

SAN MATEO



LOCAL AGENCY FORMATION COMMISSION

455 COUNTY CENTER, 2ND FLOOR • REDWOOD CITY, CA 94063-1663 • PHONE (650) 363-4224 • FAX (650) 363-4849

March 11, 2019

To: LAFCo Commissioners
From: Martha Poyatos, Executive Officer *M. Poyatos*
Subject: Legislative Report – Recommended Action

Summary

The Commission's Legislative and Policy Committee met on February 22, 2019 and reviewed four measures that CALAFCO was tracking at the time and took no positions. Since the meeting, CALAFCO has added 15 more bills. The CALAFCo Daily Legislative Report is attached. Staff will be prepared to respond to questions you may have at your meeting.

Pending Legislation – Letters of Support

In addition, CALFCO has also requested letters of support for two legislative bills. Draft letters reviewed by the Commission's Legislative Committee are attached for your consideration along with the bill text.

- **AB 213** (Reyes) – Inhabited Annexation Funding Restoration - restores funding for inhabited annexations. Payments would come from the Educational Augmentation Fund (ERAF) which is backfilled from the general fund. CALAFCO has historically supported this bill each year.
- **AB 1253** (Rivas) - This is the bill seeks one-time grant funding for LAFCos. The bill would establish a five-year pilot grant program to provide grants to LAFCos to address known service and governance concerns in disadvantaged communities. This program provides grants to LAFCos for conducting special in-depth studies and analyses of local government agencies and services for the purposes of creating improved efficiencies in the delivery of local government services and completing the dissolution of inactive special districts. The grant program would be administered by the Strategic Growth Council and sunset on December 31, 2025.

Other Legislative Items

Last year, SB 448, now law, required special districts to forward a copy of their annual audits to the LAFCos in which the district is located, as of January 1, 2019. As a result of SB 448, the

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ALTERNATES: KATI MARTIN, SPECIAL DISTRICT ▪ HARVEY RARBACK, CITY ▪ JAMES O'NEILL, PUBLIC ▪ DAVE PINE, COUNTY

STAFF: MARTHA POYATOS, EXECUTIVE OFFICER ▪ REBECCA ARCHER, LEGAL COUNSEL ▪ ROB BARTOLI, MANAGEMENT ANALYST

requirement that special districts forward a copy of their annual audits to the County Auditor-Controller in which the district is located, was eliminated.

The Association of County Auditors is now seeking legislation to have county auditors “added back in” relative to special districts transmitting copies of annual audits. It is anticipated that this provision will be included in an omnibus bill. No legislation has been introduced at this time.

Recommended Action:

Receive the report and by motion, provide direction to staff on the two proposed letters of Support.

Attachments

- A. Legislative Daily Report 3/11/2019
- B. Letter of Support for AB 213 (Reyes) and bill text
- C. Letter of Support for AB 1253 (Rivas) and bill text

CALAFCO Daily Legislative Report as of Monday, March 11, 2019

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[AB 1253](#) (Rivas, Robert D) Local agency formation commissions: grant program.

Current Text: Introduced: 2/21/2019 [html](#) [pdf](#)

Introduced: 2/21/2019

Status: 2/22/2019-From printer. May be heard in committee March 24.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chapters	
1st House				2nd House								

Summary:

This bill would require the Strategic Growth Council, until July 31, 2025, to establish and administer a local agency formation commissions grant program for the payment of costs associated with initiating and completing the dissolution of districts listed as inactive, the payment of costs associated with a study of the services provided within a county by a public agency to a disadvantaged community, as defined, and for other specified purposes, including the initiation of an action, as defined, that is limited to service providers serving a disadvantaged community and is based on determinations found in the study, as approved by the commission. The bill would specify application submission, reimbursement, and reporting requirements for a local agency formation commission to receive grants pursuant to the bill. The bill would require the council, after consulting with the California Association of Local Agency Formation Commissions, to develop and adopt guidelines, timelines, and application and reporting criteria for development and implementation of the program, as specified, and would exempt these guidelines, timelines, and criteria from the rulemaking provisions of the Administrative Procedure Act. The bill would make the grant program subject to an appropriation for the program in the annual Budget Act, and would repeal these provisions on January 1, 2026. This bill contains other existing laws.

Position: Sponsor

Subject: Disadvantaged Communities, LAFCo Administration, Municipal Services, Special District Consolidations

CALAFCO Comments: This is a CALAFCO sponsored bill following up on the recommendation of the Little Hoover Commission report of 2017 for the Legislature to provide LAFCos one-time grant funding for in-depth studies of potential reorganization of local service providers. Last year, the Governor vetoed AB 2258 - this is the same bill. The Strategic Growth Council (SGC) will administer the grant program. Grant funds will be used specifically for conducting special studies to identify and support opportunities to create greater efficiencies in the provision of municipal services; to potentially initiate actions based on those studies that remove or reduce local costs thus incentivizing local agencies to work with the LAFCo in developing and implementing reorganization plans; and the dissolution of inactive districts (pursuant to SB 448, Wieckowski, 2017). The grant program would sunset on July 31, 2024.

The bill also changes the protest threshold for LAFCo initiated actions, solely for the purposes of actions funded pursuant to this new section. It allows LAFCo to order the dissolution of a district (outside of the ones identified by the SCO) pursuant to Section 11221 of the Elections code, which is a tiered approach based on registered voters in the affected territory (from 30% down to 10% depending).

The focus is on service providers serving disadvantaged communities. The bill also requires LAFCo pay back grant funds in their entirety if the study is not completed within two years and requires the SGC to give preference to LAFCos whose decisions have been aligned with the goals of sustainable communities strategies.

The fiscal request is \$1.5 million over 5 years. CALAFCO is attempting to get this in the May revise budget so there is no General Fund appropriation (the reason Gov. Brown vetoed the bill).

[SB 272](#) (Morrell R) Fire Protection District Law of 1987.

