

# Legislative Summary 2004:

## Revenue and Taxation Issues

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### *A. Bonds, Debt and Investments*

- 1) **AB 969 (Correa). Local Agency Financing: Validation Proceedings.**  
**Chapter 470, Statutes of 2004. League's Position: Support**  
Local agencies may now file validation proceedings in the superior court in the county in which they are located. The measure also modifies certain authorities of Joint Powers Agreements in the area of investment practices and issuance of shares of beneficial interest backed by other categories of approved investments, which allows cities and counties to participate in investment pools offered by JPAs.
- 2) **SB 1091, SB 1092, and SB 1093 (Senate Local Government). Validations.**  
**Chapters 29, 284 and 285, Statutes of 2004. League's Position: Support**  
These three validation measures assist local government and the financial markets by increasing the level of confidence in government securities, bonds and other financial mechanisms by addressing various procedural and technical errors and omissions related to governmental boundary and organizational changes.

### *B. Property Tax*

- 3) **AB 1510 (Kehoe). Disaster Relief.**  
**Chapter 772, Statutes of 2004. League's Position: Support**  
County assessors may authorize property to be reassessed if damaged by major misfortune or calamity. If a county has adopted such an ordinance and the state has declared a state of disaster in that county, the state must allocate funds to cover the estimated losses. This measure establishes an appropriation to cover reduced assessment estimates for the 2003 disasters declared in Los Angeles, Riverside, San Bernardino, San Diego, San Luis Obispo, Santa Barbara, and Ventura.
- 4) **AB 2144 (Ridley-Thomas). Property taxation: tax-defaulted property: redemption period.**  
**Chapter 944, Statutes of 2004. League's Position: Support**  
Currently, tax collectors are required to attempt to collect taxes by selling properties that are delinquent five years or more. Under this measure, tax collectors may place nonresidential property up for sale if taxes are delinquent three years or more. Counties may elect whether to require a three- or five-year delinquency basis.
- 5) **AB 2558 (Plescia). Property tax revenue allocations: state-assessed property.**  
**Chapter 640, Statutes of 2004. League's Position: Support**  
Generally, the county establishes assessments for most properties within the county and the revenues are distributed to jurisdictions where the property is located. The State Board of Equalization, under the unitary tax provisions, assesses properties owned by utility companies and the revenues are distributed to all jurisdictions in the county. An exemption was established in San Diego County that would permit the city share of the revenues from a utility-owned power plant to be built in that city to be distributed only to that city. That provision was to sunset

December 31, 2004. This measure extends these provisions to another city in the same county where a power plant is to be sited.

- 6) **AB 2846 (Salinas). Property Taxation: Assessments: Credits.**  
**Chapter 786, Statutes of 2004**  
This measure would prohibit assessors from including federal and state income tax credits for low-income housing to be used in establishing the appraised value when using the income method of appraisal.
- 7) **AB 2857 (Laird). Property Taxation: Assessment Reduction Applications.**  
**Chapter 768, Statutes of 2004**  
If a property owner applies to the county appeals board for a reduction in the base year value and the board does not act on the request within two years, the value determined by the property owner becomes the tax basis until the board makes a final determination. Any other reduction applications are applicable only in the year that the application is filed.
- 8) **AB 3073 (Committee on Revenue and Taxation). Property tax: qualified contaminated property: limited liability companies: income tax: claim of right.**  
**Chapter 354, Statutes of 2004**  
This measure provides technical cleanup to a number of revenue and taxation codes. Existing law allows property owners to exchange contaminated properties for replacement properties and retain the base value. The property must be of equal or lesser value as the original property. This measure provides an scaled increase in the base value for the number of years after the sale of the contaminated property. The measure also requires that the new property be similar or comparable to the contaminated property. Limited liability companies that are wholly owned by one or more tax exempt organizations are added as entities that may be qualified for welfare tax exemptions.
- 9) **SB 451 (Ducheny). Taxation of Possessory Interests.**  
**Chapter 853, Statutes of 2004**  
Private businesses that renovate and operate military housing located on federal property with terms set by the military under a long-term lease are not subject to property taxation.
- 10) **SB 764 (Morrow). Property Taxation: Veteran's Exemptions.**  
**Chapter 544, Statutes of 2004. League's Position: Oppose Unless Amended**  
The disabled veteran's property tax exemption, which is currently limited to \$100,000 of the value of the residence (or \$150,000 if household income is under \$40,000), will be increased by the California Consumers Price Index starting in January 2006. The statute does not provide any funding for any local revenues lost as a result of the increased exemption.
- 11) **SB 1147 (Hollingsworth). Disaster Relief.**  
**Chapter 792, Statutes of 2004. League's Position: Support**  
Property owners that lost their homes in the devastating fires and earthquakes in late 2003 and the levee break in the summer of 2004 would be allowed to retain their homeowner's exemption.
- 12) **SB 1596 (Ducheny). Taxation: Delinquent Taxes: Public Auction.**  
**Chapter 923, Statutes of 2004**  
Local agencies or nonprofits may ask a tax collector to place a property up for sale at the next auction if the property is tax delinquent for more than three years and the property may be used for housing or services for low-income individuals. See also AB 2144 regarding commercial property tax delinquencies.
- 13) **SB 1831 (Cedillo). Property Tax Administration.**  
**Chapter 407, Statutes of 2004**  
Technical additions, corrections, and deletions are incorporated in current property tax administration code sections. Parcels with delinquent property taxes that are deemed to be unusable because of location, size or other unique feature may currently be bid out to adjacent

