

Date of Hearing: June 27, 2018

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Cecilia Aguiar-Curry, Chair

SB 1498 (Committee on Governance and Finance) – As Amended June 19, 2018

SENATE VOTE: 38-0

SUBJECT: Local Government Omnibus Act of 2018.

SUMMARY: Enacts the Local Government Omnibus Act of 2018, which proposes a number of non-controversial changes to existing laws governing the powers and duties of local agencies.

FISCAL EFFECT: According to the Senate Appropriations Committee, pursuant to Senate Rule 28.8, negligible state costs.

COMMENTS:

- 1) **Background.** Each year, local officials discover problems with state statutes affecting counties, cities, special districts, and redevelopment agencies, as well as the laws on land use planning and development. These minor problems do not warrant separate (and expensive) bills. According to the Legislative Analyst, the cost of producing a bill in 2001-02 was \$17,890.

Legislators respond by combining several of these minor topics into an annual “omnibus bill.” In 2017, for example, the local government omnibus bill was SB 205 (Senate Governance & Finance Committee), which contained noncontroversial statutory changes to 11 areas of local government law, avoiding more than \$150,000 in legislative costs. Although this practice may violate a strict interpretation of the single-subject and germaneness rules as presented in *Californians for an Open Primary v. McPherson* (2006), it is an expeditious and relatively inexpensive way to respond to multiple requests.

- 2) **Bill Summary.** This bill enacts the Local Government Omnibus Act of 2017, which includes the following provisions:
 - a) **Large Special District Reporting Requirements.** Current law requires the State Controller’s Office (SCO) to prepare an annual report for the top 250 special districts with the largest total revenues for the reporting period containing the following information: reserved and unreserved fund balances, reserved and unreserved retained earnings, fixed assets, and cash and investments. The law also requires the SCO post the information on its website by June 30th following the end of the annual reporting period. The SCO notes that the terms and information required are outdated and do not reflect the most recent terms and information from the Governmental Accounting Standards Board (GASB) statements. In order to ensure that the SCO’s reports on the largest special districts meet the latest standards for financial reporting, this bill deletes specific terminology in statute, and replaces it with general language requiring that the report includes information that is consistent with generally accepted accounting principles and GASB statements.

- b) **Mandate Reimbursement Test Claim Filing Period.** Current law requires test claims to the Commission on State Mandates to be submitted no later than 12 months following the effective date of the statute or executive order, or within 12 months of incurring increased costs as a result of a statute or executive order, whichever is later. This filing period was changed in law in 2004 (AB 2856, Laird). In December 2017, the Commission on State Mandates approved amendments to California Code of Regulation Section 1183.1(c) that amends the filing period for test claims from conforming to the fiscal calendar year, ending on June 30th, to the calendar year, ending December 31st. In testimony during the rulemaking process, the Commission staff stated that “[t]his change is intended to make the regulation consistent with the plain language of Government Code section 17551(c).” The California Special Districts Association notes that the new regulations effectively shorten the filing period for an agency to submit a test claim to the Commission by six months, making the requirements much more difficult for local governments to meet. The previous filing period that aligned with the fiscal year properly reflected an understanding of the local agency budgeting process. In order to permit local agencies enough time to gather the relevant information and submit well-prepared test claims, this bill aligns the test claim filing period with the fiscal year.
- c) **Gender-Neutral References in Title 4 of the Government Code.** Current law establishes the powers and duties of city governments and their officers in Title 4 of the Government Code. SB 742 (Moorlach) Chapter 77, Statutes of 2017, amended Sections 41001 to 41006 of the Government Code to, among other things, change male-gendered pronouns to gender-neutral references. Senate Committee on Governance and Finance staff notes that there are at least 44 code sections that refer to officers and others using male pronouns throughout the remainder of Title 4 of the Government Code. This bill makes those references gender-neutral.
- d) **Mello-Roos Debt Reporting.** AB 1666 (Brough), Chapter 93, Statutes of 2015, required public agencies to report Mello-Roos debt to the California Debt and Investment Advisory Commission (CDIAC), and post a copy of that report on the public agency’s website. The California Special Districts Association notes that CDIAC has since updated their reporting methods and now only provides for online form-based reporting; public agencies are no longer required to submit physical reports to CDIAC. As a result, public agencies no longer have a copy of the report that can be posted on their websites. In order to allow local agencies to disseminate the reported information in a format that they have available, this bill allows an agency to meet the posting requirements of AB 1666 by posting a link to the State Treasurer’s website where the reported information can be located.
- e) **Enhanced Infrastructure Financing Districts (EIFDs).** Current law allows cities and counties to form EIFDs to receive tax increment funds from local agencies that voluntarily contribute funds for infrastructure development within their boundaries. The California Association for Local Economic Development (CALED) and the County Recorders Association wants to make several changes to the statutes that govern their formation:
- i) Current law requires a copy of the full Resolution of Intent to be mailed to each property owner within the proposed district. CALED notes that the full resolution

is complicated to understand and is costly to mail. To reduce costs and provide members of the public with a simpler notice, this bill permits a simplified notice to be mailed to property instead.

