

Date of Hearing: June 14, 2017

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Cecilia Aguiar-Curry, Chair

SB 206 (Committee on Governance and Finance) – As Introduced February 1, 2017

SENATE VOTE: 38-0

SUBJECT: Validations.

SUMMARY: Validates the organization, boundaries, acts, proceedings, and bonds of the state government, counties, cities, special districts and school districts, among other public bodies.

EXISTING LAW allows agencies to make changes to the organization, boundaries, acts, proceedings, and bonds of the state, cities, counties, special districts, school districts, and other local agencies.

FISCAL EFFECT: None

COMMENTS:

- 1) **Bill Summary and Background on Validating Acts.** The annual Validating Acts protect investors from the chance that a minor error might undermine the legal integrity of a public agency's bond. Banks, pension funds, and other investors will not buy public agencies' securities, unless they are sound investments. Investors rely on legal opinions from bond counsels to assure the bonds' credit worthiness. Without legislative action to cure technical errors, bond counsels are reluctant to certify bonds as good credit risks. SB 206 gives legislative protection to public agencies and private investors.

The three Validating Acts cure typographical, grammatical, and procedural errors. They do not forgive fraud, corruption, or unconstitutional acts. A local official who makes a technical error will find reassurance in the Validating Acts, while a corrupt official faces prosecution regardless of the Acts.

By insulating state and local bonds against harmless errors, the Validating Acts save taxpayers' money. Strong legal opinions from bond counsels result in higher credit ratings for state and local bonds. Higher credit ratings allow state and local officials to pay lower interest rates to private investors. Lower borrowing costs save money for taxpayers.

Starting in the mid-1920s, the Legislature passed separate validating acts for different types of bonds, several classes of special districts, and various local boundary changes. By the late 1930s, the practice was to pass annual validating acts (AB 2842, Bennett, 1939). The current custom and practice is to pass three Validating Acts that retroactively cure public officials' mistakes. The first two measures are urgency bills that go into effect when they are chaptered. The **First Validating Act** (SB 206) will probably reach Governor Brown's desk in early summer, validating errors made before the date on which the bill is chaptered. The **Second Validating Act** (SB 207) will reach Governor Brown in August, validating mistakes made after SB 206. The **Third Validating Act** (SB 208) will take effect on January 1, 2018, covering the period between the chaptering of SB 207 and the end of 2017.

- 2) **Urgency Clause.** This bill contains an urgency clause and requires a two-thirds vote of each house.

REGISTERED SUPPORT / OPPOSITION:

Support

California Association of Local Agency Formation Commissions (CALAFCO)
California Special Districts Association
California State Association of Counties
East Bay Municipal Utility District
Orange County LAFCO
Rural County Representatives of California
State Controller Betty Yee

Opposition

None on file

Analysis Prepared by: Debbie Michel / L. GOV. / (916) 319-3958