Current Text: Introduced: 2/13/2019 [html](#) [pdf](#)

Introduced: 2/13/2019

Status: 2/21/2019-Referred to Com. on GOV. & F.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

The Fire Protection District Law of 1987 provides that whenever a district board determines that it is in the public interest to provide different services, to provide different levels of service, or to raise additional revenues within specific areas of the district, it may form one or more service zones by adopting a resolution that includes specified information, fixing the date, time, and place for public hearing on the formation of the zone, publishing notice, as specified, hearing and considering any protests to the formation of the zone at the hearing, and, at the conclusion of the hearing, adopting a resolution ordering the formation of the zone. If a resolution adopted after the public hearing would extend services outside of an existing service zone and the extension of service would result in those persons in the expanded area paying charges for the expansion of services, this bill would provide that the resolution does not become effective unless approved by a majority of the voters within the expanded service area.

Position: Watch**CALAFCO Comments:** This bill requires a fire protection district to hold an election to (at their expense) approve an extension of service regardless of the level of protest.**[SB 414](#) (Caballero D) Small System Water Authority Act of 2019.****Current Text:** Introduced: 2/20/2019 [html](#) [pdf](#)**Introduced:** 2/20/2019**Status:** 2/28/2019-Referred to Coms. on GOV. & F. and EQ.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Would create the Small System Water Authority Act of 2019 and state legislative findings and declarations relating to authorizing the creation of small system water authorities that will have powers to absorb, improve, and competently operate noncompliant public water systems. The bill, no later than March 1, 2020, would require the state board to provide written notice to cure to all public agencies, private water companies, or mutual water companies that operate a public water system that has either less than 3,000 service connections or that serves less than 10,000 people, and are not in compliance, for the period from July 1, 2018, through December 31, 2019, with one or more state or federal primary drinking water standard maximum contaminant levels, as specified.

Position: Watch**Subject:** Water**CALAFCO Comments:** This bill is very similar to AB 2050 (Caballero) from 2018. Several changes have been made. This bill is sponsored by Eastern Municipal Water District and the CA Municipal Utilities Assoc. The intent is to give the State Water Resources Control Board (SWRCB) authority to mandate the dissolution of existing drinking water systems (public, mutual and private) and authorize the formation of a new public water authority. The focus is on non contiguous systems. The SWRCB already has the authority to mandate consolidation of these systems, this will add the authority to mandate dissolution and formation of a new public agency.

LAFCo will be responsible for dissolving any state mandated public agency dissolution, and the formation of the new water authority. The SWRCB's appointed Administrator will act as the applicant on behalf of the state. LAFCo will have ability to approve with modifications the application, and the new agency will have to report to the LAFCo annually for the first 3 years.

[SB 646](#) (Morrell R) Local agency utility services: extension of utility services.**Current Text:** Introduced: 2/22/2019 [html](#) [pdf](#)**Introduced:** 2/22/2019**Status:** 2/25/2019-From printer. May be acted upon on or after March 27. Read first time.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Would prohibit a city or district providing the extended service from denying the extension of a utility service to a property owner located within the extended service area based upon a property owner's election not to participate in an annexation or preannexation proceeding.

Position: Watch**Subject:** CKH General Procedures

AB 213 (Reyes D) Local government finance: property tax revenue allocations: vehicle license fee adjustments.**Current Text:** Introduced: 1/15/2019 [html](#) [pdf](#)**Introduced:** 1/15/2019**Status:** 2/4/2019-Referred to Com. on L. GOV.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Calendar:

3/27/2019 1:30 p.m. - State Capitol, Room 447 ASSEMBLY LOCAL GOVERNMENT, AGUIAR-CURRY, Chair

Summary:

Would, for the 2019–20 fiscal year, require the vehicle license fee adjustment amount to be the sum of the vehicle license fee adjustment amount in the 2018–19 fiscal year, the product of that sum and the percentage change in gross taxable assessed valuation within the jurisdiction of that entity between the 2018–19 fiscal year to the 2018–19 fiscal year, and the product of the amount of specified motor vehicle license fee revenues that the Controller allocated to the applicable city in July 2010 and 1.17.

Position: Watch**Subject:** Tax Allocation**CALAFCO Comments:** Sponsored by the League, this bill will reinstate ERAF funding for inhabited annexations. This bill is the same as AB 2268 (Reyes) from last year.**AB 818 (Cooley D) Local government finance: vehicle license fee adjustment amounts.****Current Text:** Introduced: 2/20/2019 [html](#) [pdf](#)**Introduced:** 2/20/2019**Status:** 3/4/2019-Referred to Com. on L. GOV.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Current property tax law, for the 2006–07 fiscal year, and for each fiscal year thereafter, requires the vehicle license fee adjustment amount to be the sum of the vehicle license fee adjustment amount for the prior fiscal year, if specified provisions did not apply, and the product of the amount as so described and the percentage change from the prior fiscal year in the gross taxable valuation within the jurisdiction of the entity. Current law establishes a separate vehicle license fee adjustment amount for a city that was incorporated after January 1, 2004, and on or before January 1, 2012. This bill would establish a separate vehicle license fee adjustment amount for a city incorporating after January 1, 2012, including an additional separate vehicle license fee adjustment amount for the first fiscal year of incorporation and for the next 4 fiscal years thereafter.

Position: Watch**Subject:** Financial Viability of Agencies**CALAFCO Comments:** Sponsored by the League, this bill will reinstate ERAF funding for cities incorporating after 2018. This is the same bill as AB 2491 from 2018.**AB 1304 (Waldron R) Water supply contract: Native American tribes.****Current Text:** Introduced: 2/22/2019 [html](#) [pdf](#)**Introduced:** 2/22/2019**Status:** 2/25/2019-Read first time.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Current law provides for the establishment and operations of various water districts. This bill would specifically authorize a water district, as defined, that supplies potable water to enter into a contract with a Native American tribe to receive water deliveries from an infrastructure project on tribal lands.

Position: Watch

Subject: Municipal Services, Water

[SB 99](#) (Nielsen R) Agricultural land.

Current Text: Introduced: 1/10/2019 [html](#) [pdf](#)

Introduced: 1/10/2019

Status: 1/24/2019-Referred to Com. on RLS.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

The California Land Conservation Act of 1965, also known as the Williamson Act, authorizes a city or county to contract with a landowner to limit the use of agricultural land located in an agricultural preserve designated by the city or county. Current law requires the Department of Conservation to submit a report to the Legislature on or before May 1 of every other year regarding the implementation of the Williamson Act. This bill would make nonsubstantive changes to that provision.