property owners. This statute would allow owners of substantive easement or right of way related to the tax-delinquent property to be added to those who may bid on the parcel.

14) **SB 1832 (Cedillo). Property Taxation: Maps: Tax-Defaulted Property Sales.**

**Chapter 194, Statutes of 2004**

This statute modifies the procedures for sale of tax-defaulted property, including a provision that the property may now be sold via Internet or other electronic auction and purchases may now be paid by electronic funds transfer

***C. Sales and Use Tax***

15) **SB 1881 (Senate Revenue and Taxation Committee). Sales and Use Tax: Prepayments: Extensions: Due Dates: Exemption Certificate.**

**Chapter 527, Statutes of 2004**

Sales tax prepayments requirements for motor vehicle, aircraft and diesel fuels are modified to reflect changes necessitated by the provisions of the "triple flip" (25% reduction in local Bradley-Burns tax with replacement by in lieu property taxes and 25% increase in state sales tax rate). The statute also makes technical clean up changes to Board of Equalization administration and collection of various fees.

***D. State Budget***

16) **ABX5 8 (Oropeza). Ballot Measures.**

**Chapter 1, Statutes of 2003 Fifth Extraordinary Session**

This emergency measure waived statutory deadlines on placement of legislative constitutional amendments on ballots and allowed the "The California Balanced Budget Act" to be placed on the March 2004 ballot. The spending limit act was part of a state budget deficit reduction package.

17) **ABX5 9 (Oropeza). Economic Recovery Bonds.**

**Chapter 2, Statutes of 2003 Fifth Extraordinary Session**

The Legislature was called into additional extraordinary sessions, following the recall election that installed a new governor. The Fifth Extraordinary Session addressed the budget deficit and made revisions to the deficit loan funded by the triple flip that was passed with the 2003-04 budget package. The amount of authorized bond funding was increased from \$10.7 billion to up to \$15 billion. The triple flip provision (reduce local Bradley-Burns sales tax by a certain percentage, provide a dollar-for-dollar property tax fund replacement and increase the state sales tax by the same percentage dedicated to pay off the bond) that was previously set a .5% of Bradley-Burns reduction was lowered to .25% with an extension of the loan term. The bond was submitted for voter approval on the March 2004 ballot and was contingent on passage of the bond measure and a constitutional amendment regarding spending limits. Voters approved both measures in March 2004.

18) **ACAX5 5 (Oropeza). State Finance.**

**Resolution Chapter 1, 2003 Fifth Extraordinary Session**

This constitutional amendment regarding state spending limits and emergency fiscal procedures was submitted to voters in March 2004 and passage was required to allow the Economic Recovery Bonds to be marketed. The features of the spending limit includes:

- The legislature and Governor may not consider a budget bill where general fund appropriations exceed general fund revenues
- The Governor may declare a mid-year budget emergency calling the legislature back into special session to address a general fund imbalance. The legislature would have 45 days to either pass the proposals submitted by the Governor or submit an alternative solution. If the 45-day requirement is not met, the legislature is prohibited from other legislative activities or adjourning until a solution is submitted to the Governor.

