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BOB ALDRICH
Acting Executive Officer

July 14, 2004

TO: Local Agency Formation Commission

FROM: Acting Executive Officer
Senior Project Manager

SUBJECT: Legislative Report

Another Year, Another Budget Impasse

The months, weeks, and days leading up to the state's June 30th budget deadline had been filled with the promise and hope of a timely budget deal by the Legislature and Governor Schwarzenegger in his rookie year at the Capitol. 2003-04 had been highlighted with positive new bi-partisan talks, and the Governor's deal with local governments over the protection of future local dollars seemed promising. June 30th, however, came and went.

Given Sacramento's track record, it is not entirely shocking news that a budget impasse had been reached, normally due to the usual suspects (e.g., education, health care, social services). It is somewhat surprising, however, that it was the same gubernatorial deal with local government officials that is now creating waves between the Governor and party leaders. Sharp criticism has been voiced in the Legislature not only about tying the state's hands in future years, but also about constitutionally locking in an already broken local tax structure and system. The Governor is listening and is considering compromises, much to the dismay of cities and counties. Proposition 65, the "Local Taxpayers and Public Safety Protection Act," jointly sponsored by the League, CSAC, and CSDA, is headed for the November 2nd ballot regardless of the final budget package. Local elected officials, nonetheless, have spent a handful of days at the Capitol in the first week of July meeting with the Governor and party leaders.

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2004 LAFCO Bills
Staff is continuing to work closely with CALAFCO on 2004 legislation affecting LAFCOs, including several measures the two organizations have taken similar positions on. The table below provides a brief outline of the various bills of interest to LAFCO this year and legislative positions adopted by the Commission. Bills considered "dead" or irrelevant to LAFCO this session have been omitted.

	Position	Bill Number	Author	Topic / Summary
1	**Watch**	AB 1936	Berg	City-county consolidations
2	**Support**	AB 2067	Harman	Consolidations of "dissimilar" agencies
3	**Oppose**	AB 2306	Richman	LAFCO authority to impose terms and conditions
4	**Oppose**	AB 2634	Canciamilla	LAFCO and urban limit lines
5	**Support**	AB 3077	Asm Local Govt Comm	Omnibus bill for technical clarifications in the LAFCO law
6	**Support**	SB 1266	Torlakson	Size limit of island annexations

The following is a report on 2003-04 bills of interest to LAFCO, including a summary, analysis, and status report of each bill. There are no new recommended legislative positions this month.

STAFF RECOMMENDATIONS
Staff recommends that the Commission:

1. Receive and file the July 14, 2004 Legislative Report.

Respectfully submitted,

BOB ALDRICH KENNETH G. LEE

Bill text is available for viewing and downloading in HTML and PDF formats on the Legislative Counsel's website at http://www.leginfo.ca.gov, or upon request to staff. A copy of the 2003-04 tentative legislative calendar is also attached.

CALAFCO Legislation

CALAFCO is working with Assemblyman Harman's office this year on proposed LAFCO legislation, **AB 2067**, that seeks to provide maximum flexibility to both LAFCOs and special districts to effectuate changes of (re)organization that ultimately benefit California's ratepayers. CALAFCO is engaged in cooperative and collaborative discussions with the Association of California Water Agencies ("ACWA") on AB 2067 and the possibility of paving new avenues for the consolidation of dissimilar agencies.

- **AB 2067 (Harman)**
  Sponsored by CALAFCO, **AB 2067 (Harman)** would broaden the definition of "consolidation" by eliminating the restriction that consolidations may only occur between special districts formed under the same principal act. Under AB 2067, LAFCO could approve the consolidation of two or more "dissimilar" special districts and designate the principal act under which the newly formed and consolidated special district would function and operate. The bill would also allow LAFCO to designate other successor agencies for any powers of the predecessor districts that the newly formed district cannot pick up and exercise under its principal act. If there is any power that will not be picked up by a successor agency, LAFCO must conclude and determine that there will not be a significant negative impact to public health or safety. The bill was recently amended in the Senate Local Government Committee and now includes a three and a half year sunset clause which provides that the affected statutes will revert to its pre-AB 2067 status on July 1, 2008

  AB 2067 paves new ground for LAFCOs and special districts to more effectively explore methods, opportunities, and alternatives for the reorganization of agency boundaries that promote the efficient and cost-effective delivery of public services while reducing redundancy and the overlapping of service territories. CALAFCO is continuing to work closely with ACWA on AB 2067 as the bills moves through the Senate.