Position: Watch

Subject: Ag Preservation - Williamson

CALAFCO Comments: This is a spot bill.

[SB 379](#) (Committee on Governance and Finance) Validations.

Current Text: Introduced: 2/20/2019 [html](#) [pdf](#)

Introduced: 2/20/2019

Status: 2/28/2019-Referred to Com. on GOV. & F.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

This bill would enact the First Validating Act of 2019, which would validate the organization, boundaries, acts, proceedings, and bonds of the state and counties, cities, and specified districts, agencies, and entities.

Position: Watch

Subject: LAFCo Administration

CALAFCO Comments: This is one of three annual validating acts.

[SB 380](#) (Committee on Governance and Finance) Validations.

Current Text: Introduced: 2/20/2019 [html](#) [pdf](#)

Introduced: 2/20/2019

Status: 2/28/2019-Referred to Com. on GOV. & F.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

This bill would enact the Second Validating Act of 2019, which would validate the organization, boundaries, acts, proceedings, and bonds of the state and counties, cities, and specified districts, agencies, and entities.

Position: Watch

Subject: LAFCo Administration

CALAFCO Comments: This is one of three annual validating acts.

[SB 381](#) (Committee on Governance and Finance) Validations.

Current Text: Introduced: 2/20/2019 [html](#) [pdf](#)

Introduced: 2/20/2019

Status: 2/28/2019-Referred to Com. on GOV. & F.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

This bill would enact the Third Validating Act of 2019, which would validate the organization, boundaries, acts, proceedings, and bonds of the state and counties, cities, and specified districts, agencies, and entities.

Position: Watch

Subject: LAFCo Administration

CALAFCO Comments: This is one of three annual validating acts.

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AB 530 (**Aguiar-Curry D**) **The Fairfield-Suisun Sewer District.**

Current Text: Introduced: 2/13/2019 [html](#) [pdf](#)

Introduced: 2/13/2019

Status: 2/21/2019-Referred to Com. on L. GOV.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

The Fairfield-Suisun Sewer District Act creates the Fairfield-Suisun Sewer District and grants to the district various powers relating to the treatment and disposal of sewage. The act provides for the election of a board of directors for the district and administrative procedures for the operation of the district. This bill would make various administrative changes to the act, including removing the requirement that the district appoint a clerk and changing the posting requirements for regulations.

Position: Watch

Subject: Special District Powers, Special Districts Governance

CALAFCO Comments: This bill makes administrative changes to this special act district. It also allows for an extension of service pursuant to 56133 (keeping that LAFCo process intact).

AB 648 (**Nazarian D**) **Healthcare.**

Current Text: Introduced: 2/15/2019 [html](#) [pdf](#)

Introduced: 2/15/2019

Status: 2/19/2019-From printer. May be heard in committee March 21.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Current law, the Knox-Keene Health Care Service Plan Act of 1975, provides for the licensure and regulation of health care service plans by the Department of Managed Health Care. Current law also provides for the regulation of health insurers by the Department of Insurance. This bill would express the Legislature's intent to enact legislation to improve access to healthcare services for the residents of this state.

Position: Watch

CALAFCO Comments: This is a spot bill.

AB 798 (**Cervantes D**) **Mosquito abatement: vector control districts.**

Current Text: Introduced: 2/20/2019 [html](#) [pdf](#)

Introduced: 2/20/2019

Status: 2/21/2019-From printer. May be heard in committee March 23.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

The Mosquito Abatement and Vector Control District Law specifies the procedures for district formation, procedures for the selection of the district board of trustees and officers, and the powers and duties of the board. Under existing law, the term of office for a member of the board of trustees is a term of 2 or 4 years, at the discretion of the appointing authority. Existing law specifies the procedure to fill a vacancy in the office of a member appointed to a board of trustees and requires that the person appointed to fill the vacancy fill the balance of the unexpired term. This bill would make technical, nonsubstantive changes to those provisions governing the term of office.

Position: Watch

CALAFCO Comments: This is a spot bill pertaining to vector control districts.

AB 881 (**Bloom D**) **Accessory dwelling units.**

Current Text: Introduced: 2/20/2019 [html](#) [pdf](#)

Introduced: 2/20/2019

Status: 3/4/2019-Referred to Coms. on H. & C.D. and L. GOV.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered

1st House	2nd House	Conc.		
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Summary:

The Planning and Zoning Law provides for the creation of accessory dwelling units by local ordinance, or, if a local agency has not adopted an ordinance, by ministerial approval, in accordance with specified standards and conditions. Current law requires the ordinance to designate areas where accessory dwelling units may be permitted and authorizes the designated areas to be based on criteria that includes, but is not limited to, the adequacy of water and sewer services and the impact of accessory dwelling units on traffic flow and public safety. This bill would instead require a local agency to designate these areas based on the adequacy of water and sewer services and the impact of accessory dwelling units on traffic flow and public safety.

Position: Watch

Subject: Housing

AB 1053 (Dahle R) Fallen Leaf Lake Community Service District.

Current Text: Introduced: 2/21/2019 [html](#) [pdf](#)

Introduced: 2/21/2019

Status: 2/22/2019-From printer. May be heard in committee March 24.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

The Community Services District Law generally provides for the formation of community service districts that have specified general powers, including, among others, the power to adopt ordinances or enter into and perform contracts, in order to provide specified services authorized under that law. This bill would state the intent of the Legislature to enact legislation addressing any recommendations in the California State Auditor’s audit of the Fallen Leaf Lake Community Services District, as requested by the Joint Legislative Audit Committee in August 2018.

Position: Watch

CALAFCO Comments: CALAFCO will watch this bill to determine if the outcome of the State Audit on this district will have an impact on all CSDs.

AB 1389 (Eggman D) Special districts: change of organization: mitigation of revenue loss.

Current Text: Introduced: 2/22/2019 [html](#) [pdf](#)

Introduced: 2/22/2019

Status: 2/25/2019-Read first time.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Would authorize the commission to propose, as part of the review and approval of a proposal for the establishment of new or different functions or class of services, or the divestiture of the power to provide particular functions or class of services, within all or part of the jurisdictional boundaries of a special district, that the special district, to mitigate any loss of property taxes, franchise fees, and other revenues to any other affected local agency, provide payments to the affected local agency from the revenue derived from the proposed exercise of new or different functions or classes of service.