- The State would be prohibited from long-term borrowing to address a budget deficit in the future.  
Voters approved this measure with the bonds in March 2004.

19) **AB 1457 (Assembly Budget Committee). Local Government Financing.**  
**Chapter 37, Statutes of 2004**

Funding to realignment programs that were shifted to local government agencies and funded by motor vehicle license fees in the early 1990s were challenged on two fronts in the current and previous fiscal years. Local motor vehicle license fee revenues and backfill payments experienced a roller coaster ride in fiscal years 2003-04 and 2004-05 as the State tried to balance its budget by first returning the vehicle owners payment to the full 2% and then rescinding the backfill in the interim period, then reversing the decision leaving a backfill loss in the gap period. In addition, a court case regarding realignment funding and mandate realignment statutes triggered a poison pill provision of the realignment funding. This measure fully funds the realignment obligations for 2003-04 and 2004-05 with State general fund revenues and temporarily suspends the poison pill provision. This will reduce VLF distributions to other jurisdictions, and this reduction will be included in the VLF backfill gap payments to be reimbursed in August 2006.

20) **AB 2115 (Assembly Budget Committee). Local Government Finance.**  
**Chapter 610, Statutes of 2004**

The terms of the local agency agreement included in the 2004-05 state budget contained some flaws in both the understanding of the agreement and technical aspects in some sections contained in SB 1096. This measure attempts to correct many of these flaws. Specifically, provisions are added to the distribution of the remaining vehicle license fee revenues to fully fund the amount of VLF pledged by Orange County for debt payments and address the allocation of VLF to recently incorporated cities and their share of new in lieu VLF property tax funds. Amendments are added to the redevelopment agency ERAF shift for 2004-05 and 2005-06 to allow the base year calculation to be determined on the most recently reported financial information and permit the agency to borrow the amount required from an authorized issuer. Clean-up language is inserted to address the calculation for special districts and the city and county of San Francisco. Changes are made to the triple flip language suspended amount for cities that collected less than 1% of Bradley-Burns prior to the flip. Finally, an appropriation is explicitly provided for the 2003-04 VLF backfill gap loan amount, and the gap loan is defined to include amounts not paid by a line item included in the 2003 budget and net of any hardship amounts subsequently paid to cities and counties.

21) **AB 2851 (Laird). Budget Act: State Mandates. Chapter 316 and**  
**AB 2853 (Laird). Local Government Expenses: State Mandates**  
**Chapter 889, Statutes of 2004**

A number of state mandates are suspended in 2004-05 with encouragement to local jurisdictions to continue the programs though reimbursements will not be forthcoming. The mandates that cities will want to examine include: requirements that city treasurers annually provide an investment policy statement to the council and quarterly issue investment reports; and requirements that new or replaced traffic controller signal communications be capable of two-way communications. Included are changes in options available to an arresting agency in providing booking and fingerprinting verifications in infraction or misdemeanor offenses. The Commission on State Mandates is directed to determine if certain statutes that currently are considered a mandate should be reconsidered based on changes in federal statutes and state and federal court cases.

22) **SB 976 (Ducheny). Budget Act of 2002.**  
**Chapter 15, Statutes of 2004**

This budget measure transfers \$5.713 million from the Harbors and Watercraft Revolving Fund to the Public Beach Restoration Fund for beach erosion control programs.

23) **SB 1057 (Senate Budget Committee). Vehicle License Fees.**  
**Chapter 24, Statutes of 2004**

This statute clarifies the vehicle license fee backfill payment due to cities and counties for the gap period in 2004. Previous statutes provided for reimbursement for the vehicle license backfill payments that were unfunded during the period from July 1, 2004 through September 31, 2004, which would be paid by August 15, 2006. The vehicle license fee funding gap period is redefined to include offsets not paid for the initial trigger period June 20 through June 30, 2004. In addition, an appropriation of \$20,365,000 is made to advance backfill gap payments to cities and counties that qualified as hardship cases under the original statute.

