estimate that the increase in excise taxes would raise about \$1.2 billion in 2006-07 (one-half year effect from January through June 2007). It would raise about \$2.1 billion in 2007-08 (first full-year impact). This excise tax increase would raise slightly declining amounts of revenues thereafter.

Effects on State General Fund Revenues. The measure's increase in the excise tax would have offsetting effects on state General Fund revenues. On the one hand, the higher price and the ensuing decline in consumption of tobacco products would reduce state General Fund revenues from the existing excise taxes. On the other hand, the state's General Fund sales tax revenues would increase because the sales tax is based on the price of the tobacco product *plus* the excise tax. The decreases in revenues would approximately equal the increases in revenues.

Effects on Local Revenues. Local governments would likely experience an annual increase in sales tax revenues of as much as \$10 million.

Effects on Existing Tobacco Excise Tax Revenues. The decline in consumption of tobacco products caused by this measure would similarly reduce the excise tax revenues that would be generated for Proposition 99 and 10 programs and for the Breast Cancer Fund. We estimate that the initial annual revenue losses are likely to be about \$180 million for Proposition 10, about \$90 million for Proposition 99, and less than \$10 million for the Breast Cancer Fund. However, these losses would be more than offset in most cases by additional tax revenues generated by this measure, as discussed below.

Impacts of New Programs on State and Local Expenditures

State and local government expenditures for the administration and operation of various programs supported through this measure would generally increase in line with the proposed increase in excise tax revenues. Figure 1 shows the main purpose of the accounts established by the initiative, the percentage of funds allocated to each purpose, and our estimate of the funding that would be available for each account in the first full year of tax collection. These allocations would probably decline in

subsequent years as excise tax revenues also declined, potentially resulting in a corresponding decrease in state and local expenditures for these new programs.

The state administrative costs associated with the tax provisions of this measure would be minor.

Figure 1

How Tobacco Tax Funds Would Be Allocated^a

Purpose	Allocation	Estimate of 2007-08 Funding (Full Year in Millions)
Backfill of California Children and Families First Trust Fund—Proposition 10	Unspecified amount determined by Board of Equalization	\$180
<i>Health Treatment and Services Account</i>	52.75 percent of remaining funds	\$1,015
Hospital emergency and trauma care	74.50 percent of account	\$756
Nursing education programs	9.00 percent	91
Nonprofit community clinics	5.75 percent	58
California Healthcare for Indigents Program—reimbursement of emergency care physicians	5.75 percent	58
Tobacco cessation services	1.75 percent	18
Prostate cancer treatment	1.75 percent	18
Rural Health Services Program—reimbursement of emergency care physicians	0.75 percent	8
College loan repayment program to encourage physicians to serve low-income areas lacking physicians	0.75 percent	8
<i>Health Maintenance and Disease Prevention Account</i>	42.25 percent of remaining funds	\$810
Children's health coverage	45.50 percent of account	\$367
Heart disease and stroke program	8.50 percent	69
Breast and cervical cancer program	8.00 percent	65
Obesity, diabetes, and chronic diseases programs	7.75 percent	63
Tobacco control media campaign	6.75 percent	55
Tobacco control competitive grants program	4.50 percent	36
Local health department tobacco prevention program	4.25 percent	34
Asthma program	4.25 percent	34
Colorectal cancer program	4.25 percent	34
Tobacco prevention education programs	3.50 percent	28
Tobacco control enforcement activities	2.25 percent	18
Evaluation of tobacco control programs	0.50 percent	4
<i>Health and Disease Research Account</i>	5.00 percent of remaining funds	\$95
Tobacco control research	34.00 percent of account	\$32
Breast cancer research	25.75 percent	24
Cancer research	14.75 percent	14
Cancer registry	14.50 percent	14
Lung cancer research	11.00 percent	10
Total Allocations		\$2,100

^a Because the overall revenues from the tobacco tax increase are subject to uncertainty, the actual allocations to programs could be greater or less than the amounts shown here.
 Totals may not add due to rounding.

Impacts on Other Tobacco Tax-Funded Programs

This measure would have a number of significant fiscal effects on the three existing programs supported by tobacco excise taxes—Proposition 99 (which supports various health and public resources programs), Proposition 10 (which supports early childhood development programs), and the Breast Cancer Fund (which supports breast and cervical cancer screening and breast cancer research programs).

Proposition 99. This measure does not directly backfill any Proposition 99 accounts for the loss of revenues that would be likely to occur as a result of the excise tax increase proposed in this measure. Specifically, we estimate that this measure would initially result in an annual funding reduction of about \$5 million for the public resources account and initially almost \$25 million for an account that can be used to support any program eligible for Proposition 99 funding.

However, while this measure would reduce revenues for other Proposition 99 accounts, it would also initially provide significant increases in funding in the new accounts created under this measure for activities comparable to those now funded through Proposition 99. This includes health education and tobacco research, hospital services, and physician services. In the aggregate, these activities could initially experience a net gain in funding of almost \$950 million if this measure were enacted.

Proposition 10. Proposition 10 would receive full backfill funding under the terms of this measure. We estimate that this backfill would initially amount to about \$180 million annually.

Breast Cancer Fund. No backfill funding would be provided for the Breast Cancer Fund to offset the loss of revenues resulting from the tax increases proposed in this measure. However, this measure would allocate a set portion of the new tax revenues for breast cancer research and breast cancer early detection services, with the result that these activities initially would likely experience a net gain of about \$80 million annually.

Revenues and Costs From Provisions Affecting Public Hospitals

Some of the hospital emergency services funding provided under this measure could be allocated to public hospitals licensed to state and local agencies, such as those run by UC, counties, cities, and health care districts. This and certain other provisions of the measure could potentially result in increased revenues and expenditures for support of these hospital operations. The magnitude of the fiscal effects of all of these provisions is unknown, but is likely to result in a net financial gain for hospitals operated by state and local government agencies up to the low hundreds of millions of dollars annually on a statewide basis.

Fiscal Impact on State and Counties From Children's Coverage Provisions

Long-Term Increase in State Costs for Increased HFP Enrollment. In the short term, the revenues allocated by this measure to expand HFP would probably exceed the costs

to make additional children eligible for health coverage. This would particularly be the case in the early years as enrollment gradually increased. Any excess revenues for expanding children's health coverage would be reserved to support this same purpose in future years.

Over time, however, as the excise tax revenues allocated for this purpose declined (for the reasons mentioned above) and the number of children enrolled in HFP grew, the costs of the expanded HFP could eventually exceed the available revenues. Current state law would permit MRMIB to limit enrollment in the program to prevent this from occurring. If actions were not taken to offset program costs at that point, however, additional state financial support for the program would be necessary. These potential long-term state costs are unknown but could be significant.

State and County Savings From Shift in Children's Coverage. This measure allows some children now receiving health coverage in local health coverage programs, such as CHIM, to instead be enrolled in the expanded HFP. Also, some children in low-income families receiving health care from counties without local health initiatives would be likely to become enrolled in HFP. These changes would likely result in unknown, but potentially significant, savings on a statewide basis to local governments, particularly for counties.

The Medi-Cal Program could also experience some state savings for emergency services as some children would instead receive their coverage for these and other services through HFP. These savings to the state could reach the tens of millions of dollars annually unless the state decided, as this measure permits, to have these children continue to receive emergency services through Medi-Cal.

Net Increase in State Costs From Pilot Projects and Simplified Enrollment. This measure requires MRMIB and DHS to simplify the procedures for enrolling and keeping children in HFP and Medi-Cal coverage. For example, among other changes, these provisions could allow applicants to "self-certify" their income and assets on their applications for coverage without immediately providing employer or tax documents to verify their financial status. From an administrative perspective, some changes that simplified enrollment rules would reduce state costs, while others, such as changes in computer systems for enrollment activities, would likely increase state costs. As regards caseloads, these changes are likely to increase program enrollment and, therefore, costs for the state. This would occur because children who are eligible for, but not enrolled in, Medi-Cal and HFP would be signed up for medical benefits and existing enrollees continued to be served in these programs.

As noted earlier, this measure also directs the state to establish a pilot project to provide health coverage for uninsured children in families with incomes above 300 percent of the FPL. This would also increase state caseload costs.

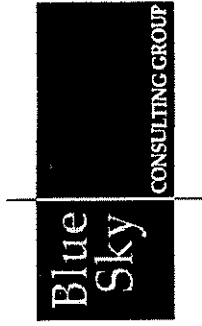
The net fiscal effect of these provisions is an increase in state costs that could exceed \$100 million annually after a few years. Some of these costs could be paid for using the new excise tax revenues generated under this measure.

Potential State and Local Savings on Public Health Costs

Currently, the state and local governments incur costs for providing (1) health care for low-income persons and (2) health insurance coverage for state and local government employees. Consequently, changes in state law that affect the health of the general populace would affect publicly funded health care costs. Because this measure is likely to result in a decrease in the consumption of tobacco products which have been linked to various adverse health effects, it would probably reduce state and local health care costs over the long term.

Some of the health programs funded in this measure are intended to prevent individuals from experiencing serious health problems that could be costly to treat. To the extent that these prevention efforts are successful and affect publicly funded health care programs, they are likely to reduce state and local government health care costs over time. In addition, the proposed expansion of these state health programs could reduce county costs for providing health care for adults and children in low-income families.

The magnitude of state and local savings from these factors is unknown but would likely be significant.



PROPOSITION 86 TOBACCO TAX: FISCAL BENEFITS FOR COUNTIES

Prepared by

April Manatt, Tim Gage and Matt Newman

Blue Sky Consulting Group

August 2006

**PROPOSITION 86 TOBACCO TAX:
FISCAL BENEFITS FOR COUNTIES**

Proposition 86, the Tobacco Tax Act of 2006, increases the excise tax on tobacco products by \$2.60 per pack. The California Legislative Analyst's Office (LAO) estimates that the measure will generate approximately \$2.1 billion in the 2007-08 fiscal year, with hundreds of millions of dollars in revenues allocated to local agencies for new and existing health and education programs, hospital improvements, tobacco regulation, and other services and activities. County governments would benefit financially from the initiative's new funding, programs, provisions and revenues, both as providers of health facilities and services to children, indigent, and other populations, and also as employers of county workers. The initiative's financial and other benefits — both direct and indirect — are explored below, using the figures calculated by the LAO.

I. Proposition 86 Direct Impacts on Counties: A variety of new revenues, allocations and expenditures from state agencies, funding offsets, and program changes will have a direct impact on county budgets.