- ii) Current law contains incorrect references to an “ordinance” that should refer to a “resolution.” This bill corrects that reference.
- iii) Current law requires the city clerk or the county recorder, as applicable, to mail the resolution of intention to each owner of land within the district and each affected taxing entity. The County Recorders’ Association notes that the city clerk or county recorder may not always be the appropriate entity to mail such notices, and that other city or county officials may be more appropriate. This bill requires the legislative body of the city or county to select a city or county official, as applicable, to mail resolution of intention or notice of intention to landowners and affected taxing entities.
- f) **Audit Flexibility for County Assessors.** Every year, businesses self-report their assets and improvements; to encourage compliance, current law requires county assessors to perform a “significant number of audits” every four years. The formula for determining what constitutes a significant number of audits is contained in Revenue and Taxation Code Section 469 and was updated nine years ago at the request of the County Assessors Association (CAA). This formula requires the assessor to perform a specified number of audits on the largest taxpayers in the county and on taxpayers of the assessor’s choosing each year in order to comply with the four-year requirement. The CAA notes that the formula lacks sufficient flexibility to allow assessors to adequately manage their resources and workload across multiple years. This bill provides that statutory audit requirement would be met as long as the largest taxpayer audits and discretionary audits are conducted over a rolling four-year period and establishes a starting date of the 2019-20 fiscal year for the four-year period and simplify the accounting for a “significant number of audits” that must be conducted over that time.
- g) **Property and Business Improvement District Law of 1994.** Practitioners who work with property and business improvement districts (PBIDs) have identified errors and ambiguities in statutes governing PBIDs. The 1994 Act specifies multiple procedures for establishing a district, including the passage of a resolution of establishment and a resolution of formation. Some practitioners argue that the resolution of establishment is a holdover from an earlier version of the law and duplicates both the resolution of formation and the management district plan, which together specify the purposes and activities of the district. This bill repeals the requirement to enact a resolution of establishment.
- h) **County Government: Purchasing Agent: Purchasing Authority.** Current law allows the board of supervisors of a county to designate a purchasing agent to rent or purchase materials, supplies, and other specified items on behalf of the board. However, current law limits the purchasing authority of the purchasing agents in a county having a population of 200,000 or more to an annual aggregate cost of up to \$100,000 for purposes of engaging independent contractors to perform services for the county or county

officers. The County of Santa Clara notes that this amount has not been increased since 1991 [SB 767 (Committee on Local Government), Chapter 1226, Statutes of 1991)], and that inflation has reduced the value of this \$100,000 threshold by nearly half in that time. The County notes that this is an amount insufficient to expedite routine county business purchases. This bill increases the threshold to \$200,000 annually.

- i) **County Recorder: Document Terminology.** Current law establishes a recorder in each county. County recorders are responsible generally for examining and recording all documents that deal with establishing ownership of land in counties. The County Recorders' Association notes that current law pertaining to the recordation of documents are inconsistent, with some code sections referring to documents entitled to recordation as "instrument(s)" and others to "instrument(s), paper(s), or notice(s)." This bill standardizes the terminology to refer to instruments, papers, or notices throughout the sections of the Government Code that pertain to recorders.
 - j) **Parcel Tax Cleanup.** Current law requires local agencies imposing parcel taxes to send a notice with specified contents regarding the tax to nonresident landowners [AB 2476, (Daly), Chapter 269, Statutes of 2016)]. Assembly Member Daly's office notes that the California State Association of Counties raised a technical issue with AB 2476. Specifically, AB 2476 requires the legislative body of the local agency to perform specified actions relating to the notice. This bill changes references from "legislative body" to "local agency" because the required administrative functions in AB 2476 do not regularly fall to a governing board.
- 2) **Author's Statement.** According to the author, "SB 1498 compiles, into a single bill, noncontroversial statutory changes to seven parts of state laws that affect local agencies and land use. Moving a bill through the legislative process costs the state around \$18,000. By avoiding six other bills, the Committee's measure avoids approximately \$108,000 in legislative costs. Although the practice may violate a strict interpretation of the single-subject and germaneness rules, the Committee insists on a very public review of each item. More than 100 public officials, trade groups, lobbyists, and legislative staffers see each proposal before it goes into the Committee's bill. Should any item in SB 1498 attract opposition, the Committee will delete it. In this transparent process, there is no hidden agenda. If it's not consensus, it's not omnibus."

REGISTERED SUPPORT / OPPOSITION:

Support

California Assessors' Association

California Association of Clerks and Election Officials Elections Legislative Committee

County Recorders' Association

California State Association of Counties

California Special Districts Association

Santa Clara County

Opposition

None on file

Analysis Prepared by: Jimmy MacDonald / L. GOV. / (916) 319-3958