24) **SB 1096 (Senate Budget Committee). Local Government Finance.**  
**Chapter 211, Statutes of 2004**

This budget trailer bill legislation includes most of the statutory provisions to implement the local government agreement in the 2004-05 State Budget. In the rush to finalize the State Budget, some elements of the agreement required additional clean-up legislation that was included in AB 2115. Cities may borrow against their VLF gap receivable (due on August 15, 2006) through a joint powers agreement that represents no less than 100 local agencies. Payments on all state mandate reimbursements claims determined by the state as of June 30, 2005, must be paid within five years starting with the 2006-07 fiscal year. Cities, counties and special districts are each required to contribute \$350 million per year for fiscal year 2004-05 and 2005-06 to the Educational Revenue Augmentation Fund (ERAF) under specific formulas. In addition, redevelopment agencies are required to contribute \$250 million to ERAF in each of these two years. Redevelopment agencies may amend the redevelopment plan to extend certain time limits as a result of the required ERAF contributions.

Triple flip (one-quarter percentage reduction in Bradley-Burns sales tax replaced by equal amount of ERAF property tax funds) clean-up provisions are included. The Director of Finance is charged with submitting to the county auditors the annual estimate of the amount county auditors must set aside in the sales tax compensation fund each year. This estimate is to be based on the actual amount of Bradley-Burns sales and use tax revenues transmitted to the county in the prior year as adjusted by any growth factor for the current fiscal year as determined by the State Board of Equalization. The estimate may also be adjusted to include any additional changes reported by local jurisdictions to the State Board of Equalization. Revisions are made to the clarify the final true-up calculation of the final triple flip payments when the underlying bonds are retired and the Director of Finance determines the triple flip is no longer required.

Significant changes are made to the vehicle license fee structure. Effective January 1, 2005, the vehicle license fee rate is reduced from 2% to .65%. The VLF backfill is eliminated. The remaining VLF revenues are distributed on a prioritized basis with funds going first to fund program realignments, DMV administrative expenses and Orange County pledged bond obligations. The remaining revenues will be distributed to cities. Property tax funds will replace the loss of VLF revenues – both the reduced share of the actual fees paid and the backfill amount. In the first year, county auditors will distribute the swap property tax funds based on estimates of the VLF reductions. This amount will be adjusted to actual in the next fiscal year and will become the base for future periods. The VLF-property tax swap amount will then grow relative to assessed value property changes.

25) **SB 1097 (Senate Budget and Fiscal Review Committee). General Government.**  
**Chapter 225, Statutes of 2004**

Since the State Technology, Trade and Commerce Agency was abolished in the state budget, programs and responsibilities of the defunct agency were transferred to other offices in this statute, including the transfer of Enterprise Zone Act administration to the Department of Housing and Community Development. The statute also grants the state and local jurisdictions the authority to collect fees for administration of enterprise zones.

26) **AB 687 (Nunez). Tribal-State Gaming Compacts: Ratification and Payment Securitization.**  
**Chapter 91, Statutes of 2004.**

Existing federal law, the Indian Gaming Regulatory Act of 1988, provides for the negotiation and execution of tribal-state gaming compacts for the purpose of authorizing certain gaming activities on Indian lands within a state. Existing California law expressly ratifies specified tribal-state gaming compacts.

This law ratifies the amendments to the Tribal-State Gaming Compacts recently renegotiated by the Governor and five gaming tribes. This law authorizes the sale of bonds for transportation purposes. This measure requires actual payment of \$ 97 million annually from five Indian Gaming Tribes to finance a \$1.214 billion bond for 2004-05 transportation projects to be repaid over 18 years and to be allocated as follows:

- \$457 million to the State Highway Account
- \$290 million to the 141 Traffic Congestion Relief Projects (TCRP)
- \$192 million to cities and counties for local street and road projects as advance payment for the loan due in the 2008-2009 fiscal year from the Proposition 42 suspension for the 2003-2004 budget year.
- An additional \$83 million for the Public Transportation Account for project expenditures.
- Advance funding of the State Transit Assistance loans due for funding in 2008-2009 fiscal year.