PROVISION/ FUNDING SOURCE	PROP. 86 LAO ANNUAL REVENUE ESTIMATE	ESTIMATED COUNTY ALLOCATION	COUNTY GENERAL FUND BENEFIT	DESCRIPTION/COMMENTS
Emergency and Trauma Hospital Services.	\$756 million	\$200 million to 19 county hospitals based on number of patient encounters, bad-debt and charity care costs, total county indigent program efforts, and commit- ment to provide	Yes	Fifteen counties operate 19 public hospitals and four contract with UC hospital medical centers for services. Other counties contract with private hospitals, physicians, and clinics. Thirty-four small, rural counties contract for services through the County Medical Services Program (CMSP), a program administered jointly by counties and the state. The initiative's funds, allocated by the State Department of Health Services, are designated to offset the unreimbursed costs of emergency services and to improve and expand emergency services, facilities, and equipment, and to cover the costs of on-call physicians. Nineteen county hospitals will benefit from \$200 million in allocations with the remainder of the funds distributed throughout the 58 counties. Approximately 40% of

Proposition 86: Fiscal Benefits for Counties

PROVISION/ FUNDING SOURCE	PROP. 86 LAO ANNUAL REVENUE ESTIMATE	ESTIMATED COUNTY ALLOCATION	COUNTY GENERAL FUND BENEFIT	DESCRIPTION/COMMENTS
Expansion of Healthy Families Program	\$367 million	emergency care and training.	Yes	<p>emergency room visits are for non-urgent care, which is more expensive than providing care through non-emergency settings. Counties that use these funds to improve and expand their emergency services, facilities, and equipment may be able to offset certain costs to their county general funds, making additional resources available for other local priorities. Counties that contract with other facilities may see the costs of their contracts decrease to reflect the increased revenues allocated to those facilities. In addition, expenditures that improve the health of the counties' employee, indigent, and other populations could reduce counties' future health care expenditures. [Source: 2004 California Institute for County Government Report, <i>Using Hospital Emergency Rooms for Routine Care</i>, July 2005 California HealthCare Foundation fact sheet, <i>Indigent Health Care at the County Level</i>].</p> <p>Eighteen counties provide health coverage to 88,000 children through local children's health initiatives (CHIs); fourteen additional counties are in the process of implementing new CHIs. Proposition 86 expands health care coverage in the state's Healthy Families program, thereby eliminating the need for most CHI expenditures. The expanded state program could relieve 18 counties of significant costs associated with current CHI expenditures, and eliminate unknown planned expenditures for 14 other counties currently in the process of implementing local programs. [Proposition 86 includes a specific provision that allows the initiative's new revenues to supplant existing county expenditures for CHI programs]. Expansion of the Healthy Families program will also provide health care coverage to individuals who do not currently have</p>

Proposition 86: Fiscal Benefits for Counties

PROVISION/ FUNDING SOURCE	PROP. 86 LAO ANNUAL REVENUE ESTIMATE	ESTIMATED COUNTY ALLOCATION	COUNTY GENERAL FUND BENEFIT?	DESCRIPTION/COMMENTS
		savings for 14 counties in the process of implementing CHIs.		coverage, improving the health of children, decreasing the costs of their future care, and reducing the need for additional county expenditures for expensive emergency and other acute care services. In addition, millions of dollars in other (non-county) public and private revenues currently directed to CHIs could be reallocated to other local priorities, including funds from county First 5 Commissions and tobacco settlement revenues, which may only be spent to improve programs and services within their respective counties. Finally, Proposition 86 states that the Legislature could further expand eligibility in the Health Families program in the future, which could yield additional benefits to county general funds and offset other public and private costs. [Source: May 2006 USC Report, <i>Monitoring the Expansion of Children's Health Initiatives in California</i>].
Local anti-tobacco campaigns and programs.	\$70 million	\$34 million awarded directly to county health departments and health departments in three cities, based on their proportionate share of the state's population.	Yes	The Department of Health Services will allocate funds to counties and other agencies for local anti-tobacco control programs and campaigns. Fifty-eight county and three city health departments will receive \$34 million. [An additional \$36 million will be available to for tobacco control competitive grants.] The Department of Health Services predicts that the initiative will result in 150,000 youths choosing not to smoke or quitting smoking, saving an estimated \$3.5 billion in healthcare costs. In addition, the total cost associated with each smoker in California is \$3,300 with over \$ 1,300 directly attributable to health costs annually. Smokers are 50% more likely than non-smokers to be absent from work and to need hospitalization. Moreover, non-smokers cause one-half as many accidents as nonsmokers, and nonsmoking work environments can reduce

PROVISION/ FUNDING SOURCE	PROP. 86 LAO ANNUAL REVENUE ESTIMATE	ESTIMATED COUNTY ALLOCATION	COUNTY GENERAL FUND BENEFIT?	DESCRIPTION/COMMENTS
Prevention of obesity, diabetes, and chronic diseases through lifestyle changes.	\$63 million	Undetermined. Amount of grants to county health departments to be determined by the California Department of Health Services.	Yes	<p>fire and casualty insurance costs for employers. Successful efforts to prevent, reduce, or terminate smoking will save counties money both as health care providers and employers, and make resources available for other local priorities. [Source: California Department of Health Services 2002 report, <i>The Cost of Smoking in California, 1999</i>, California Department of Health Services; American Cancer Society].</p> <p>Obesity: The economic costs associated with obesity are comparable to those associated with smoking. Fifty-three percent of Californians are obese or overweight. The cost of county employees with obesity, excess weight, and lack of physical activity is \$403 million, including direct health care costs, workers compensation costs, and lost productivity. Counties also spend significant additional resources for indigent populations with health care costs associated with these conditions. Diabetes: More than 2 million Californians have diabetes. The average additional health care cost associated with diabetes is approximately \$1,000 per year. The initiative will help counties prevent and combat various health conditions. Healthier county populations will reduce county costs for health care services for both as health care providers and employers. [Source: April 2005 Report sponsored by the California Department of Health Services, <i>The Economic Costs of Physical Inactivity, Obesity, and Overweight in California Adults, California Diabetes Prevention and Control Program</i>, California Department of Health Services.</p> <p>Many counties provide, or contract with, clinics to provide health care services. Allocated by the California Department of Health Services to county and other non-profit clinics, these</p>
Community funds for clinics health services.	\$58 million	Undetermined. Department of Health Services	Yes	

PROVISION/ FUNDING SOURCE	PROP. 86 LAO ANNUAL REVENUE ESTIMATE	ESTIMATED COUNTY ALLOCATION	COUNTY GENERAL FUND BENEFIT?	DESCRIPTION/COMMENTS
including smoking education and cessation programs for the uninsured.		to allocate these funds to clinics in each county based on their percentage of uninsured patient encounters.		funds could offset the need for some future county expenditures associated with treating indigent and low income persons. Reduced rates of smoking could also save counties money as employers. Increased use of community clinics could also reduce county hospital costs.
Tobacco cessation services	\$18 million	Undetermined. Funds to be allocated to specific programs and activities by the Department of Health Services.	Yes	Allocated by the Department of Health Services, these funds will be used to assist minors and adults in quitting smoking. Successful efforts to terminate smoking will save counties money both as health care providers and employers. Health care costs directly associated with smokers are estimated to be over \$1,300 per year per smoker, with smokers accounting for 50% more absenteeism and hospitalization costs than non-smoking workers. Moreover, non-smokers cause 50% more accidents than nonsmokers and nonsmoking work environments can reduce fire and casualty insurance costs. Funds from this program could also offset costs associated with county programs, training, and technical activities. These savings can reduce future county healthcare and other costs, making resources available for other local priorities. [Source: California Department of Health Services].
Increased local sales tax revenues.	\$10 million	Low millions of dollars in general purpose revenue; similar	Yes	New county sales tax revenues could be spent for general purposes and transportation, public safety, health and social services programs (realignment). [Source: BOE Table 22A, <i>Sales and Use Tax, Distribution to Cities and Counties</i> , 2004-05 Annual Report].

PROVISION/ FUNDING SOURCE	PROP. 86 LAO ANNUAL REVENUE ESTIMATE	ESTIMATED COUNTY ALLOCATION	COUNTY GENERAL FUND BENEFIT?	DESCRIPTION/COMMENTS
		amounts for public safety and realignment.		
Local law enforcement training, investigation, licensing, and compliance assistance.	\$9 million	Undetermined. Dollar amount of grants to counties allocated by the Department of Health Services.	Yes	The Department of Health Services will use these funds to provide grants to local law enforcement agencies for better training and enforcement, licensing, compliance checks, and investigations relating to tobacco control. Improvements in these areas could offset some future county expenditures for training and enforcement, and result in additional sales tax, licensing, and other revenues.
State agency tobacco enforcement efforts, including local law enforcement assistance and training.	\$9 million	Undetermined. Dollar amount of assistance to local governments determined by the Attorney General and Board of Equalization.	Yes	The Attorney General and Board of Equalization will use these funds to better enforce the distribution and sale of tobacco products, including assisting local governments in their enforcement efforts, likely resulting in increased sales tax collections. Increased sales tax collections will provide additional county resources, and reduced time and training costs for county law enforcement, which could reduce county costs.

II. Indirect Financial Benefits for Counties: Including new revenues, allocations and expenditures from state agencies, and financial benefits associated with new programs.