Position: Watch

Subject: CKH General Procedures

SB 654 (Moorlach R) Local government: planning.

Current Text: Introduced: 2/22/2019 [html](#) [pdf](#)

Introduced: 2/22/2019

Status: 2/25/2019-From printer. May be acted upon on or after March 27. Read first time.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Current law, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, makes certain findings and declarations relating to local government organizations, including, among other things, the encouragement of orderly growth and development, and the logical formation and modification of the boundaries of local agencies, as specified. This bill would make nonsubstantive changes to these findings and declarations.

Position: Watch

CALAFCO Comments: This is a spot bill. The author indicates he has no plans to use this for LAFCo law.

SB 780 (Committee on Governance and Finance) Local Government Omnibus Act of 2019.

Current Text: Introduced: 2/28/2019 [html](#) [pdf](#)

Introduced: 2/28/2019

Status: 3/1/2019-From printer. May be acted upon on or after March 31.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary:

Current law requires the governing body of a public agency, within 70 days after the commencement of the agency’s legal existence, to file with the Secretary of State, on a form prescribed by the secretary, and also with the county clerk of each county in which the public agency maintains an office, a specified statement of facts about the agency. Current law requires this information to be updated within 10 days of a change in it. Current law requires the Secretary of State and each county clerk to establish and maintain an indexed Roster of Public Agencies that contains this information. This bill would instead require the Secretary of State and each county clerk to establish and maintain an indexed Registry of Public Agencies containing the above-described information.

Position: Watch

CALAFCO Comments: This is the Senate Governance & Finance Committee's annual Omnibus bill.

Total Measures: 19

Total Tracking Forms: 19

3/11/2019 11:16:24 AM



xx, 2019

The Honorable Eloise Gómez Reyes
California State Assembly
State Capital Room 2175
Sacramento, CA 95814

Subject: Support of AB 213

Dear Assembly Member Reyes:

The San Mateo Local Agency Formation Commission (LAFCo) is pleased to support **Assembly Bill 213**. As you know, the Legislature created LAFCos to discourage urban sprawl and encourage the orderly growth and development of local government agencies. A primary mission for LAFCos is to encourage annexation of urbanized unincorporated areas to cities. Passage of SB 89 in 2011, eliminated revenues that annexing cities historically received to the detriment of city services and the residents they serve. AB 213 would restore funding to approximately 140 cities that have annexed inhabited territory with the expectation that revenue sources beyond property tax would fund the transfer of service responsibility upon annexation. AB 213 would guarantee these same revenues to support future annexations of inhabited territory to improve services to affected residents consistent with state LAFCo policies.

The VLF gap created by SB 89, one of the 2011 budget bills, created a financial disincentive for future city incorporations and annexations of inhabited territory counter to State policies encouraging annexation of urbanized areas. Further, it created severe fiscal penalties for those communities which chose to annex inhabited territories, particularly unincorporated islands. In several previous legislative acts the Legislature had directed LAFCos to work with cities to annex unincorporated inhabited islands. The loss of financial incentive for these inhabited annexations has made it difficult for LAFCos to follow this legislative directive.

In San Mateo County there are eighteen unincorporated neighborhoods located throughout the county that would be more efficiently served by cities. LAFCo is actively working to promote annexation of several of these areas but efforts are stymied by lack of incentives for cities to assume services.

COMMISSIONERS: ANN DRAPER, CHAIR, PUBLIC ▪ JOSHUA COSGROVE, VICE CHAIR, SPECIAL DISTRICT ▪ RICH GARBARINO, City ▪ DON HORSLEY, COUNTY ▪ MIKE O'NEILL, CITY ▪ WARREN SLOCUM, County ▪ RIC LOHMAN, SPECIAL DISTRICT

ALTERNATES: KATI MARTIN, SPECIAL DISTRICT ▪ HARVEY RARBACK, CITY ▪ JAMES O'NEILL, PUBLIC ▪ DAVE PINE, COUNTY

STAFF: MARTHA POYATOS, EXECUTIVE OFFICER ▪ REBECCA ARCHER, LEGAL COUNSEL ▪ ROB BARTOLI, MANAGEMENT ANALYST

The Honorable Eloise Gómez Reyes, Assemblymember

March 8, 2019

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Reinstating revenues for annexations is consistent with the legislative intent that created LAFcos and statewide LAFco legislative policies of providing communities with local governance and efficient service delivery options, including the ability to annex. The inability to do so creates a tremendous detriment to the creation of logical development boundaries and to the prevention of urban sprawl. Because **AB 213** reinstates a critical funding component to cities who previously annexed inhabited territory and did so relying on this financing, and to those cities who annex inhabited territory in the future, San Mateo LAFco supports this bill.

Thank you for carrying this important legislation. Please do not hesitate to contact me with any questions you may have on our position.

Sincerely,

Martha Poyatos
Executive Officer

Cc: Pamela Miller, Executive Director, CALAFco
Dan Carrigg, Deputy Executive Director and Legislative Director, League of CA Cities
Senator Scott Weiner, District 11
Senator Jerry Hill, District 13
Assembly Member Phil Ting, District 19
Assembly Member Kevin Mullin, District 22
Assembly Member Marc Berman, District 24

Date Published: 01/15/2019 09:00 PM

CALIFORNIA LEGISLATURE— 2019–2020 REGULAR SESSION

ASSEMBLY BILL**No. 213**

**Introduced by Assembly Member Reyes
(Principal coauthors: Assembly Members Chu, Obernolte, Rodriguez, and Waldron)**

January 15, 2019

An act to amend Section 97.70 of the Revenue and Taxation Code, relating to local government finance.

LEGISLATIVE COUNSEL'S DIGEST

AB 213, as introduced, Reyes. Local government finance: property tax revenue allocations: vehicle license fee adjustments.