27) **SB 1099 (Committee on Budget and Fiscal Review). Sales taxes on Motor Vehicle Fuels: Suspension of Transfer.**

**Chapter 210, Statutes of 2004.**

This is the budget trailer bill that suspends the transfer of motor vehicle fuel sales tax revenues from the General Fund to the Transportation Investment Fund for the 2004-05 fiscal year.

28) **SB 1507 (Burton). Transportation: Financing.**

**Chapter 793, Statutes of 2004.**

Existing law requires that all money in the State Highway Account in the State Transportation Fund derived from federal sources or from appropriations to other state agencies, or deposited in the account by local agencies or by others, be continuously appropriated to, and be available for expenditure by, the Department of Transportation for the purposes for which the money was made available. Unless otherwise expressly provided for by law, none of the balance of the money in the account may be expended until it has been specifically appropriated by the Legislature.

Existing law defines "eligible project" for these purposes as a highway or other transportation project that has been designated for accelerated construction by the commission. Existing law prohibits the Treasurer from authorizing the issuance of the notes if the annual repayment obligations of all outstanding notes in any fiscal year would exceed 30% of the total amount of federal transportation funds deposited in the account for any consecutive 12-month period within the preceding 24 months.

This measure codifies the California Transportation Commission's (CTC's) adopted policy and guidelines regarding the issuance of federal Grant Anticipation Revenue Vehicles (GARVEE) bonds or notes for financing state transportation projects.

This measure revises the definition "eligible project" to require that a GARVEE project has been designated for accelerated construction by the commission, and increases the capacity, reduces the travel time, or provides long-life rehabilitation of the key bridges and roadways of a corridor or gateway for interregional travel and movement of goods.

This legislation prohibits the Treasurer from authorizing the issuance of the notes if the annual repayment obligations of all outstanding notes in any fiscal year would exceed 15% of the total amount of federal transportation funds deposited in the account for any consecutive 12-month period within the preceding 24 months.

29) **SB 1100 (Senate Budget Committee). Taxation.**  
**Chapter 226, Statutes of 2004**

A tax loophole that allows California residents to buy luxury automobiles, boats and planes across the border and bring them into California after 90 days is closed if the purchaser is a California resident, the item is subject to California registration or property tax laws and the item is used or stored in California more than 50 percent of the time in the first year. The loophole closure expires June 30, 2006. Both the Franchise Tax Board and the State Board of Equalization are authorized to conduct tax amnesty programs between February 1, 2005 and March 31, 2005 with an option to extend to June 30, 2005. Both of these provisions should result in additional revenues to both the state and cities.

**30) SB 1102 (Senate Budget Committee). General Government.**

**Chapter 227, Statutes of 2004**

The booking fee reimbursement is funded for the 2004-05 and the subvention expires after this year. In 2004-05, the county may not charge booking fees in excess of the effective rate as of January 1, 2004. In subsequent years, the county may continue to collect booking fees; however, the charges may not exceed one-half of their actual administrative costs.

Effective with the enactment of this statute and expiring July 1, 2006, seventy-five percent of all punitive damages awarded shall be deposited in the Public Benefit Trust Fund created in the State Treasury. The funds so deposited shall be available for general fund appropriation in the annual budget act in programs consistent with the nature of the award.

Any government employee serving as a juror who continues to receive their compensation will no longer receive \$15 daily juror fees.

Certain provisions of the sale of state surplus property are made inoperative for the 2004-05 fiscal year, including priorities for sales to local government. Local agencies continue to have priority rights to purchase surplus property though they must consummate the sale within 90 days and must pay fair market value.

Councils of governments are permitted to charge local governments for their actual costs regarding the distribution of regional housing needs, and the local agency may then implement fees to recover the council charges and any other related planning fees.

A number of state mandates are repealed, including training that was required for the operation of traffic signal communications capable of two-way communications. The Commission on State Mandates is required to review its reimbursable mandate findings on Board of Control decisions related to a regional housing needs mandate that was enacted in 1980.