PROGRAM/EXPENDITURE	LAO REVENUE ESTIMATE	DESCRIPTION/ POTENTIAL FINANCIAL BENEFIT
Prevention and treatment of prostate, breast, cervical and colorectal cancer, heart disease, and stroke.	\$220 million	Department of Health Services will use these funds to coordinate prevention and treatment targeted at these diseases and ailments; local government may apply for grants to assist in these activities. Counties could benefit from the receipt of grant funding, reduced costs associated with treatment of indigent persons suffering from these diseases, and healthier county employee populations as a result of these investments.
Funds to train, attract, and retain nurses and doctors in underserved, low-income areas.	\$99 million	Increasing the funds to train, attract, and retain doctors and nurses in low-income, underserved areas could ensure that more medical professionals are available to provide health care to county populations, protecting the health care delivery system and improving the medical care available to county residents. Healthier county populations will reduce county costs for health care services both as providers and employers. In addition, the measure will help county hospitals, particularly those in rural areas, to lower the recruitment and overtime costs associated with nurse staffing ratios.
California Health Care for Indigents Program/Rural Health Services Program –	\$66 million	New funds to reimburse emergency physicians will help retain and expand the

PROGRAM/EXPENDITURE	LAO REVENUE ESTIMATE	DESCRIPTION/ POTENTIAL FINANCIAL BENEFIT
reimbursement for emergency physicians.		number of doctors providing healthcare to county populations, and promote the financial health of emergency service delivery, improving the healthcare available to county residents. Healthier county populations will reduce county costs as healthcare providers. [Source: July 2005 California HealthCare Foundation fact sheet, <i>Indigent Health Care at the County Level</i>].
State anti-tobacco media campaign	\$55 million	Successful anti-smoking efforts will prevent people from starting to smoke, promote people to quit smoking, and reduce exposure to second-hand smoke. Reduced smoking rates will save counties money as health care providers and as employers.
State tobacco research, control, and evaluation programs.	\$36 million	Maximizing the effectiveness of public and private anti-smoking efforts will help prevent people from starting to smoke, promote people to quit smoking, and reduce exposure to second-hand smoke in the most cost-efficient manner. Reduced smoking rates will save counties money as health care providers and as employers.
Department of Education grants for tobacco use prevention and reduction.	\$28 million	Grants for tobacco programs, including those to county offices of education, will help prevent people from starting to smoke, promote people to quit smoking, and reduce exposure to second-hand smoke. Reduced smoking rates will save counties money as health care providers and as employers.

III. Additional Benefits for Counties. In addition to Proposition 86's potential direct and indirect financial county benefits, there are additional provisions with favorable consequences for counties, including:

- Proposition 86 will generate over \$2 billion in new state and local revenues, and additional allocations of federal funds for the Medi-Cal and Healthy Kids programs, which will be spent for a variety of healthcare-related purposes. These expenditures will result in the creation of new jobs, equipment and facilities purchases, better coordination of services, and increased productivity. The economic benefits associated with this new spending and these improvements are likely to generate additional county revenues from general sales and property taxes, business and utility taxes, and other taxes, fees, and charges.
- Proposition 86 is consistent with CSAC's 2006 state legislative priorities, including: preventing a shift of uncompensated health care costs to counties, the preservation of the county safety net, and the provision of increased access to health care for indigent patients.
- Proposition 86 contains provisions for financial flexibility, including the ability to retain unexpended funds after the end of the fiscal year and exercise short-term cash-flow management between the accounts designated by the initiative.
- Proposition 86 provides additional programmatic flexibility, as with state anti-trust exemptions (and intent language to protect hospitals from federal lawsuits) that allow county and other hospitals to work cooperatively on emergency health care delivery plans.
- Proposition 86 protects losses to Proposition 10 programs, some of which benefit county programs and activities, by backfilling the revenue loss attributable to the measure's new excise tax.
- Proposition 86 includes \$62 million for research into breast, lung and other cancers. This research could ultimately have the effect of making county populations and employees healthier, leading to reduced county costs.

August 21, 2006

To: CSAC Board of Directors

From: James Keene, Executive Director

Re: **Proposition 87**

Proposition 87: Alternative Energy. Research, Production, Incentives. Tax on California Oil. Initiative Constitutional Amendment and Statute.

Recommendation: Oppose

Proposition 87 would impose an assessment on oil extracted in California, revenues from which would fund alternative energy-related research, venture capital incentives, loans and other measures designed to decrease oil consumption in the state by 25% over ten years. The assessment is expected to raise about \$4 billion over that time. Such a tax would impact property tax revenues in oil-producing counties by decreasing the assessed value of the oil wells due to their incremental loss of profitability.

The Executive Committee voted to recommend that CSAC take an "oppose" position on Prop. 87, as did the Agriculture and Natural Resources Policy Committee and the Government Finance and Operations Policy Committee.

Background:

Proposition 87 would levy an assessment of 1.5% to 6% on extraction of oil in California based on the gross value of each barrel. The stated intent of the measure is to cut California oil consumption by 25% over ten years. The assessment would be expected to raise about \$4 billion over ten years and would sunset when the oversight authority has allocated that money and when all debt is paid.

Money raised by the assessment would be allocated as follows:

- 57.5% to Gasoline and Diesel Use Reduction Account:
 - Incentives for purchase of clean alternative fuel vehicles, clean alternative fuel production, construction of publicly accessible clean alternative fuel refueling stations and related infrastructure;
 - Grants and loans to private enterprise for clean alternative fuel research.
- 26.75% to Research and Innovation Acceleration Account for grants to CA universities for facilities, graduate student research training, and research to improve economic viability and accelerate commercialization of renewable energy technologies.
- 9.75% to Commercialization Acceleration Account as incentive for one-time start-up costs.
- 2.5% to Vocational Training Account to provide grants to community colleges for 1) staff development and facilities and 2) tuition assistance for low-income and for

former fossil fuel energy workers.

- 3.5% to Public Education and Administration Account to educate the public, for administration, and to monitor the implementation of the Assessment and "refer any evidence that oil producers are attempting to gouge consumers by passing the assessments on to consumers" to the Board of Equalization for investigation.

Kern County, which houses by far the highest amount of oil production in the state, estimates that the assessment would decrease county-wide property tax returns by about \$5 million, representing an approximately \$1.5 million decrease to the county's share. This reduction would be due to the oil wells' profitability, and therefore value, being decreased by the assessment.

Enclosed:

- LAO Analysis of Proposition 87
- "Impact of the Proposed Severance Tax on the Kern Co. Assessment Roll" Memo to Kern County CAO from Kern County Assessor-Recorder
- Producing Wells and Production of Oil, Gas, and Water by County – 2004

Proposition 87

Alternative Energy. Research, Production, Incentives. Tax on California Oil. Initiative Constitutional Amendment and Statute.

Background

California Oil Production. In 2005, California's estimated oil production (excluding federal offshore production) totaled 230 million barrels of oil—an average of 630,000 barrels per day. California's 2005 oil production represents approximately 12 percent of U.S. production, making California the third largest oil-producing state, behind Texas and Alaska. Oil production in California peaked in 1985, and has declined, on average, by 2 percent to 3 percent per year since then. In 2005, California oil production supplied approximately 37 percent of the state's oil demand, while Alaska production supplied approximately 21 percent, and foreign oil supplied about 42 percent.

Virtually all of the oil produced in California is delivered to California refineries. In 2005, the total supply of oil delivered to oil refineries in California was 674 million barrels, including oil produced in California as well as outside the state. Of the total oil refined in California, approximately 67 percent goes to gasoline and diesel (transportation fuels) production.

Oil-Related Taxation in California. Oil producers pay the state corporate income tax on profits earned in California. Oil producers also pay a regulatory fee to the Department of Conservation (which regulates the production of oil in the state) that is assessed on production, with the exception of production in federal offshore waters. This regulatory fee is used to fund a program that, among other activities, oversees the drilling, operation, and maintenance of oil wells in California. Currently, producers pay a fee of 6.2 cents per barrel of oil produced, which will generate total revenues of \$14 million in 2006-07. Additionally, property owners in California pay local property taxes on the value of both oil extraction equipment (such as drills and pipelines) as well as the value of the recoverable oil in the ground.

Proposal

Severance Tax on Oil Production in California. Beginning in January 2007, the measure would impose a severance tax on oil production in California to generate revenues to fund \$4 billion in alternative energy programs over time. (The term "severance tax" is commonly used to describe a tax on the production of any mineral or product taken from the ground, including oil.) The measure defines "producers," who are required to pay the tax, broadly to include any person who extracts oil from the ground or water, owns or manages an oil well, or owns a royalty interest in oil.

The severance tax would not apply to federal offshore production beyond three miles from the coast. The measure is unclear as to whether the severance tax would

apply to oil production on state-owned lands (which includes offshore production within three miles of the coast) or production on federal lands in the state. Additionally, the severance tax would not apply to oil wells that produce less than ten barrels of oil per day, unless the price of oil at the well head was above \$50 per barrel. At current prices and levels of production, the tax would apply to about 230 million barrels of oil produced in the state annually if state and federal lands are included, or about 200 million barrels of oil production annually if they are not included.

Tax Rate Structure. The measure states that the tax would be “applied to all portions of the gross value of each barrel of oil severed as follows:”

- 1.5 percent of the gross value of oil from \$10 to \$25 per barrel;
- 3.0 percent of the gross value of oil from \$25.01 to \$40 per barrel;
- 4.5 percent of the gross value of oil from \$40.01 to \$60 per barrel; and
- 6.0 percent of the gross value of oil from \$60.01 per barrel and above.

The wording of the measure regarding the application of the tax rates could be interpreted in two different ways. On one hand, it could be interpreted such that the tax would be applied on a *single rate* basis on the *full* gross value of oil per barrel. For example, if the gross value is \$70 per barrel, the tax would be applied at a rate of 6.0 percent on the full \$70—yielding a tax of \$4.20 per barrel. On the other hand, it could be interpreted to apply on a *marginal rate* basis similar to the income tax. For example, if the gross value is \$70 per barrel, the first \$10 is not taxed, the value from \$10 to \$25 is taxed at 1.5 percent, and so on—yielding a tax of \$2.17 per barrel.

In general, for a given period of time, the single rate interpretation would generate twice as much tax revenue as would the marginal rate interpretation. The issue of the application of the tax would presumably be resolved by regulations adopted by the California State Board of Equalization (BOE) and interpretation by the courts.

Passing Along the Cost of the Tax to Consumers. The measure states that producers would not be allowed to pass on the cost of this severance tax to consumers through increased costs for oil, gasoline, or diesel fuel. The BOE is charged with enforcing this prohibition against passing on the cost of the tax. While it may be difficult to *administratively* enforce this provision (due to the many factors that determine oil prices), economic factors may also limit the extent to which the severance tax is passed along to consumers. For example, the global market for oil means that California oil refiners have many options for purchasing crude oil. As a result, oil refiners facing higher-priced oil from California producers could, at some point, find it cost-effective to purchase additional oil from non-California suppliers, whose oil would not be subject to this severance tax.

Term of the Tax. The measure directs that the new California Energy Alternatives Program Authority (Authority), discussed below, shall spend \$4 billion for specified purposes within ten years of adopting strategic plans to implement the measure. The

revenues are to be used for new spending (that is, they cannot be used to replace current spending). Under the measure, the Authority has the ability to raise program funds in advance of collecting severance tax revenues by selling bonds that would be paid back with future severance tax revenues.