Existing property tax law requires the county auditor, in each fiscal year, to allocate property tax revenue to local jurisdictions in accordance with specified formulas and procedures, and generally provides that each jurisdiction be allocated an amount equal to the total of the amount of revenue allocated to that jurisdiction in the prior fiscal year, subject to certain modifications, and that jurisdiction's portion of the annual tax increment, as defined.

Existing property tax law also requires that, for purposes of determining property tax revenue allocations in each county for the 1992–93 and 1993–94 fiscal years, the amounts of property tax revenue deemed allocated in the prior fiscal year to the county, cities, and special districts be reduced in accordance with certain formulas. It requires that the revenues not allocated to the county, cities, and special districts as a result of these reductions be transferred to the Educational Revenue Augmentation Fund in that county for allocation to school districts, community college districts, and the county office of education.

Beginning with the 2004–05 fiscal year and for each fiscal year thereafter, existing law requires that each city, county, and city and county receive additional property tax revenues in the form of a vehicle license fee adjustment amount, as defined, from a Vehicle License Fee Property Tax Compensation Fund that exists in each county treasury. Existing law requires that these additional allocations be funded from ad valorem property tax revenues otherwise required to be allocated to educational entities. Existing law, for the 2006–07 fiscal year, and for each fiscal year thereafter, requires the vehicle license fee adjustment amount to be the sum of the vehicle license fee adjustment amount for the prior fiscal year, if specified provisions did not apply, and the product of that sum and the percentage change from the prior fiscal year in the gross taxable valuation within the jurisdiction of the entity. Existing law establishes a separate vehicle license fee adjustment amount for a city that was incorporated after January 1, 2004, or on or before January 1, 2012.

This bill, for the 2019–20 fiscal year, would instead require the vehicle license fee adjustment amount to be the sum of the vehicle license fee adjustment amount in the 2018–19 fiscal year, the product of that sum and the percentage change in gross taxable assessed valuation within the jurisdiction of that entity between the 2018–19 fiscal year to the 2018–19 fiscal year, and the product of the amount of specified motor vehicle license fee revenues that the Controller allocated to the applicable city in July 2010 and 1.17. This bill, for the 2020–21 fiscal year, and for each fiscal year thereafter, would require the vehicle license fee adjustment amount to be the sum of the vehicle license fee adjustment amount for the prior fiscal year and the product of the amount as so

described and the percentage change from the prior fiscal year in gross taxable assessed valuation within the jurisdiction of the entity.

By imposing additional duties upon local tax officials with respect to the allocation of ad valorem property tax revenues, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: yes

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 97.70 of the Revenue and Taxation Code is amended to read:

97.70. Notwithstanding any other law, for the 2004–05 fiscal year and for each fiscal year thereafter, all of the following apply:

(a) (1) (A) The auditor shall reduce the total amount of ad valorem property tax revenue that is otherwise required to be allocated to a county's Educational Revenue Augmentation Fund by the countywide vehicle license fee adjustment amount.

(B) If, for the fiscal year, after complying with Section 97.68 there is not enough ad valorem property tax revenue that is otherwise required to be allocated to a county Educational Revenue Augmentation Fund for the auditor to complete the allocation reduction required by subparagraph (A), the auditor shall additionally reduce the total amount of ad valorem property tax revenue that is otherwise required to be allocated to all school districts and community college districts in the county for that fiscal year by an amount equal to the difference between the countywide vehicle license fee adjustment amount and the amount of ad valorem property tax revenue that is otherwise required to be allocated to the county Educational Revenue Augmentation Fund for that fiscal year. This reduction for each school district and community college district in the county shall be the percentage share of the total reduction that is equal to the proportion that the total amount of ad valorem property tax revenue that is otherwise required to be allocated to the school district or community college district bears to the total amount of ad valorem property tax revenue that is otherwise required to be allocated to all school districts and community college districts in a county. For purposes of this subparagraph, "school districts" and "community college districts" do not include any districts that are excess tax school entities, as defined in Section 95.

(2) The countywide vehicle license fee adjustment amount shall be allocated to the Vehicle License Fee Property Tax Compensation Fund that shall be established in the treasury of each county.

(b) (1) The auditor shall allocate moneys in the Vehicle License Fee Property Tax Compensation Fund according to the following:

(A) Each city in the county shall receive its vehicle license fee adjustment amount.

(B) Each county and city and county shall receive its vehicle license fee adjustment amount.

(2) The auditor shall allocate one-half of the amount specified in paragraph (1) on or before January 31 of each fiscal year, and the other one-half on or before May 31 of each fiscal year.

(c) For purposes of this section, all of the following apply:

(1) "Vehicle license fee adjustment amount" for a particular city, county, or a city and county means, subject to an adjustment under paragraph (2) and Section 97.71, all of the following:

(A) For the 2004–05 fiscal year, an amount equal to the difference between the following two amounts:

(i) The estimated total amount of revenue that would have been deposited to the credit of the Motor Vehicle License Fee Account in the Transportation Tax Fund, including any amounts that would have been certified to the

Controller by the auditor of the County of Ventura under subdivision (j) of Section 98.02, as that section read on January 1, 2004, for distribution under the law as it read on January 1, 2004, to the county, city and county, or city for the 2004–05 fiscal year if the fee otherwise due under the Vehicle License Fee Law (Part 5 (commencing with Section 10701) of Division 2) was 2 percent of the market value of a vehicle, as specified in Sections 10752 and 10752.1 as those sections read on January 1, 2004.

(ii) The estimated total amount of revenue that is required to be distributed from the Motor Vehicle License Fee Account in the Transportation Tax Fund to the county, city and county, and each city in the county for the 2004–05 fiscal year under Section 11005, as that section read on the operative date of the act that amended this clause.

(B) (i) Subject to an adjustment under clause (ii), for the 2005–06 fiscal year, the sum of the following two amounts:

(I) The difference between the following two amounts:

(ia) The actual total amount of revenue that would have been deposited to the credit of the Motor Vehicle License Fee Account in the Transportation Tax Fund, including any amounts that would have been certified to the Controller by the auditor of the County of Ventura under subdivision (j) of Section 98.02, as that section read on January 1, 2004, for distribution under the law as it read on January 1, 2004, to the county, city and county, or city for the 2004–05 fiscal year if the fee otherwise due under the Vehicle License Fee Law (Part 5 (commencing with Section 10701) of Division 2) was 2 percent of the market value of a vehicle, as specified in Sections 10752 and 10752.1 as those sections read on January 1, 2004.