**31) SB 1107 (Senate Budget and Fiscal Review Committee). Resources.**

**Chapter 230, Statutes of 2004**

The trailer statutory provisions that implement 2004-05 resource budget items, including but not limited to:

Establishes guidelines for River Parkways Program with \$7.9 million appropriated from Proposition 40 funds and \$30.5 million from Proposition 50 funds for parkway and land acquisition.

Establishes Sierra Nevada Cascade program with guidelines for funding and appropriation of \$9.2 million in Proposition 50 funds.

Transfers California Mainstreet Program from Business, Transportation and Housing to Department of Parks and Recreation.

**32) SB 1113 (Senate Budget and Fiscal Review Committee). 2004-05 Budget.**

**Chapter 208, Statutes of 2004**

The expenditure plan authorizes \$105.4 billion from all funds, which includes \$78.7 billion from the General Fund, \$23.7 billion from special funds, and \$3 billion from select bond funds. The state budget continued to face shortfalls, which were addressed through program savings, use of Proposition 57 bond funds, loans and borrowings, fund shifts, increased revenues and transfers,

and the first of the two-year \$1.3 billion shift of local property tax revenues. The annual \$1.3 local property tax shift was part of the local government agreement that included the VLF backfill for property tax swap and support of a ballot measure to protect local revenues and to require state mandates be funded or suspended.

33) **SCA 4 (Torlakson). Local Government Finance.**

**Chapter 133, Statutes of 2004. League's Position: Support**

This measure places the local government revenue and unfunded state mandate protection provisions on the state ballot as Proposition 1A. The remaining VLF revenues would be protected and would require backfill if dropped below the current .65 rate. Local property tax revenues may no longer be shifted away from local agencies though under special circumstances may be "borrowed." Before any loan can be made, the Governor must declare a serious fiscal hardship, the legislature must approve the loan by two-thirds vote, all previous loans (including the VLF backfill loan) must be repaid, and no more than two loans may be made in any ten-year period. The Bradley-Burns local sales and use tax revenues may only be used for local purposes and the State cannot extend the triple flip swap beyond the revenue exchange period for redemption of the deficit bonds as described in current statute. Local jurisdictions within a county may enter revenue exchange agreements for sales and property taxes. Outstanding mandate reimbursement claims incurred prior to 2004-05 fiscal year and not paid by 2005-06 fiscal year may be paid over a period of years described by statute. Starting with the 2005-06 fiscal year, any additional mandate claims must be funded or the program will be suspended.

***E. Miscellaneous Revenue and Taxation Issues***

34) **AB 79 (Dutra). Written Reports: Preparation.**

**Chapter 409, Statutes of 2004**

Written reports that are required to be submitted by state or local agency to the legislature, governor or any legislative or administrative body are suspended until January 2008. However, the measure includes a lengthy list of exclusions, so the provisions should be thoroughly reviewed to ensure that a report is not required.

35) **AB 1182 (Ridley-Thomas). Government Financing.**

**Chapter 7, Statutes of 2004**

This measure changes some of the duties, responsibilities and authority of the California Debt and Investment Advisory Commission.

36) **AB 1546 (Simitian). Local Government: Vehicle Fee for Congestion and Stormwater Management Programs.**

**Chapter 931, Statutes of 2004**

The City/County Association of Government of San Mateo County is authorized to establish a motor vehicle fee of up to \$4 per vehicle for purposes of traffic congestion and stormwater programs. The association governance body must approve the fee by a 2/3rds majority and a budget plan and performance measures must be established before the fee can be implemented.

37) **AB 1916 (Maddox). Occupancy Taxes: Exemptions and Delinquencies.**

**Chapter 936, Statutes of 2004. League's Position: Oppose**

New administrative requirements for transient occupancy taxes are added under this measure. New procedures for documentation and verification of tax exemptions require the cities to provide a standardized form for the exemption, which will be signed by the exempt employee under penalty of perjury. The form will require proof of official business. The city may decide which form of proof will be required: travel order, a government warrant, or government credit card. The form will also require the employee also to provide photo identification and proof of government employment. The hotel owner will retain the standard forms, which will then serve as rebuttable presumption that the owner is not liable for the transient occupancy taxes for that stay.