The severance tax would expire once the Authority has spent \$4 billion and any bonds issued by the Authority are paid off. The length of time that the tax would be in effect will depend on several factors, including the interpretation of the tax rate, the future price and production of oil, and decisions about using bonds. Because the measure directs the new authority to spend \$4 billion within ten years, the tax will be in effect at least long enough to generate this amount of revenue and longer if bonds are issued.

Depending on these variables, the term of the tax would range from less than ten years to several decades. For example, the shorter period would result under the single tax rate and/or higher oil prices and production levels. Alternatively, a longer period would result under the marginal tax rate and/or lower oil prices and production.

Tax Revenues to be Deposited in New Special Fund. The proceeds of the severance tax would be deposited in a new fund created by the measure, the California Energy Independence Fund. These revenues would not be eligible for loan or transfer to the state's General Fund and would be continuously appropriated (and thus, not subject to the annual state budget appropriation process).

Reorganized State Entity to Spend the Tax Revenues. The measure would reorganize an existing body in state government, the California Alternative Energy and Advanced Transportation Financing Authority, into a new California Energy Alternatives Program Authority (Authority). This reorganized authority would be governed by a board made up of nine members, including the Secretary for Environmental Protection, the Chair of the State Energy Resources Conservation and Development Commission, the Treasurer, and six members of the public who have specific program expertise, including: economics, public health, venture capital, energy efficiency, entrepreneurship, and consumer advocacy. The Authority is required to develop strategic plans and award funds to encourage the development and use of alternative energy technologies. The board would appoint a staff to administer various programs specified in the measure.

One of the stated *goals* of the measure, to be achieved through the various programs funded by it, is to reduce the use of petroleum in California by 25 percent from 2005 levels by 2017. The *actual* reduction would depend on the extent to which the measure was successful in developing and promoting—and consumers and producers used—new technologies and energy efficient practices.

Allocation of Funds. The funds generated from the severance tax, as well as any bonding against future severance tax revenues, would be allocated as follows, after first covering debt-service costs and expenses to collect the severance tax:

- *Gasoline and Diesel Use Reduction Account (57.50 Percent)*—for incentives (for example, consumer loans, grants, and subsidies) for the purchase of alternative fuel vehicles, incentives for producers to supply alternative fuels, incentives for the production of alternative fuel infrastructure (for example, fueling stations), and grants and loans for private research into alternative fuels and alternative fuel vehicles.
- *Research and Innovation Acceleration Account (26.75 Percent)*—for grants to California universities to improve the economic viability and accelerate the commercialization of renewable energy technologies and energy efficiency technologies.
- *Commercialization Acceleration Account (9.75 Percent)*—for incentives to fund the start-up costs and accelerate the production and distribution of petroleum reduction, renewable energy, energy efficiency, and alternative fuel technologies and products.
- *Public Education and Administration Account (3.50 Percent)*—for public education campaigns, oil market monitoring, and general administration. Of the 3.5 percent, at least 28.5 percent must be spent for public education, leaving a maximum of 71.5 percent of the 3.5 percent (or roughly 2.5 percent of total revenues) for the Authority's administrative costs.
- *Vocational Training Account (2.50 Percent)*—for job training at community colleges to train students to work with new alternative energy technologies.

Fiscal Effects

New State Revenues to Be Used for Dedicated Purposes. Our estimates below are based on 2005 oil production levels and the average price of oil for the first six months of 2006. The severance tax would raise from about \$225 million to \$485 million annually. The level of revenue generated would depend both on (1) whether the tax was interpreted using the marginal rate interpretation or the single rate interpretation and (2) whether oil production on state and federal lands is taxed. However, *actual* revenues collected under the measure will depend on both future oil prices and oil production in the state. As these variables are difficult to predict, there is uncertainty as to the level of revenue collections.

State and Local Administrative Costs to Implement the Measure. Because programs of the size and type to be overseen by the Authority have not been undertaken before in the area of transportation fuels, the administrative costs to the Authority to carry out the measure are unknown. Under the provisions of the measure, up to 2.5 percent of revenues in the new fund would be available to the Authority for its general administration costs. This would on average set aside from about \$5 million to \$12 million annually for administration. The amount of administrative funds available would depend both on (1) whether the tax was interpreted using the marginal rate

interpretation or the single rate interpretation and (2) whether oil production on state and federal lands is taxed.

Costs to BOE to collect the severance tax and administrative costs associated with the issuance and repayment of bonds by the Treasurer's Office are not counted as part of the Authority's administration budget and are to be paid from the severance tax revenues. Additionally, in oil-producing counties, local administrative costs would increase by an unknown but probably minor amount, due to increased reassessment activity by local property tax assessors to account for the effects of the severance tax on oil-related property values.

Reduction in Local Property Tax Revenues. Local property taxes paid on oil reserves would decline under the measure relative to what they otherwise would have been, to the extent that the imposition of the severance tax reduces the value of oil reserves in the ground and its assessed property value for tax purposes. Although the exact size of this impact would depend on future oil prices, which determine both the severance tax rate and the value of oil reserves, it would likely not exceed a few million dollars statewide annually.

Reduction in State Income Tax Revenues. Oil producers would be able to deduct the severance tax from earned income, thus reducing their state income tax liability under the personal income tax or corporation tax. The extent to which the measure would reduce state income taxes paid by oil producers would depend on various factors, including whether or not an oil producer has taxable income in any given year, the amount of such income that is apportioned to California, and the tax rate applied to such income. We estimate that the reduction would likely not exceed \$10 million statewide annually.

Potential Reduction in State Revenues From Oil Production on State Lands. The state receives a portion of the revenues from oil production on state lands, including oil produced within three miles of the coast. If the measure is interpreted to apply to production on these state lands, then the severance tax would reduce state General Fund revenues by \$7 million to \$15 million annually, depending on whether the measure is interpreted using the marginal rate or the single rate.

Potential Reductions in Fuel Excise Tax and Sales Tax Revenues. The measure could change both the amount and mix of fuels used in California, and thus excise and sales tax revenues associated with them. For example, to the extent that the programs funded by the measure are successful in reducing the use of oil for transportation fuels, it would reduce to an unknown extent the amount of gasoline and diesel excise taxes paid to the state and the sales and use taxes paid to the state and local governments. These reductions would be partially offset by increased taxes paid on alternative fuels, such as ethanol, to the extent that the measure results in their increased use.

Potential Indirect Impacts on the Economy. In addition to the direct impacts of the measure, there are potential indirect effects of the measure that could affect the level of economic activity in the state.

On the one hand, by increasing the cost of oil production, the severance tax could reduce production, reduce investment in new technologies to expand production, and/or modestly increase the cost of oil products to Californians. This could have a negative impact on the state's economy.

On the other hand, using revenues from the severance tax to invest in new technologies may spur economic development in California. This would occur to the extent that new technologies supported by the measure are developed and/or manufactured in the state. This could have a positive impact on the state's economy.

Taken together, these economic factors could have mixed impacts on state and local tax revenues.

JAMES W. FITCH
ASSESSOR-RECORDER

ANTHONY ANSOLABEHERE
Assistant Assessor

JEANI SMITH
Assistant Recorder



ASSESSOR'S OFFICE
Telephone (661) 868-3485
1115 Truxtun Avenue
Bakersfield, CA 93301-4639

RECORDER'S OFFICE
Telephone (661) 868-6400
1655 Chester Avenue
Bakersfield, CA 93301-5232

March 30, 2006

Mr. Ron Errea, County Administrative Officer
County of Kern
1115 Truxtun Avenue, 5th Floor
Bakersfield, CA 93301

RE: Impact of the Proposed Severance Tax on the Kern Co. Assessment Roll

Dear Mr. Errea:

We have received numerous inquiries from several interested parties on the impact to the Kern County Assessment Roll if an Oil Severance Tax was to pass as a Ballot Initiative.

The Severance Tax would be on oil producing properties within the State of California. Our analyses indicates the following:

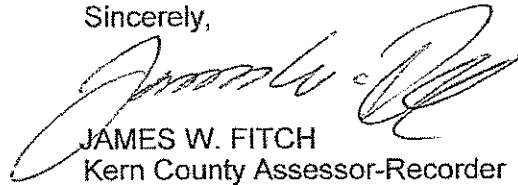
1. The valuation of each oil and gas producing property is a complex assessment task involving a series of calculations for both the current fair market value and the adjusted base year value, the lower of which is enrolled.
2. The proposed severance tax would further complicate the appraisal process. Staff will have to estimate the future impact of the new tax and incorporate that into the appraisal. The increased workload will require changes to computer programs.
3. The oil production tax does not include some smaller producing properties with wells producing 10 barrels or less per day. Under this Initiative, staff will have to determine the volume of oil subject to tax for each property, and forecast that into the future.
4. The amount of the tax is tiered based upon the price of crude oil, which fluctuates over time. My staff will have to estimate the amount of anticipated tax based upon their forecast of oil price. Both of these components will make the appraisal task much more difficult.
5. Impact on roll values - The adoption of the severance tax will result in a lower assessment roll for oil and gas producing properties. Properties subject to the tax will have less net income which will result in a lower estimate of fair market value than without the tax. The adjusted base year value for properties subject to the tax will be the same or lower than without the tax.
6. If enacted, the severance tax would be effective January 1, 2007. It would affect the 2007-08 roll and each roll thereafter until terminated.

Mr. Ron Errea
March 30th, 2006
Page Two

7. We have estimated that the implementation of the proposed severance tax would result in a reduction to the Oil and Gas Roll (Roll 2) by approximately \$250 million to \$500 million of assessed value for 2007-08. This assumes that oil and gas prices, and other economic factors remain at current levels.

If you require further clarification or have any questions, please do not hesitate to contact me. My staff and I would be most happy to discuss the details of this matter with you.