  - **Status:** Passed Senate Local Government Committee on June 23rd. (AYES 5. NOES 1.) On Senate Floor – Third Reading File.
  - **Position:** Support

LAFCO Policies and Terms & Conditions

- **AB 2306 (Richman)**
  As introduced in February, **AB 2306 (Richman)**, was a placeholder bill with no substantive content. The bill was amended in April, however, to contain very

substantive language that would prohibit LAFCOs from imposing terms and conditions on annexations that would require the initiation of an island annexation under the streamlined provisions of the law if the island is a separate, noncontiguous area from the original application. The bill is sponsored by the City of Simi Valley in Ventura County and is the product of local debates between the City and Ventura LAFCO about a local LAFCO policy that requires cities to file for annexation of all islands within their boundaries prior to LAFCO approval of any territory outside of the cities. The policy is similar to other local policies LAFCOs have adopted in the state addressing infill opportunities. AB 2306 would establish statutory provisions that supersede such local policies.

The ability and flexibility to apply terms and conditions to applications is critical to the effectiveness of LAFCO in fulfilling its legislative charge and mission to promote logical and efficient boundaries, including the annexation of unincorporated islands. The impetus for AB 2306 is a local issue that should be addressed at the local level without a state legislative fix. The Commission opposes AB 2306.

- **Status:** Passed Senate Local Government Committee on June 16th. (AYES 6. NOES 1.) On Senate Floor – Third Reading File.
- **Position:** Opposed

Small Island Annexations

- **SB 1266 (Torlakson)**
  As introduced, **SB 1266 (Torlakson)**, would have made a series of amendments to the existing island provisions of the Cortese-Knox-Hertzberg (CKH) Act to lessen the thresholds that trigger mandatory approvals by LAFCO of island annexations. The bill was sparked by local controversies in Contra Costa County and was opposed by CALAFCO. Following heavy debate over the bill in committee, SB 1266 was entirely gutted with the sole exception of a single provision that increases the size limitation of island annexations under the streamlined provisions of the CKH Act from 75 to 150 acres. With these recent changes to the bill, the Commission gave its "support" to the bill. Staff's review of the inventory of unincorporated islands in Orange County showed that the increase in the acreage limitation would allow for the annexation of eight additional islands in the County under the streamlined provisions of the Act.

  SB 1266 was signed and chaptered into law on July 6, 2004 and will become effective on January 1, 2005.

- **Status:** Signed and chaptered – Chapter 96, Statutes of 2004
- **Position:** Support

LAFCO & Municipal Planning Tools

During the past several years, a number of bills have been introduced in the Legislature seeking to clarify the roles of LAFCO – annexations and spheres of influence – and other municipal planning tools. In particular, a growing number of bills have surfaced attempting to address the relationship between LAFCO's authority to approve city annexations and set spheres of influence and ballot box planning measures approved by voters, including what are commonly known as *urban growth boundaries* and *urban limit lines*. These bills will be of particular interest to LAFCOs because of their proposed restrictions on LAFCO's ability to annex territory to a city or include territory in a city's sphere that is outside of a voter-approved urban growth boundary or urban limit line.

- **AB 2634 (Canciamilla)**

  As introduced, **AB 2634 (Canciamilla)** would have required that ***any*** determination made by a LAFCO and ***every*** approval of a boundary change must be consistent with any existing urban limit lines approved by voters. The bill would have undermined LAFCO's role, authority, and legislative charge to direct urban growth and development patterns through boundary changes, spheres of influence, and other tools (e.g., out-of-area service agreements, municipal service reviews, etc.) in a manner that promotes planned, logical boundaries. The Commission adopted an "opposed" position for AB 2634.

  AB 2634 was amended later in the session as special legislation only affecting Contra Costa County. The bill, however, remained in direct conflict with the Commission's legislative policies and would have diminished the role given to LAFCO by the Legislature to review and oversee the planned, logical extension of local government boundaries and services. The Commission remain opposed, and with the opposition of other organizations and legislative leaders, the bill was held and died in Committee.

  - **Status:** Held and died in Senate Local Government Committee on June 16th.
  - **Position:** Opposed

City-County Consolidations

- **AB 1936 (Berg)**
  Recent issues and controversies that have surfaced in the upper part of the state have prompted the introduction of special legislation that would establish new procedures for the consolidation of the County of Del Norte and its only city, Crescent City, into a single "City-County of Crescent Del-Norte" like the City-County of San Francisco. The bill is an indicator of new measures local governments are willing to explore to protect the welfare of their constituents from the fallout of the state's fiscal crisis.

