



Agenda Item #: _____

Staff Report

City of Manhattan Beach

TO: Honorable Mayor Cohen and Members of the City Council

THROUGH: Geoff Dolan, City Manager

FROM: Lindy Coe-Juell, Assistant to the City Manager

DATE: April 7, 2009

SUBJECT: Consideration of the State Budget and Legislative Update

RECOMMENDATION:

Staff recommends that the City Council receive and file the April 2009 Budget and Legislative Update from Tony Rice, the City's legislative advocate.

FISCAL IMPLICATION:

There are no fiscal implications associated with staff's recommendation.

BACKGROUND:

The City contracts with Tony Rice of Rice, Englander and Associates, for legislative advocacy and representation. One of the deliverables of the contract is to provide regular updates on the state budget and legislative activity.

DISCUSSION:

The April 2009 Budget and Legislative Update from Tony Rice is attached. In his report, Tony mentions a 66 page booklet that has been published and continually updated by the League of California Cities related to the federal stimulus package. For those interested, this booklet along with other related information can be found online at

<http://www.cacities.org/index.jsp?displaytype=11&story=27580>.

April 7, 2009

To: City of Manhattan Beach

Fm: Rice/Englander & Associates

RE: SACRAMENTO UPDATE

State Budget

As you know, Sacramento passed a controversial and difficult budget about two months ago to address an unprecedented \$42 billion shortfall. After a marathon legislative session the Legislature eventually passed a budget package that had much to admonish, but was proclaimed to be necessary to finally get the state back on the right path. Not six weeks after the package was signed into law, the non-partisan Legislative Analyst's Office published a report that shows California already faces a minimum \$8 billion shortfall for the next fiscal year, and uncertainty as to whether that figure will continue to grow between now and the May Revision, the document that the state normally utilizes as a final tally of budgetary figures to devise a budget. We inquired with the LAO as well as the Department of Finance how, less than six weeks after a budget was signed, California could be facing another multi-billion dollar deficit. The answer we received from both offices was that the budget that was signed was predicated on budgetary estimates from November and December of 2008, and that given the worsening economy since that time, the budget was "on the natural" going to be short, just no one knew exactly how short at the time of the budget's passage.

Potentially complicating the budget outlook is the scheduled May 19, 2009, special election that will ask voters to determine the fate of several proposals. On the ballot are a couple of initiatives that seek authorization for more than \$5 billion in additional fiscal solutions. The state has already scored those figures into its long-range planning (the budget passed in February was a 16-month budget) so should those solutions not pass, the state will have another \$5-6 billion shortfall beginning May 20, 2009. The legislative leaders have said they will not seek to address the current \$8 billion dilemma until after the fate of the May proposals are known. The Republicans have been absolutely adamant that they will not vote for any new tax increases in the state, therefore, the only way to balance whatever shortfall will be through additional cuts and borrowing. We, again, need to be vigilant in protecting Proposition 1A and Proposition 42 funding from being considered by the state as we move forward this year with the budget deliberations.

Federal Stimulus

One of the few bright spots for California in the past couple of years regarding revenue is the recent passage of the federal stimulus package. That package, more than \$787 billion for a whole host of programs, is being considered as not only a fiscal lifeline to the state, but also necessary to jumpstart jobs and the economy. All totaled, it is estimated the state will receive between \$70-80 billion from the package. A lot of that revenue is mandated by the federal government for certain expenditure programs, with the state acting as a pass through entity, while other revenues from the package can be spent by the state and local governments directly. Councilmember Montgomery contacted us directly to ascertain what the package means for local governments in California and how much might be available. The overall total for local government continues to be a moving target as fiscal experts determine 1) exactly how much for each program area can be expended given the actual language of the federal bill, and 2) how the regulations to implement the proposals will be drafted (the proposal was shepherded so quickly through Congress that many of the programs are entirely new, or establish a different set of funding criteria that experts are drafting the regulations as we write this memorandum).

The League of California Cities has taken the lead in the dissemination of information on this topic, publishing a booklet on the types of answers Councilmember Montgomery and others are interested in. We have provided this booklet to City Staff for review and consideration, but cannot attach it to this memorandum as the booklet is currently 66 pages long. We say currently, because the information contained in the booklet is updated about once a week to incorporate new information as it becomes known.

Legislation

The Legislature has introduced more than 3,700 bills this year. We have just about finished our review and analysis of all the proposals and will be sending bills of interest to the City for review and comment in the coming weeks.

As always, please feel free to contact us with any questions you may have.