Sincerely,



JAMES W. FITCH
Kern County Assessor-Recorder

JWF:kc

cc: Hon. Board of Supervisors/County of Kern
Supv. McQuiston
Supv. Rubio
Supv. Patrick
Supv. Watson
Supv. Maben
Hon. Ann Barnett, Auditor-Controller/County of Kern
Mr. Bob Pool, Coastal Coordinator/WSPA
Mr. Les Clark, IOPA/Kern County
~~Mr. Brad DeWitt, Petrotech Resources~~

PRODUCING WELLS AND PRODUCTION OF OIL, GAS, AND WATER BY COUNTY - 2004*

COUNTY NAME	NUMBER OF WELLS				OIL PRODUCTION (bbl)	NET GAS PRODUCTION (Mcf)			WATER PRODUCTION (bbl)
	OIL		GAS			ASSOCIATED (from oil zones)	NONASSOCIATED (from gas zones)	TOTAL	
	P R O D	S H T N	P R O D	S H T N					
Alameda	5	2	0	0	10,304	0	0	0	26,678
Butte	0	0	9	3	0	0	93,167	93,167	396
Colusa	0	0	166	80	0	0	7,182,331	7,182,331	69,666
Contra Costa	0	1	26	14	0	0	1,073,558	1,073,558	19,288
Fresno	1,864	1,392	4	3	6,380,298	1,312,703	217,439	1,530,142	82,472,665
Glenn	0	0	166	59	0	0	7,389,556	7,389,556	101,227
Humboldt	0	2	39	11	0	0	1,324,379	1,324,379	11,688
Kern	37,925	15,352	142	136	b/185,160,241	178,303,109	6,405,286	184,708,395	1,255,053,431
Kings	175	146	1	0	126,211	389,163	190,056	579,219	1,123,429
Lassen	0	0	0	6	0	0	0	0	0
Los Angeles	3,202	1,576	7	20	c/27,151,197	12,966,879	41,308	13,008,187	621,558,339
Madera	0	0	14	19	0	0	987,316	987,316	15,364
Merced	0	0	0	5	0	0	0	0	0
Monterey	367	962	0	0	4,005,268	395,419	0	395,419	79,336,287
Orange	1,221	674	0	0	5,357,624	3,191,433	0	3,191,433	77,431,990
Riverside	0	2	0	1	0	0	0	0	0
Sacramento	0	0	93	84	d/	0	16,811,759	16,811,759	1,078,327
San Benito	26	15	2	3	9,580	68	19,800	19,868	209,610
San Bernardino	13	27	0	0	3,347	90	0	90	684
San Joaquin	0	0	64	88	0	0	7,423,380	7,423,380	89,534
San Luis Obispo	168	183	0	0	667,667	(220,423)	0	(220,423)	7,517,152
San Mateo	8	16	0	0	2,884	700	0	700	1,133
Santa Barbara	706	1,398	0	4	3,255,178	3,759,146	0	3,759,146	68,296,013
Santa Clara	6	3	0	0	20,660	4,894	0	4,894	24,708
Solano	0	0	175	106	e/	0	12,773,778	12,773,778	268,604
Sonoma	0	0	0	0	0	0	0	0	0
Stanislaus	0	0	2	1	0	0	320,267	320,267	123
Sutter	0	0	184	78	0	0	5,951,872	5,951,872	78,666
Tehama	0	0	95	28	0	0	5,130,191	5,130,191	73,112
Tulare	58	11	2	18	39,668	0	265	265	2,116,224
Ventura	1,768	1,417	0	7	f/ 7,924,883	7,462,134	0	7,462,134	51,998,474
Yolo	0	0	68	30	0	0	5,635,125	5,635,125	162,885
Yuba	0	0	1	0	0	0	1,978	1,978	0
STATE TOTALS	47,512	23,179	1,260	804	240,115,210	207,565,315	78,972,811	286,538,126	2,249,135,697

- * Does not include federal OCS figures.
a/ Produced 791 barrels of condensate from gas fields or zones.
b/ Produced 31,456 barrels of condensate from gas fields or zones.
c/ Produced 938 barrels of condensate from gas fields or zones.
d/ Produced 12,383 barrels of condensate from gas fields or zones.
e/ Produced 20,659 barrels of condensate from gas fields or zones.
f/ Produced 80 barrels of condensate from gas fields or zones.

UNCONVENTIONAL PETROLEUM PRODUCTION IN CALIFORNIA

LOCATION (COUNTY)	PROJECT TYPE	OPERATOR	OIL PRODUCTION (BBL)	CUMULATIVE OIL PRODUCTION (BBL)	GAS PRODUCTION (MCF)	CUMULATIVE GAS PRODUCTION (MCF)	START DATE	STOP DATE	REMARKS
Calrock Quarry (Santa Cruz)	Thermal, downhole burners in bituminous sandstone	Husky Oil Company	Abandoned	2,665	0	0	1955	1959	Thermal experiment
Santa Paula Oil Field (Ventura)	Oil tunnels	Union Oil Co. of California	Abandoned	Unknown**	0	0	1860's	1997	Horizontal shafts
McKittrick Oil Field (Kern)	Open-pit mining of oil-saturated diatomite	Getty Oil Company	Abandoned	21,400	0	0	1981	1985	Pilot project
Santa Barbara Channel Offshore (Santa Barbara)	Seep containment	Venoco Inc.	0	596	133,566	6,902,422	1982	Active	Metal containment structure anchored over natural seep
Kern River Oil Field (Kern)	HOP (Heavy Oil Process)	Fenix & Scisson, Inc.	Abandoned	115,531*	0	0	1982	1985	Experimental heavy oil recovery process

- * Figure is included in the Kern River field total.
** Figure is included in the Santa Paula field total.

August 21, 2006

To: CSAC Board of Directors

From: James Keene, Executive Director

Re: **Proposition 88**

***Proposition 88: Education Funding, Real Property Parcel Tax. Initiative
Constitutional Amendment and Statute.***

Recommendation: Oppose

Proposition 88 would impose a statewide \$50 parcel tax, administered by counties, to benefit K-12 schools. The money would be used for class size reduction; textbooks and other materials; policing, gang-risk intervention, afterschool and intersession and development programs; facility grants for districts that do not receive state general obligation bond money, such as charter schools; and a teacher/student achievement data system to evaluate efficiency and effectiveness of programs and investments.

Counties' share for implementation of the parcel tax would be limited to 0.2%, or ten cents per successfully taxed parcel. County auditor-controller's staff report that such a parcel tax is administratively complex and costly. More importantly, Prop. 88 significantly erodes the link between the local property tax and local property-related services. Because funds would be allocated on a per student basis statewide, revenues raised in some counties would presumably be spent on school services in others.

The Executive Committee voted to recommend that CSAC take an "oppose" position on Prop. 88, as did the Government Finance and Operations Policy Committee.

Enclosed:

- LAO Analysis of Prop. 88

Proposition 88 Education Funding, Real Property Parcel Tax

Background

State and local governments in California impose several types of taxes and use the resulting revenue to support a variety of government activities. The most significant state taxes are on personal income, the sale of most types of goods (such as cars, appliances, and furniture), and corporate profits. At the local level, the most significant tax is on the assessed value of property (such as family-owned land and houses, retail stores, and industrial facilities). In California, the revenue generated from these various taxes is used to fund many types of government programs, including education, health, social, and environmental programs.

Local Property Taxes. Local governments in California impose a tax based on the assessed value of property. Under such a tax, the amount owed increases as the value of the property increases. Some local governments also impose a type of property tax known as a parcel tax. Under this type of tax, the amount owed is typically the same for each parcel—or unit—of land. (Currently, state government does not impose either type of property-related tax.)

Use of Local Parcel Tax Revenue. Local parcel tax revenue may be used for virtually any designated purpose. In recent years, for example, parcel taxes have been approved by voters in several school districts and used to fund class size reduction (CSR), school libraries, education technology, and other education programs. In those school districts that have a parcel tax, this revenue can be a significant source of funding for kindergarten through grade 12 (K-12) education programs. Statewide, however, the parcel tax is a minor source of funding for school districts.

Proposal

Proposition 88 creates a statewide parcel tax and uses the resulting revenue to fund specific K-12 education programs. It would take effect July 1, 2007.

Creates a Statewide \$50 Parcel Tax

The measure adds a new section to the State Constitution that establishes an annual \$50 tax on most parcels of land in California. (This dollar amount would not change over time.) For purposes of the measure, a “parcel” is defined as any unit of real property in the state that currently receives a separate local property tax bill. This definition would result in the vast majority of individuals and businesses that currently pay property taxes being subject to the new parcel tax. The measure exempts from the new tax any parcel owner who: (1) resides on the parcel, (2) is eligible for the state’s

existing homeowner's property tax exemption, *and* (3) is either 65 years of age or older or a severely and permanently disabled person.

The measure also includes a provision that ensures funding for other government programs is not affected. Specifically, the measure authorizes a transfer of parcel tax revenue to the state General Fund to offset any loss in state income tax revenue. A loss would occur because of additional property-related deductions resulting from the state parcel tax.

Funds Specific K-12 Education Programs With Tax Proceeds

Most of the revenue generated by the statewide parcel tax would be transferred to a new state special fund. Of the monies initially deposited in this fund, the measure allocates \$470 million for various K-12 education programs and initiatives, as shown in Figure 1. The annual allocation of funding would be adjusted on a proportional basis—up or down—to reflect actual revenues received. These monies would have to supplement existing monies provided for these programs.

Figure 1 Proposition 88 Allocation of Parcel Tax Revenues	
Program	Annual Target Amount (In Millions)^a
K-12 class size reduction	\$175 ^b
Instructional materials	100 ^b
School safety	100 ^b
Facility grants	85 ^c
Data system	10 ^d
Total	\$470

^a Amounts adjusted annually, on a proportional basis, to reflect actual revenues available.
^b School districts, county offices of education, and public charter schools would be eligible to receive funding. Funding to be distributed using a weighted per student formula.
^c School districts and public charter schools meeting certain criteria would be eligible to receive funding. Funding to be based on an equal per student amount that is capped at \$500.
^d The measure does not specify how or to whom funds would be distributed.

The measure allocates monies to school districts (and other local education agencies) in various ways. The bulk of funding (amounts for K-12 CSR, instructional materials, and school safety) would be allocated to school districts, public charter schools, and county offices of education using a new per student formula to be created by the Legislature. The formula likely would provide higher per student funding rates for higher-cost students. (Specifically, the formula is to account for cost differences resulting from students' disabilities, English language skills, or socioeconomic status.) Facility grants would be allocated to school districts and public charter schools using a flat funding rate (capped at \$500) for each student enrolled in certain schools performing above average. For the data system, the measure does not specify how or to

whom funding would be allocated. (Future legislation likely would be needed clarifying such issues.) School districts receiving any Proposition 88 funds would be required to conduct an annual independent audit showing how they spent these monies and post the audit reports online.

K-12 CSR. Currently, the state provides \$1.8 billion for the CSR program for Kindergarten through grade 3 (K-3). This program funds school districts for reducing the size of their K-3 classrooms to no more than 20 students. The additional \$175 million provided by this measure could be used to further reduce class size in grades K-3 or for any other CSR initiative. For example, the funds would be sufficient to reduce the average class size of fourth grade by about four students (reducing it from a statewide average of about 29 students to 25 students).