  - **Status:** In Senate Appropriations Committee.
  - **Position:** Watch

Clarifying Changes to LAFCO Law

- **AB 3077 (Assembly Local Government Committee)**
  Over the years, CALAFCO has improved its visibility in Sacramento and its relations with legislative delegates and staff. One product of those improved relations is **AB 3077**. Since the passage of "the Hertzberg bill," AB 2838 (Chapter 761, Statutes of 2000), CALAFCO has worked closely with the various local government associations in Sacramento and legislative staff to "clean up" various areas of the CKH Act. Beginning this year, CALAFCO and the Assembly Local Government Committee will be working together on an ongoing basis to craft an omnibus bill specific to the CKH Act. AB 3077 proposes a series of technical, non-controversial, clarifying changes to the CKH Act.

  - **Status:** Passed Senate Local Government Committee on June 16th. (AYES 7. NOES 0.) On Senate Floor – Third Reading File.
  - **Position:** Support

TENTATIVE LEGISLATIVE CALENDAR 2003–04 REGULAR SESSION

2004

Jan. 1	Statutes take effect (Art. IV, Sec. 8(c))
Jan. 5	Legislature reconvenes (J.R. 51(a)(4)).
Jan. 10	Budget must be submitted by Governor (Art. IV, Sec. 12(a)).
Jan. 16	Last day for policy committees to hear and report to Fiscal Committees fiscal bills introduced in their house 2003 (J.R.61(b)(1)).
Jan. 23	Last day to submit bill requests to the Office of Legislative Counsel.
Jan. 23	Last day for any committee to hear and report to the Floor bills introduced in their house in 2003 (J.R. 61 (b)(2)).
Jan. 31	Last day for each house to pass bills introduced in 2003 in their house (J.R. 61 (b)(3)) and (Art. IV, Sec. 10(c)).
Feb. 20	Last day for bills to be introduced (J.R. 54(a)).
Apr. 1	Spring Recess begins at end of this day's session (J.R.51 (b)(1)).
Apr. 12	Legislature reconvenes (J.R. 51(b)(1)).
Apr. 23	Last day for policy committees to hear and report to Fiscal Committees fiscal bills introduced in their house (J.R. 61(b)(5)).
May 7	Last day for policy committees to hear and report non–fiscal bills introduced in their house to floor (J.R. 61(b)(6)).
May 14	Last day for policy committees to meet prior to June 1 (J.R. 61(b)(7)).
May 21	Last day for Fiscal Committees to hear and report to the Floor bills introduced in their house (J.R. 61(b)(8)).
May 21	Last day for Fiscal Committees to meet prior to June 1 (J.R.61(b)(9)).
May 28	Last day for bills to be passed out of the house of origin (J.R. 61(b)(10)).
June 1	Committee meetings may resume (J.R. 61(b)(11)).
June 15	Budget must be passed by midnight (Art. IV, Sec. 12(c)).
June 25	Last day for a legislative measure to qualify for the general election (Nov. 2) ballot (Elec. Code Sec. 9040).
June 25	Last day for policy committees to meet and report bills (J.R. 61(b)(12)).
July 2	Summer Recess begins at the end of this day's session if Budget Bill has been enacted (J.R. 51(b)(2)).

Aug. 2	Legislature reconvenes (J.R. 51(b)(2)).
Aug. 13	Last day for Fiscal Committees to meet and report bills to Floor (J.R. 61(b)(13)).
Aug. 16	Through Aug. 31 – Floor session only. No committees, other than the committee on rules or conference committees, may meet for any purpose (J.R. 61(b)(14)).
Aug. 20	Last day to amend bills on the Floor (J.R. 61 (b)(15)).
Aug. 31	Last day for each house to pass bills (Art. IV, Sec 10(c)) and (J.R. 61(b)(15)).
Aug. 31	Final Recess begins at end of this day's session (J.R. 51(b)(3)).
Sept. 30	Last day for Governor to sign or veto bills passed by the Legislature before Sept. 1 and in his possession on or after Sept. 1 (Art. IV, Sec. l0(b)(2)).
Oct. 2	Bills enacted on or before this date take effect on Jan. 1, 2005 (Art. IV, Sec. 8(c)).
Nov. 30	Adjournment Sine Die midnight (Art. IV, Sec. 3(a)).
Dec. 6	12M Convening of the 2005-06 Regular Session (Art. IV, Sec. 3 (a)).

2005

Jan. 1	Statutes take effect (Art. IV, Sec. 8(c)).