Cities will be required to implement a "tax clearance certificate." The purposes of the certificate will be to allow a buyer of a hotel property to be relieved of any delinquent taxes by the prior owner. The buyer may request the certificate and the city, within 90 days, must provide the certificate or complete an audit of the selling hotel owner within 90 days and issue the certificate. A four year statute of limitations is established on collection of transient occupancy taxes.

A provision in the statute states that the legislative intent is to not affect the TOT laws of charter cities and counties. Charter cities may want to review their TOT ordinance to determine if it specifically refers to state TOT statutes, in which case the provisions of this law may apply.

- 38) **AB 2165 (Houston). Disaster Relief.**  
**Chapter 778, Statutes of 2004**  
This measure would include the levee break in San Joaquin County as areas that are eligible for disaster relief funds.
- 39) **AB 2337 (Cohn). State Mandates: Reimbursement.**  
**Chapter 94, Statutes of 2004**  
The time period within which the Controller must complete an audit of any paid claim is reduced from three to two years. The Controller is now allowed to conduct field audits prior to making payment on the claims. The Commission on State Mandates is required to issue new parameters and guidelines for the animal adoption mandate, which will specify that costs for preexisting conditions do not qualify, clarify how care and maintenance costs are calculated, and specify the documentation required for a claim.
- 40) **AB 2856 (Laird). State Mandates. Commission on State Mandates.**  
**Chapter 890, Statutes of 2004. League's Position: Support**  
During the past several years, local government has made numerous proposals on reforming the state mandate process, especially the procedures for hearing claims and the hearing process. This measure makes a number of changes to the test claims process, hearing procedures and definitions used in the process, such as "reasonable reimbursement methodology."
- 41) **AB 2318 (Hancock). Local Agency Auditors.**  
**Chapter 637, Statutes of 2004. League's Position: Support**  
Cities often request financial information from private firms with whom they may develop business relationships. In some instances, businesses have been reluctant to provide the information, fearing that they will become subject to public records act requests, possibly releasing proprietary business records open to competitors. This measure prohibits city auditors from releasing certain records that the auditors have requested from businesses.
- 42) **AB 2430 (Wiggins). Commercial Air Carriers: Hot Air Balloons.**  
**Chapter 881, Statutes of 2004**  
Hot air balloon operators will no longer be regulated by the California Public Utilities Commission and must now instead obtain and prominently display a business license from the local jurisdiction. The business must obtain specified levels of insurance coverage and provide the jurisdiction with a certificate of insurance. The local jurisdiction may charge a reasonable fee for issuing business license, processing insurance certificates and complying with notification requirements.
- 43) **AB 2530 (Levine). Controller: Duties and Authority.**  
**Chapter 520, Statutes of 2004**  
Under previous statutes if the Controller determined that any annual financial report submitted by a county, city, or redevelopment district was incomplete or inaccurate, the Controller would appoint an independent accountant to conduct an investigation and report back to the Controller. The costs of such investigation must now be borne by the city or agency investigated and may be offset by forfeitures currently imposed for failing to comply with reporting requirements. Costs exceeding the forfeitures must be paid by the city or agency. The measure also includes other

Controller administrative changes, such as unclaimed property provisions, electronic distribution of the State annual report prepared by the Controller, and other technical changes.

44) **AB 2591 (Leno). Charter-Party Carriers: Limousines.**

**Chapter 603, Statutes of 2004**

The California Public Utilities Commission currently regulates charter-party carriers. Since a number of local jurisdictions have raised concerns that the regulatory oversight has been inadequate and ineffective, local jurisdictions are granted new regulatory authority over charter-party carriers under this statute.

45) **SB 246 (Escutia). Courts: Fines and Penalties: Collection.**

**Chapter 380, Statutes of 2004**

The counties, courts and cities are provided additional collection options to facilitate recovery of fines and penalties. Cities, counties and courts may now use debit cards and electronic funds transfers for payment of fines, fees, services or taxes. Counties and the courts may now use private collection resources to track and collect fines and forfeitures. Fines and forfeiture collections options through the Franchise Tax Board collection program would be expanded.