Instructional Materials. Currently, the state provides over \$400 million annually for instructional material purchases. This equates to about \$66 per K-12 student. This is sufficient to purchase one new core textbook for most students in most grades each school year. The additional \$100 million provided by this measure could be used for purchasing any textbooks or other instructional materials that were approved by the State Board of Education. Funds likely would be sufficient to provide about 25 percent of K-12 students with one additional core textbook each year.

School Safety. Currently, the state provides \$548 million (or about \$90 per student) for after school programs, \$97 million (or about \$40 per grade 8-12 student) for general school safety programs, and \$17 million (or about \$3 per student) for competitive school safety grants. The additional \$100 million (or about \$16 per student) provided by this measure could be used for school community policing and violence prevention, gang-risk intervention, and afterschool and intersession programs.

Facility-Related Grants. Currently, the state provides funds for school facilities primarily using general obligation bonds. In addition, it has provided \$9 million annually for the last several years to help public charter schools in low-income areas cover some of their facility lease costs. The \$85 million provided by this measure would be for school districts and charter schools that have not yet received any state general obligation bond monies for school facilities. In addition, charter schools are only eligible if they are governed by or operated by a nonprofit public benefit corporation. If those conditions are met, then school districts and charter schools would receive funding for each student enrolled in a school ranking in the top 50 percent based on the state's standardized test scores. They could use the grants for any general purpose. Districts and schools receiving such grants would be prohibited from receiving future state general obligation bond monies unless the bond expressly allowed them to receive such funding. We estimate that about 40 noncharter schools (serving less than 1 percent of all noncharter enrollment) would be eligible for grants. For charter schools, we estimate about 100 schools (serving about 25 percent of all charter enrollment) would be eligible for grants.

Data System. Currently, the state provides virtually no state funding expressly for the ongoing collection and maintenance of student-level and teacher-level data. The additional \$10 million provided by this measure would be for an integrated longitudinal data system. Such a system would allow the state to measure student and teacher performance over time. The measure requires school districts to collect and report the data needed to create and maintain the system.

Fiscal Effects

We estimate the statewide parcel tax would result in roughly \$450 million in new tax revenue each year. Given that the dollar amount of the tax would not increase, total parcel tax revenues would grow slowly over time as new parcels of land were created (such as by new subdivisions of property). Roughly \$30 million of the parcel tax revenue would be transferred annually to the state General Fund to offset a projected decline in state income tax revenues (due to increased property-related tax deductions). In addition, the measure sets aside no more than 0.2 percent (or approximately \$1 million annually) for county administration of the parcel tax. The remainder of new tax revenue would be allocated to schools for the specified education programs. These revenues likely would be somewhat less than that needed to meet the measure's designated funding levels. If so, the program allocations would be adjusted downward proportionally.

August 21, 2006

To: CSAC Board of Directors

From: James Keene, Executive Director

Re: **Proposition 90**

Proposition 90: Government Acquisition, Regulation of Private Property. Initiative Constitutional Amendment.

Recommendation: Oppose

Proposition 90, formerly known as the Anderson Initiative, would require the state and local governments to pay property owners for the loss of economic expectation caused by any government action – including citizen initiatives and implementations of federal law. It would prohibit the state and local governments from taking property unless that agency owned and occupied the taken land. It would change the definition of “just compensation” to require much higher payments for all government property acquisition, by eminent domain or otherwise. At the last meeting, the CSAC Board of Directors authorized staff to spend up to \$100,000 in opposition to this measure and to be an active partner in the campaign to defeat it.

The Executive Committee voted to recommend that CSAC take an "oppose" position on Prop. 90, as did the Government Finance and Operations Policy Committee and the Housing, Land Use and Transportation Policy Committee.

Enclosed:

- LAO Analysis of Prop. 90
- "What Proposition 90 Would Mean for California's Counties"
- "Proposition 90 – Specific County Impacts"
- Prop. 90 Fact Sheet (non-advocacy)
- No on 90 Coalition List

Proposition 90
Government Acquisition, Regulation of Private Property.
Initiative Constitutional Amendment.

SUMMARY

This measure amends the California Constitution to:

- Require government to pay property owners for substantial economic losses resulting from some new laws and rules.
- Limit government authority to take ownership of private property.

This measure applies to all types of private property, including homes, buildings, land, cars, and "intangible" property (such as ownership of a business or patent). The measure's requirements apply to all state and local governmental agencies.

PAYING PROPERTY OWNERS FOR ECONOMIC LOSSES

State and local governments pass laws and other rules to benefit the overall public health, safety, or welfare of the community, including its long-term economy. (In this analysis, we use the term "laws and rules" to cover a variety of government requirements, including statutes, ordinances, and regulations.)

In some cases, government requirements can reduce the value of private property. This can be the case, for example, with laws and rules that (1) limit development on a homeowner's property, (2) require industries to change their operations to reduce pollution, or (3) restrict apartment rents.

Proposal

This measure requires government to pay property owners if it passes certain new laws or rules that result in substantial economic losses to their property. Below, we discuss the types of laws and rules that would be exempt from the measure's requirements and those that might require government compensation.

What Laws and Rules *Would Not* Require Compensation?

All *existing* laws and rules would be exempt from the measure's compensation requirement. New laws and rules also would be exempt from this requirement if government enacted them: (1) to protect public health and safety, (2) under a declared state of emergency, or (3) as part of rate regulation by the California Public Utilities Commission.

What Laws and Rules *Could* Require Compensation?

While the terms of the measure are not clear, the measure provides three examples of the types of new laws and rules that could require compensation. These examples relate to land use and development and are summarized below.

- ***Downzoning Property.*** This term refers to decisions by government to reduce the amount of development permitted on a parcel. For example, a government action to allow construction of three homes on an acre where five homes previously had been permitted commonly is called "downzoning."
- ***Limitations on the Use of Private Air Space.*** This term generally refers to actions by government that limit the height of a building. For example, a government rule limiting how tall a building may be to preserve views or maintain historical character often is called a limitation of "air space."
- ***Eliminating Any Access to Private Property.*** This term could include actions such as closing the only public road leading to a parcel.

In addition to the examples cited above, the broad language of the measure suggests that its provisions could apply to a variety of future governmental requirements that impose economic losses on property owners. These laws and rules could include requirements relating, for example, to employment conditions, apartment prices, endangered species, historical preservation, and consumer financial protection.

Would Government Pay Property Owners for All Losses?

Under current law and court rulings, government usually is required to compensate property owners for losses resulting from laws or rules if government's action deprives the owners of virtually all beneficial use of the property.

This measure specifies that government must pay property owners if a new law or rule imposes "substantial economic losses" on the owners. While the measure does not define this term, dictionaries define "substantial" to be a level that is fairly large or considerable. Thus, the measure appears to require government to pay property owners for the costs of many more laws and rules than it does today, but would not require government to pay for smaller (or less than substantial) losses.

Effects on State and Local Governments

The measure's provisions regarding economic losses could have a major effect on future state and local government policymaking and costs. The amount and nature of these effects, however, is difficult to determine as it would depend on how the courts interpreted the measure's provisions and how the Legislature implemented it. Most notably:

- ***How Many Laws and Rules Would Be Exempt From the Requirement That Government Pay Property Owners for Losses?*** The measure does not require government to compensate property owners under certain circumstances

(such as actions to protect public health and safety). If these exemptions were interpreted broadly (rather than narrowly), fewer new laws and rules could require compensation.

- *How Big Is a Substantial Economic Loss?* If relatively small losses (say, less than a 10 percent reduction in fair market value) to a property owner required compensation, government could be required to pay many property owners for costs resulting from new laws and rules. On the other hand, if courts ruled that a loss must exceed 50 percent of fair market value to be a substantial economic loss, government would be required to pay fewer property owners.

Under the measure, state and local governments probably would modify their policymaking practices to try to avoid the costs of compensating property owners for losses. In some cases, government might decide not to create laws and rules because of these costs. In other cases, government might take alternative approaches to achieving its goals. For example, government could:

- Give property owners incentives to voluntarily carry out public objectives.
- Reduce the scope of government requirements so that any property owners' losses were not substantial.
- Link the new law or rule directly to a public health and safety (or other exempt) purpose.

There probably would be many cases, however, where government would incur additional costs as a result of the measure. These would include situations where government anticipated costs to compensate property owners at the time it passed a law—as well as cases when government did not expect to incur these costs. The total amount of these payments by government to property owners cannot be determined, but could be significant on a statewide basis.

LIMITING GOVERNMENT AUTHORITY TO TAKE PROPERTY

Eminent domain (also called "condemnation") is the power of local, state, and federal governments to take private property for a public use so long as government compensates the property owner. (In some cases, government has given the power of eminent domain to private entities, including telephone and energy companies and nonprofit hospitals. In this analysis, these private entities are included within the meaning of "government.")

Over the years, government has taken private property to build roads, schools, parks, and other public facilities. In addition to these uses of eminent domain, government also has taken property for public purposes that do not include construction of public facilities. For example, government has taken property to: help develop higher value businesses in an area, correct environmental problems, enhance

tax revenues, and address "public nuisances" (such as hazardous buildings, blight, and criminal activity).

Proposal

This measure makes significant changes to government authority to take property, including:

- Restricting the purposes for which government may take property.
- Increasing the amount that government must pay property owners.
- Requiring government to sell property back to its original owners under certain circumstances.

Below, we discuss the major changes proposed by the measure, beginning with the situations under which government could—and could not—take property.

Under What Circumstance Could Government Take Property?

Under the measure, government could take private property to build public roads, schools, parks, and other government-owned public facilities. Government also could take property and lease it to a private entity to provide a public service (such as the construction and operation of a toll road). If a public nuisance existed on a specific parcel of land, government could take that parcel to correct the public nuisance. Finally, government could take property as needed to respond to a declared state of emergency.

What Property Takings Would Be Prohibited?

Before taking property, the measure requires government to state a "public use" for the property. The measure narrows the definition of public use in a way that generally would prevent government from taking a property:

- *To Transfer it to Private Use.* The measure specifies that government must maintain ownership of the property and use it only for the public use it specified when it took the property.
- *To Address a Public Nuisance, Unless the Public Nuisance Existed on That Particular Property.* For example, government could not take *all* the parcels in a run-down area unless it showed that each and every parcel was blighted.
- *As Part of a Plan to Change the Type of Businesses in an Area or Increase Tax Revenues.* For example, government could not take property to promote development of a new retail or tourist destination area.

