



Staff Report

TO: City Council
FROM: Christina Taylor, Deputy City Manager
DATE: April 4, 2023
SUBJECT: Discussion and Consideration of Requested Resolution Opposing Initiative 21-0042A1

Description Initiative 21-0042A1: A State ballot measure which would restrict voter input and local taxing authority.

Background and Analysis:

Initiative 21-0042A1 limits voters' authority and adopts new and stricter rules for raising taxes and fees. It makes it more difficult to hold violators of state and local laws accountable, and the measure includes provisions that would make it more difficult for local voters to pass measures needed to fund local services and infrastructure and would limit voter input by prohibiting local advisory measures where voters provide direction on how they want their local tax dollars spent.

The proposed initiative would make it more difficult for state and local regulators to issue fines and levies on corporations that violate laws intended to protect the environment, public health and safety, and neighborhoods. It restricts authority of state and local governments to issue fines and penalties for violations of law, and requires voter approval of fines, penalties, and levies for corporations and property owners that violate state and local laws unless a new, undefined adjudicatory process is used to impose the fines and penalties. This initiative would impact franchise fees and sets new fee standards for the use of local and state government property. The standards may significantly restrict the amount oil companies, utilities, gas companies, railroads, garbage companies, cable companies, and other corporations pay for the use of local public property and would reduce funding for critical infrastructure like streets and roads, public transportation, drinking water, new schools, sanitation, and utilities.

Below are some specifics:

Limit voter authority and accountability

- Limits voter input. Prohibits local voters from providing direction on how local tax dollars should be spent by prohibiting local advisory measures.

- Invalidates the Upland decision that allows a majority of local voters to pass special taxes. Taxes proposed by the Initiative are subject to the same rules as taxes placed on the ballot by a city council.

Restrict local fee authority to provide local services

- Impacts franchise fees. Sets new standard for fees and charges paid for the use of local and state government property. The standard may significantly restrict the amount cities can receive in payment for the use of local public property. Rental and sale of local government property must be “reasonable” which must be proved by “clear and convincing evidence.”
- Except for licensing and other regulatory fees, fees and charges may not exceed the “actual cost” of providing the product or service for which the fee is charged. “Actual cost” is the “minimum amount necessary.” The burden to prove the fee or charge does not exceed “actual cost” is changed to “clear and convincing” evidence.

Restrict authority of state and local governments to issue fines and penalties for violations of law

- Requires voter approval of fines, penalties, and levies for corporations and property owners that violate state and local laws unless a new, undefined adjudicatory process is used to impose the fines and penalties.

Restrict local tax authority to provide local services

- Requires voter approval to expand existing taxes (e.g., UUT, use tax, TOT) to new territory (e.g., annexation) or expanding the base (e.g., new utility service).
- City charters may not be amended to include a tax or fee.
- New taxes can be imposed only for a specific time period.
- All state taxes require majority voter approval.
- Prohibits any surcharge on property tax rate and allocation of property tax to state.

Other changes

- No fee or charge or exaction regulating vehicle miles traveled can be imposed as a condition of property development or occupancy.

Fiscal Impact:

The proposed bill would result in the following fiscal impact if passed by voters:

- Billions of local government fee and charge revenues placed at heightened legal peril. Related public service reductions across virtually every aspect of city,

county, special district, and school services especially for transportation, and public facility use.

- Indeterminable legal and administrative burdens and costs on local government from new and more empowered legal challenges, and bureaucratic cost tracking requirements.
- The delay and deterrence of municipal annexations and associated impacts on housing and commercial development.

Attachments:

- A. Council Requested Resolution (based on League of California Cities form resolution) Opposing Initiative 21-0042A1.
- B. Initiative 21-0042A1
- C. League of California Cities Fact Sheet
- D. CBRT Fiscal Analysis