(ib) The actual total amount of revenue that was distributed from the Motor Vehicle License Fee Account in the Transportation Tax Fund to the county, city and county, and each city in the county for the 2004–05 fiscal year under Section 11005, as that section read on the operative date of the act that amended this subclause.

(II) The product of the following two amounts:

(ia) The amount described in subclause (I).

(ib) The percentage change from the prior fiscal year to the current fiscal year in gross taxable assessed valuation within the jurisdiction of the entity, as reflected in the equalized assessment roll for those fiscal years. For the first fiscal year for which a change in a city's jurisdictional boundaries first applies, the percentage change in gross taxable assessed valuation from the prior fiscal year to the current fiscal year shall be calculated solely on the basis of the city's previous jurisdictional boundaries, without regard to the change in that city's jurisdictional boundaries. For each following fiscal year, the percentage change in gross taxable assessed valuation from the prior fiscal year to the current fiscal year shall be calculated on the basis of the city's current jurisdictional boundaries.

(ii) The amount described in clause (i) shall be adjusted as follows:

(I) If the amount described in subclause (I) of clause (i) for a particular city, county, or city and county is greater than the amount described in subparagraph (A) for that city, county, or city and county, the amount described in clause (i) shall be increased by an amount equal to this difference.

(II) If the amount described in subclause (I) of clause (i) for a particular city, county, or city and county is less than the amount described in subparagraph (A) for that city, county, or city and county, the amount described in clause (i) shall be decreased by an amount equal to this difference.

(C) For the 2006–07 fiscal year and ~~for each until the 2018–19 fiscal year thereafter, year, inclusive,~~ the sum of the following two amounts:

(i) The vehicle license fee adjustment amount for the prior fiscal year, if Section 97.71 and clause (ii) of subparagraph (B) did not apply for that fiscal year, for that city, county, and city and county.

(ii) The product of the following two amounts:

(I) The amount described in clause (i).

(II) The percentage change from the prior fiscal year to the current fiscal year in gross taxable assessed valuation within the jurisdiction of the entity, as reflected in the equalized assessment roll for those fiscal years. For the first fiscal year for which a change in a city's jurisdictional boundaries first applies, the percentage change in gross taxable assessed valuation from the prior fiscal year to the current fiscal year shall be calculated

solely on the basis of the city's previous jurisdictional boundaries, without regard to the change in that city's jurisdictional boundaries. For each following fiscal year, the percentage change in gross taxable assessed valuation from the prior fiscal year to the current fiscal year shall be calculated on the basis of the city's current jurisdictional boundaries.

(D) For the 2019–20 fiscal year, the sum of the following three amounts:

(i) The vehicle license fee adjustment amount for the 2018–19 fiscal year.

(ii) The product of the following two amounts:

(I) The amount described in clause (i).

(II) The percentage change from the 2018–19 fiscal year to the 2019–20 fiscal year in gross taxable assessed valuation within the jurisdiction of the entity, as reflected in the equalized assessment roll for those fiscal years.

(iii) The product of the following two amounts:

(I) The amount that was allocated in July 2010 by the Controller to the city pursuant to subdivision (d) of Section 11005, as that section read on July 1, 2010.

(II) 1.17.

(E) For the 2020–21 fiscal year, and for each fiscal year thereafter, the sum of the following two amounts:

(i) The vehicle license fee adjustment amount for the prior fiscal year.

(ii) The product of the following two amounts:

(I) The vehicle license fee adjustment amount for the prior fiscal year.

(II) The percentage change from the prior fiscal year to the current fiscal year in gross taxable assessed valuation within the jurisdiction of the entity, as reflected in the equalized assessment role for those fiscal years.

(2) Notwithstanding paragraph (1), "vehicle license fee adjustment amount," for a city incorporating after January 1, 2004, and on or before January 1, 2012, means the following:

(A) For the 2017–18 fiscal year, the quotient derived from the following fraction:

(i) The numerator is the product of the following two amounts:

(I) The sum of the most recent vehicle license fee adjustment amounts determined for all cities in the county.

(II) The population of the incorporating city.

(ii) The denominator is the sum of the populations of all cities in the county.

(B) For the 2018–19 fiscal year, and for each fiscal year thereafter, the sum of the following two amounts:

(i) The vehicle license fee adjustment amount for the prior fiscal year.

(ii) The product of the following two amounts:

(I) The amount described in clause (i).

(II) The percentage change from the prior fiscal year to the current fiscal year in gross taxable assessed valuation within the jurisdiction of the entity, as reflected in the equalized assessment roll for those fiscal years.

(3) For the 2013–14 fiscal year, the vehicle license fee adjustment amount that is determined under subparagraph (C) of paragraph (1) for the County of Orange shall be increased by fifty-three million dollars (\$53,000,000). For the 2014–15 fiscal year and each fiscal year thereafter, the calculation of the vehicle license fee adjustment amount for the County of Orange under ~~subparagraph (C)~~ *subparagraphs (C), (D), and (E)* of paragraph (1) shall be based on a prior fiscal year amount that reflects the full amount of this one-time increase of fifty-three million dollars (\$53,000,000).

(4) "Countywide vehicle license fee adjustment amount" means, for any fiscal year, the total sum of the amounts described in paragraphs (1), (2), and (3) for a county or city and county, and each city in the county.

(5) On or before June 30 of each fiscal year, the auditor shall report to the Controller the vehicle license fee adjustment amount for the county and each city in the county for that fiscal year.

(d) For the 2005–06 fiscal year and each fiscal year thereafter, the amounts determined under subdivision (a) of Section 96.1, or any successor to that provision, shall not reflect, for a preceding fiscal year, any portion of any allocation required by this section.

(e) For purposes of Section 15 of Article XI of the California Constitution, the allocations from a Vehicle License Fee Property Tax Compensation Fund constitute successor taxes that are otherwise required to be allocated to counties and cities, and as successor taxes, the obligation to make those transfers as required by this section shall not be extinguished nor disregarded in any manner that adversely affects the security of, or the ability of, a county or city to pay the principal and interest on any debts or obligations that were funded or secured by that city's or county's allocated share of motor vehicle license fee revenues.