In any legal challenge regarding a property taking, government would be required to prove to a jury that the taking is for a public use as defined by this measure. In addition, courts could not hold property owners liable to pay government's attorney fees or other legal costs if the property owner loses a legal challenge.

How Much Would Government Have to Pay Property Owners?

Current law requires government to pay "just compensation" to the owner before taking property. Just compensation includes money to reimburse the owner for the property's "fair market value" (what the property and its improvements would sell for on an open market), plus any reduction in the value of remaining portions of the parcel that government did not take. State law also requires government to compensate property owners and renters for moving costs and some business costs and losses.

The measure appears to increase the amount of money government must pay when it takes property. Under the measure, for example, government would be required to pay more than a property's fair market value if a greater sum were necessary to place the property owner "in the same position monetarily" as if the property had never been taken. The measure also appears to make property owners eligible for reimbursement for a wider range of costs and expenses associated with the property taking than is currently the case.

When Would Government Sell Properties to Former Owners?

If government stopped using property for the purpose it stated at the time it took the property, the former owner of the property (or an heir) would have the right to buy back the property. The property would be assessed for property tax purposes as if the former owner had owned the property continuously.

Effects on State and Local Governments

Government buys many hundreds of millions of dollars of property from private owners annually. Relatively few properties are acquired using government's eminent domain power. Instead, government buys most of this property from *willing* sellers. (Property owners often are aware, however, that government could take the property by eminent domain if they did not negotiate a mutually agreeable sale.)

A substantial amount of the property that government acquires is used for roads, schools, or other purposes that meet the public use requirements of this measure—or is acquired to address specific public nuisances. In these cases, the measure would not reduce government's authority to take property. The measure, however, likely would increase somewhat the amount that government must pay property owners to take their property. In addition, the measure could result in willing sellers increasing their asking prices. (This is because sellers could demand the amount that they would have received if the property were taken by eminent domain.) The resulting increase in government's costs to acquire property cannot be determined, but could be significant.

The rest of the property government acquires is used for purposes that do not meet the requirements of this measure. In these cases, government could not use eminent domain and could acquire property only by negotiating with property owners on a voluntary basis. If property owners demanded selling prices that were more than the amount government previously would have paid, government's spending to acquire

property would increase. Alternatively, if property owners did not wish to sell their property and no other suitable property was available for government to purchase, government's spending to acquire property would decrease.

Overall, the net impact of the limits on government's authority to take property is unknown. We estimate, however, that it is likely to result in significant net costs on a statewide basis.

What Proposition 90 Would Mean for California's Counties

The "Protect Our Homes Act" is a citizen's initiative that was submitted by Anita S. Anderson; the act is sometimes referred to as the "Anderson" initiative. The campaign for the measure has collected and submitted about a million signatures and it will presumably qualify for the November 2006 ballot.

The effects of this measure on counties would be immediate, dramatic and far-reaching. While the initiative is a response to the U.S. Supreme Court's *Kelo* decision, it deals with issues far broader than eminent domain. As the California Attorney General notes in his official summary, the measure "limits government's authority to adopt certain land use, housing, consumer, environmental and workplace laws and regulations." Primarily, it would require compensation at a property's highest use for any government regulation that damages economic expectations. The measure would:

- Prohibit the use of eminent domain for private use, including redevelopment, though some legal opinions on the measure question if the language would actually achieve this purpose. [§19(a)(1)]
- Allow the condemning agency to transfer the property to a private party pursuant to an assignment, contract or other arrangement for the performance of a public use project. [§19(a)(2) and §19(b)(2)]
- Give the original property owners - or their designated heirs or beneficiaries - the right to reacquire the property at fair market value if it ever ceases to be used for the originally stated public use. These provisions apply only to property taken after the measure takes effect. The reacquired property would be taxed based on its appraisal at the time it was acquired by the condemning agency. [§19(a)(3)]
- Place the burden of proving public use on the government in all eminent domain actions. [§19(b)(2)]
- Make null and void unpublished judicial opinions and orders relating to eminent domain. Only appellate court decisions are published - and then only sometimes - and California eminent domain cases are heard in Superior Court, not appellate court. There has been much speculation about the effects of this provision, which might mean that a public agency would not be able to take possession unless the case is decided on appeal in a published opinion. [§19(b)(3)]
- Give the property owner the right to a determination by a superior court jury as to whether the taking is for a public use. [§19(b)(4)]
- Change property valuation so that future dedication requirements are not considered. More significantly, the measure provides that property be valued at the use to which the government intends to put it, as opposed the current value of the property, but only if it results in a higher value. [§19(b)(5)]
- Define "just compensation" as "that sum of money necessary to place the property owner in the same position monetarily...as if the property had never been taken." This would likely include lost income, business goodwill, legal fees and relocation costs, for example. [§19(b)(6)] "Fair market value" is defined as "the highest price the property would bring on the open market." [§19(b)(7)]
- Define "damage" to property as including any government action that results in "substantial economic loss to private property," except when taken to protect public health and safety. Down zoning, elimination of access, and limitations on the use of air space are listed as examples of damage. This would likely affect nearly all land use decisions as well as local or state measures relating to height restrictions, mobile home rent control, affordable housing covenants, minimum wage, consumer protection and environmental protection, to take just a few examples. As one Supreme Court opinion states, "government regulation - by definition - involves the adjustment of rights for the public good." [§19(b)(8)]
- Excuse property owners from any liability for the government's attorney fees or costs, regardless of the reasonableness of the owner's legal case. [§19(b)(9)]
- Not prohibit the use of eminent domain on specific parcels to abate specific conditions of "nuisances such as blight, obscenity, pornography, hazardous substances or environmental conditions." [§19(e)] The measure would also not restrict administrative powers under a declared state of emergency. [§19(d)]

Proposition 90 – Specific County Impacts

CSAC partnered with CCPDA and CEAC to ask county planners and public works directors what recent and upcoming projects would be significantly affected by the passage of Prop. 90. The examples below are distilled from the responses to that survey.

These are only some examples, as one respondent noted, "I'm certain there are plenty of other examples in our zoning ordinance that would be subject to the same sort of analysis. As far back as the seminal US Supreme Court decision in *Euclid v. Ambler* (272 US 365 (1926)) it has been recognized that zoning regulations which restrict the use of private property in the interest of maintaining or improving the common property, economic and social value of the general public is a valid exercise of the police power. Thus, just about any new zoning regulation a local jurisdiction adopted after Prop. 90 passed would be subject to a takings claim, and would have to either be rescinded or compensated."

Alpine County

Sign Regulations - Adopted in 2002, regulates outdoor advertising.

We are in the "path" of development pressure spilling over from the Tahoe region and booming Carson Valley area of Nevada. Many of our basic land use regulations are outdated and not up to the task of addressing significant development pressures. Prop 90 would be a disaster for a small county like Alpine with very limited financial resources.

Colusa County

The proposed Prop. 90, if passed, may have severe impacts, constraints, effects on the nearly 30 counties currently attempting to update their General Plans. How do the Counties, their citizen advisory groups, staff, consultants put together comprehensive goals, policies, and implementation programs within Elements that state law require be consistent internally and with one another??

Contra Costa County

Small Lot Occupancy (Design Review) - Requires discretionary design review of residential building permits on lots not meeting required area or average width standards in districts allowing residential dwellings by right, if requested within 10 days of a notice sent to properties within 300 feet of the site. The hearing body must find that the proposed construction is compatible with the neighborhood with respect to the building location, size, height and design. It could be argued that the cost of compliance, and the eventuality that designs may be denied, could negatively affect the subject lot's property value, while preserving the value of surrounding properties.

Sale of Firearms - Prohibits sales of firearms in residential zoning districts and requires dealers in districts where firearms sales are allowed to annually renew a dealer's permit. It could be argued that such regulation reduces the value of commercial property by restricting the nature of commercial activities allowed.

Kensington (Design Review) Combining District - A design review combining district, or

"overlay" requirement that applies in the community of Kensington, replacing and superseding the aforementioned "Small Lot Review" ordinance. Requires discretionary design review of residential single family building permits to ensure compatibility with the neighborhood by expanding the findings required to include impacts on views and solar access. Kensington is a unique community topographically and geographically, with commanding views of San Francisco Bay and the Marin headlands, including the Golden Gate and Bay Bridges. It could be argued that the costs of design review and the possibility of denial reduces property values for the subject property while ensuring them for others.

Right-to-Farm - Requires deed disclosure to buyers of properties proximate to agricultural operations of the right of the operation to continue to exist in operation without being declared a nuisance due to growth of residential or other urban uses in the vicinity, under specified circumstances. It could be argued that this requirement reduces the sales price obtainable in the marketplace due to highlighting the nearby agricultural operation and attendant potential for spraying of herbicides, pesticides, and other farm related practices including dust generation due to discing, etc.

Park Dedications - Local Ordinance adopted pursuant to the Quimby Act which requires dedication of land for park purposes for certain subdivisions, or payment of a fee in lieu of dedication of land. An argument could be made that these types of exactions not only devalue the remaining property due to severance, but amount to a taking of private property for a public purpose requiring just compensation under Prop 90.

Administrative Penalty System (for Violations of Ordinance Code) - Allows for the hearing officer to assess fines for violations of code provisions. These could be argued to be collateral damages in a Prop 90 challenge.

Inclusionary Housing Ordinance (not yet adopted, but pending) - Requires a percentage of residential units in development projects of a certain size to be affordable to low and moderate income households. Includes recapture provisions which keep the owner from enjoying all of the market rise in the value of the property for a set period of time, so that the affordability of the unit is maintained and a windfall is not created for the initial buyer, in "for sale" housing units. It could be argued that Inclusionary ordinances generally constitute a taking of private property for a public purpose requiring compensation under Prop 90.

Mobile Home Rent Control Ordinance - Regulates the increases in rental prices of spaces in mobile Home Parks. It could be argued that any rent control ordinance diminishes the value of the property by artificially lowering the rental stream upon which the basis for assessment of the value is established, requiring compensation under Prop 90.

Riverside County

The County of Riverside currently has eminent domain cases that have been filed in Superior Court with others pending. These properties are necessary for flood control facilities, road improvements, re-development, off-site improvements for developments, parks, Sheriff's facilities, and habitat property. If these cases do not have a final judgment through the Court by the time this Initiative passes, then all would have to be reappraised and most, if not all, would result in a higher acquisition costs. At a minimum, \$200,000 would have to be spent for updated appraisals, but the cost could be millions for the actual property depending on what

the new appraisal revealed.

San Benito County

The Growth Management Ordinance, which limits the number of new lots created in the County in order to maintain responsible & orderly growth.

Cultural Resource protection measures, including County Ordinance 610, which require investigations when projects are located within archaeologically sensitive areas, as well as the provisions in place when remains or other sensitive material is found.

Minimum parking requirements for all projects, ensuring traffic safety and adequate parking availability for County Residents.

Bridge replacement projects and other road improvements to increase traffic safety.

San Diego

Sometimes the County will condemn a public road in connection with a private developer's inability to acquire the public road easement from another property owner. That condition arises out of the conditions placed on a developer by the county's entitlement process.

The requirement that the property acquired can only be used for public use which is very strictly defined. That limits the ability of the county to sell or trade remainders of property from acquisitions. So in cases where a total property is acquired for a road project, for example, and say that only 70 per cent of it is actually needed for the road, then this initiative would not allow the county to trade or sell the remainder of this property to an adjoining owner unless the new owner uses the property for a public use. These remainders, then, could end up being perpetually owned and managed by the county.

Sonoma County

Flooding: An ordinance is being proposed as part of the General Plan Update that would impose a "no net fill" requirement within FEMA designated floodplains. This regulation would help avoid increased flooding and reduce costs of restoration after floods...but it also increases the cost of construction new structures to comply with the requirements.

Ag Preserve Regulations. The Department of Conservation has completed an audit of the County's Williamson Act program and is requesting that the County amend its regulations for allowed uses on WA contract lands. These amendments would limit or disallow some uses that are currently allowed.

The County is implementing new regulations mandated by SB 18, the recent state legislation that requires local jurisdictions to notify applicable tribes whenever a project involves a General Plan amendment. This legislation is likely to result in property owners being required to address tribal resource issues when a project affects sacred sites, potentially limiting or raising the cost of the project

Second Unit Exclusion: The County uses a "Second Unit Exclusion" overlay zone to reduce

growth inducing impacts in areas where Public services are extended to rural areas in order to cure long standing water quality problems. An example is the extension of sewer service to Canon Manor, a 50's era subdivision with failing septic systems. Second Units were restricted to make sure that the potential impacts on groundwater were minimized.

Agricultural Processing: The growing Sonoma County wine industry is also experiencing a growth in the number and size of wineries. While this growth is generally viewed as positive for protecting the County's agricultural base, the impacts of larger and more prolific processing facilities in rural areas are increasing as well, leading the County to consider various ways that the processing can be encouraged while the impacts are minimized.

Tulare County

RMA Engineering: Over the course of the next ten (10) years the County will be acquiring right of way for four (4) major State Transportation Improvement Program (STIP) projects. The right of way will be acquired and owned in perpetuity by County so there should not be a public-private conflict. However, the method by which you calculate fair market value might raise the cost for right of way significantly.

Ventura County

In Ventura County and its cities we have over the past decade passed a number of voter initiatives known as SOAR initiatives. "SOAR" is an acronym for "Save our Open Space and Agricultural Resources." In the County unincorporated area, the measure essentially locks in the general plan land use designations. In our cities, the measures essentially establish urban limit lines. These are extremely popular and have become the framework for most land use decisions in the county. I believe Prop 90 would be used to challenge these measures.

Proposition 90

Official ballot title: *Government Acquisition, Regulation of Private Property.
Initiative Constitutional Amendment.*

Prop. 90 Facts at a Glance

- **Scope:** Applies to all public agencies and private entities such as utilities, all state and local government property acquisitions, and any state or local agency law, regulation, resolution or other action. Includes new federal laws that must be implemented at the state or local level. Even statutory initiatives passed by voters subject to measure's provisions.
- **Compensation by Taxpayers for New Regulations:** Requires taxpayers to compensate property owners for substantial impacts of traditional state and local government regulations on use of private property. Attorney General says, as a result, measure will "limit certain land use, housing, consumer, environmental and workplace laws and regulations."
- **Higher Costs for Public Works Projects:** Measure redefines "just compensation" to require higher payments for property acquisitions for public works projects. Would likely impact costs for a wide variety of public projects and infrastructure projects including schools, roads and highways, dams, levees, and affordable housing.
- **Significant Fiscal Impact:** State's Legislative Analyst's assessment of Prop. 90's fiscal impacts:
 - Unknown, but potentially significant future costs for state and local governments to pay damages and/or modify regulatory or other policies to conform to the measure's provisions
 - Unknown, but potentially significant changes in governmental costs to acquire property for public purposes.
- **Can't Be Amended By Legislature:** If approved, it could only be changed by another initiative.

Prop. 90 Main Provisions

- **Redefines "damage" to require payment (at new and increased levels) for any government action or action by voters that results in "substantial economic loss" to property.** These changes to laws governing compensation for regulatory action would impact state & local governments' ability to enact and enforce a wide range of laws affecting property, including environmental, land use, consumer protection and housing laws and regulations, or require new payments to property owners for such actions. For example:
 - If voters act by initiative to limit the size of a new development to 100 houses, and the developer claims the property could hold 200 houses, this initiative could allow the developer to make a claim for a payment from the local government for the value for the 100 houses he wasn't allowed to build. Similar compensation claims could be filed with state and local governments for a wide range of government environmental, consumer protection, housing and land use regulations.
- **Redefines "just compensation."** Under the new definition, property taken for a proprietary government purpose would be valued not at the current standard of "fair market value," but at the increased value of the property as the government intends to use it.
 - For example, if a county acquires property for an airport, the owner could seek compensation for the value of the property as if an airport were on it - even if the owner was not legally allowed to construct and operate an airport under the applicable zoning.
 - **Prohibits use of eminent domain unless the property acquired is owned and occupied by a governmental agency. Prohibitions on public/private partnerships would include those with non-profit organizations, such as non-profit homebuilders.**

Paid for by No on 90, Californians Against the Taxpayer Trap, a committee of taxpayers, educators, business, environmentalists, local government and public safety, the League of California Cities (Non-Public Funds), and Californians for Neighborhood Protection, a sponsored committee of the California League of Conservation Voters



It's a taxpayer TRAP

We Oppose Proposition 90 The Taxpayer Trap

(Coalition List as of 8.21.06)

Public Safety Groups

California Police Chiefs Association
California Fire Chiefs Association
California State Sheriffs' Association
Windsor Fire Protection District

Business/Economic Interest Groups

California Small Business Association
Small Business Action Committee
California Business Properties
Association
California Association of Realtors
California Association for Local
Economic Development
Hollywood Chamber of Commerce
Ontario Chamber of Commerce
Downtown San Diego Partnership
Inland Empire Economic Partnership
Los Angeles Business Council

Taxpayer Groups

California Tax Reform Association
Ventura County Taxpayers
Association

Education Groups

California School Boards Association
Association of California School
Administrators
Coalition for Adequate School Housing
(C.A.S.H.)
Small School Districts' Association

Financial Services

California Public Securities
Association

Homeowner/Housing Groups

League of California Homeowners
Housing California
California Housing Consortium
California Housing Partnership
Corporation
California Coalition for Rural Housing
Coalition for Economic Survival
Golden State Manufactured-Home
Owners League
Golden State Manufactured-Home
Owners League, Chapter 955
Golden State Manufactured-Home
Owners League, Chapter 1420
Orange County Community Housing
Corporation
Coalition of Mobilehome Owners –
California
Home Owners Acting Together
Resident Owned Parks, Inc.
San Diego Housing Federation
San Francisco Tenants Union
Oakland Tenants Union
Santa Monicans for Renters' Rights

Labor Groups

California Labor Federation, AFL-CIO
California State Council of Laborers
California Apollo Alliance

Consumer/Public Interest Groups

League of Women Voters of
California
Western Center on Law & Poverty
Consumers First
Public Advocates, Inc.

(More)

Paid for by No on 90, Californians Against the Taxpayer Trap, a committee of taxpayers, educators, business, environmentalists, local government and public safety, the League of California Cities (Non-Public Funds), and Californians for Neighborhood Protection, a sponsored committee of the California League of Conservation Voters

www.NoProp90.com

Consumer/Public Interest (cont.)

Center on Policy Initiatives

Agriculture Groups

American Farmland Trust

Ethnic Groups

National Coalition of Hispanic
Organizations

Los Angeles Metropolitan Hispanic
Chamber of Commerce

Senior Groups

Gray Panthers California

Community Groups

Santa Monica Coalition for a Livable
City

San Francisco Human Services
Network

Transportation Groups

Transportation and Land Use Coalition

Government Groups

League of California Cities

California State Association of
Counties

California Redevelopment Association

California Special Districts Association

American Planning Association,
California Chapter

California Contract Cities Association

California Association of Sanitation
Agencies

Vandenberg Village Community
Service District

Environmental Groups

The Nature Conservancy

California League of Conservation
Voters

Audubon California

The Ocean Conservancy

National Wildlife Federation

Natural Resources Defense Council

Sierra Club California

Center for Environmental Health

California State Parks Foundation

Defenders of Wildlife

Environmental Defense

Coastal Law Enforcement Action
Network - CLEAN

California Oak Foundation

Planning and Conservation League

Greenbelt Alliance

Endangered Habitats League

California Council of Land Trusts

Steven and Michele Kirsch
Foundation

Sierra-Cascade Land Trust Council

Bay Area Alliance for Sustainable
Communities

Orange County League of
Conservation Voters

League of Conservation Voters of
San Diego

Committee for Green Foothills

Bay Area Open Space Council

Water Groups

Association of California Water
Agencies

Los Angeles & San Gabriel Rivers
Watershed Council

Orange County Water District

Calendar of Events

2006

August

31 Special CSAC Board of Directors Meeting, Sacramento

September

13 - 15 CSAC Finance Corporation Fall Meeting, San Diego County

28 - 29 CSAC Executive Committee Meeting, Monterey County

October

18 - 20 CAOAC Annual Meeting, Santa Rosa

November

28 - Dec. 1 CSAC 112th Annual Meeting,
Orange County

30 CSAC Board of Directors Meeting,
Anaheim, Orange County

March 2007

28 - 29 CSAC Legislative Conference, Sacramento

November 2007

13 - 16 CSAC Annual Meeting, Oakland, Alameda