(f) This section shall not be construed to do any of the following:

(1) Reduce any allocations of excess, additional, or remaining funds that would otherwise have been allocated to county superintendents of schools, cities, counties, and cities and counties pursuant to clause (i) of subparagraph (B) of paragraph (4) of subdivision (d) of Sections 97.2 and 97.3 or Article 4 (commencing with Section 98) had this section not been enacted. The allocations required by this section shall be adjusted to comply with this paragraph.

(2) Require an increased ad valorem property tax revenue allocation or increased tax increment allocation to a community redevelopment agency.

(3) Alter the manner in which ad valorem property tax revenue growth from fiscal year to fiscal year is otherwise determined or allocated in a county.

(4) Reduce ad valorem property tax revenue allocations required under Article 4 (commencing with Section 98).

(g) Tax exchange or revenue sharing agreements, entered into prior to the operative date of this section, between local agencies or between local agencies and nonlocal agencies are deemed to be modified to account for the reduced vehicle license fee revenues resulting from the act that added this section. These agreements are modified in that these reduced revenues are, in kind and in lieu thereof, replaced with ad valorem property tax revenue from a Vehicle License Fee Property Tax Compensation Fund or an Educational Revenue Augmentation Fund.

SEC. 2. If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.



LOCAL AGENCY FORMATION COMMISSION

455 COUNTY CENTER, 2ND FLOOR • REDWOOD CITY, CA 94063-1663 • PHONE (650) 363-4224 • FAX (650) 363-4849

xx, 2019

The Honorable Robert Rivas
California State Assembly
State Capital Room 5158
Sacramento, CA 95814

Subject: *Support of AB 1253*

Dear Assemblymember Rivas:

The San Mateo Local Agency Formation Commission (LAFCo) is pleased to join the California Association of Local Agency Formation Commissions (CALAFCO) in support for **Assembly Bill 1253**. Sponsored by CALAFCO, the bill establishes a five-year pilot grant program to provide grants to LAFCos to address known service and governance concerns in disadvantaged communities. This program provides grants to LAFCos for conducting special in-depth studies and analyses of local government agencies and services for the purposes of creating improved efficiencies in the delivery of local government services and completing the dissolution of inactive special districts. The grant program would be administered by the Strategic Growth Council and sunset on December 31, 2025.

The Legislature established LAFCos in 1963 to encourage the orderly formation of local government agencies. Since that time, the regulatory role and responsibilities of LAFCos has substantially increased without additional funding. Operating in all 58 California counties, LAFCos are responsible for meeting important statutory directives to maintain orderly boundaries and seek greater efficiencies in delivering local services, and yet these directives often times cannot be met under current funding mechanisms. As a result, much needed LAFCo activities are sometimes delayed or rejected.

In August 2017, the Little Hoover Commission published a report on special districts and their oversight by LAFCos, which contained several recommendations directly related to LAFCo. One recommendation was for the Legislature to provide one-time grant funding to pay for specified LAFCo activities, particularly to incentivize LAFCos or smaller special

COMMISSIONERS: ANN DRAPER, CHAIR, PUBLIC ▪ JOSHUA COSGROVE, VICE CHAIR, SPECIAL DISTRICT ▪ RICH GARBARINO, City ▪ DON HORSLEY, COUNTY ▪ MIKE O'NEILL, CITY ▪ WARREN SLOCUM, County ▪ RIC LOHMAN, SPECIAL DISTRICT

ALTERNATES: KATI MARTIN, SPECIAL DISTRICT ▪ HARVEY RARBACK, CITY ▪ JAMES O'NEILL, PUBLIC ▪ DAVE PINE, COUNTY

STAFF: MARTHA POYATOS, EXECUTIVE OFFICER ▪ REBECCA ARCHER, LEGAL COUNSEL ▪ ROB BARTOLI, MANAGEMENT ANALYST

The Honorable Robert Rivas, Assemblymember

March 8, 2019

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districts to develop and implement dissolution or consolidation plans with timelines for expected outcomes.

By establishing this one-time grant funding, **AB 1253** provides an additional tool for LAFCOs to address longstanding service and governance concerns in disadvantaged communities by conducting detailed studies to identify solutions for delivering essential local services. For these reasons, San Mateo LAFCo is pleased to support **AB 1253**.

Thank you for authoring this important piece of legislation. Please feel free to contact me should you have any questions about San Mateo LAFCo's position.

Sincerely yours,

Martha Poyatos
Executive Officer

Cc: Senator Robert Hertzberg, co-author
Senator Anna Caballero, co-author
Pamela Miller, Executive Director, CALAFCO
Senator Scott Weiner, District 11
Senator Jerry Hill, District 13
Assembly Member Phil Ting, District 19
Assembly Member Kevin Mullin, District 22
Assembly Member Marc Berman, District 24

Date Published: 02/22/2019 04:00 AM

CALIFORNIA LEGISLATURE— 2019–2020 REGULAR SESSION

ASSEMBLY BILL**No. 1253****Introduced by Assembly Member Robert Rivas
(Coauthors: Senators Caballero and Hertzberg)****February 21, 2019**

An act to add and repeal Section 75131 of the Public Resources Code, relating to local government.

LEGISLATIVE COUNSEL'S DIGEST

AB 1253, as introduced, Robert Rivas. Local agency formation commissions: grant program.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 provides the exclusive authority and procedure for the initiation, conduct, and completion of changes of organization and reorganization for special districts, as specified. The act requires a local agency formation commission in each county to encourage the orderly formation and development of local agencies based upon local conditions and circumstances, among other things.

Existing law also establishes the Strategic Growth Council in state government and assigns to the council certain duties, including providing, funding, and distributing data and information to local governments and regional agencies that will assist in the development and planning of sustainable communities.

This bill would require the Strategic Growth Council, until July 31, 2025, to establish and administer a local agency formation commissions grant program for the payment of costs associated with initiating and completing the dissolution of districts listed as inactive, the payment of costs associated with a study of the services provided within a county by a public agency to a disadvantaged community, as defined, and for other specified purposes, including the initiation of an action, as defined, that is limited to service providers serving a disadvantaged community and is based on determinations found in the study, as approved by the commission. The bill would specify application submission, reimbursement, and reporting requirements for a local agency formation commission to receive grants pursuant to the bill. The bill would require the council, after consulting with the California Association of Local Agency Formation Commissions, to develop and adopt guidelines, timelines, and application and reporting criteria for development and implementation of the program, as specified, and would exempt these guidelines, timelines, and criteria from the rulemaking provisions of the Administrative Procedure Act. The bill would make the grant program subject to an appropriation for the program in the annual Budget Act, and would repeal these provisions on January 1, 2026.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. The Legislature hereby finds and declares:

(a) Local agency formation commissions play a critical role in the logical formation of local agency boundaries, the promotion of orderly development, and the efficient and effective provision of services.

(b) It is the intent of the Legislature in adding Section 75131 to the Public Resources Code to assist local agency formation commissions in initiating studies of existing government agencies and their provision of services and to consider action based on the results of these studies, including dissolving inactive districts, for the purpose of creating streamlined local government services and improved efficiency in service delivery.

SEC. 2. Section 75131 is added to the Public Resources Code, to read:

75131. (a) (1) The council shall establish and administer a local agency formation commissions grant program for the purposes described in subdivision (b), subject to an appropriation for this program in the annual Budget Act.

(2) Program funds provided to participating local agency formation commissions shall be used to supplement, and not supplant, existing funding and staffing levels.

(3) Program funds provided to participating local agency formation commissions shall not be used to conduct a service review of municipal services pursuant to Section 56430 of the Government Code.

(4) All local agency formation commissions shall be eligible to participate in the program.

(5) The council shall, after consulting with the California Association of Local Agency Formation Commissions (CALAFCO), adopt guidelines, timelines, and application and reporting criteria for development and implementation of the program to serve the purposes of this section and mutually meet the needs of the council and the CALAFCO.

(6) The council, in granting funds pursuant to the program, shall give preference to a local agency formation commission whose decisions are consistent with the goals of the sustainable communities strategy adopted pursuant to Section 65080 of the Government Code.

(b) The council shall award grants to local agency formation commissions for any of the following purposes:

(1) The payment of costs associated with initiating and completing the dissolution of a special district that is listed by the Controller as inactive pursuant to Section 56879 of the Government Code.

(2) The payment of costs associated with a study prepared pursuant to Section 56378 of the Government Code of the services provided within a county by a public agency to a disadvantaged community to do either or both of the following:

(A) Identify if there are any efficiencies to be gained in the provision of services.

(B) Determine what alternatives, if any, exist for improving efficiency and affordability of infrastructure and service delivery.

(3) The payment of costs to do any of the following:

(A) Initiate an action described in paragraph (2) of subdivision (a) of Section 56375, other than the dissolution of a special district that is listed by the Controller as inactive pursuant to Section 56879 of the Government Code, that is limited to service providers serving a disadvantaged community and is based on determinations found in a study prepared pursuant to Section 56378 of the Government Code, as approved by the commission.

(B) Develop and implement reorganization plans with timelines for expected outcomes.

(C) Incentivize service providers to work with the local agency formation commission to develop and implement reorganization plans with timelines for expected outcomes.

(c) (1) In order to obtain a grant award pursuant to paragraph (1) of subdivision (b), a local agency formation commission shall submit to the council an application for reimbursement of the costs of the dissolution proceedings, in the form and manner specified by the council. At a minimum, the application shall include all of the following:

(A) The notification provided to the commission by the Controller of the inactive district(s) and the requirement to initiate dissolution proceedings.

(B) A full budget accounting for costs of the dissolution.

(C) All reports and documents pertaining to the final dissolution action.

(2) The council shall review the application for reimbursement and, provided all documentation is in order, issue reimbursement to the local agency formation commission within 60 days of receipt of the application.

(d) (1) In order to obtain a grant award pursuant to paragraph (2) of subdivision (b) for purposes of conducting a study, a local agency formation commission shall submit to the council an application, in the form and manner specified by the council. At a minimum, the application shall include all of the following:

(A) A resolution adopted by the commission authorizing submission of the grant application and a commitment to review and consider the recommendations and potential actions contained in the study.

(B) A full budget accounting for estimated costs of the study to be performed.

(C) A full explanation of the reason for the study.

(D) The most recent completed municipal service review or study in which determinations were made by the local agency formation commission indicating the agency to be studied is a candidate for a change of organization or reorganization.

(E) An identification of the disadvantaged community that is expected to benefit from the study.

(2) The council shall review the applications submitted pursuant to paragraph (1), select the program participants based on criteria that furthers the purposes of this section, and notify the participants of their selection within two months of receiving the application. Funds shall be issued by the council to the local agency formation commission within 60 days of notification.

(3) A local agency formation commission that receives a grant pursuant to paragraph (2) of subdivision (b) shall commence the study within 30 days of receipt of funding and shall complete the study within two years of commencing the study. Upon completion of the study, the local agency formation commission shall do all of the following:

(A) Submit to the council a final report within 30 days of the completion of the study and the commission's adoption of a resolution making determinations. The report shall be in the form and manner specified by the council. At a minimum, the report shall include all of the following:

(i) The full study conducted.

(ii) The resolution making determinations as adopted by the local agency formation commission.

(iii) A full budget accounting report of the funds used.

(iv) A reimbursement of any unexpended funds.

(v) The local agency formation commission's plan for future action based on the study's conclusions.

(B) Upon the request of the council, participating local agency formation commissions shall provide the council with any supplemental information necessary to substantiate the information contained in the report submitted pursuant to this subdivision.

(4) A local agency formation commission shall repay the entire amount of the grant awarded pursuant to this subdivision to the council if the study funded pursuant to this subdivision is not completed within two years of receipt of the grant funds. The local agency formation commission shall make this repayment within 30 days from the two-year anniversary of receipt of the grant funds.

(e) (1) A local agency formation commission that elects to apply for a grant pursuant to paragraph (3) of subdivision (b) shall submit to the council an application, in the form and manner specified by the council. At a minimum, the application shall include all of the following:

(A) A resolution adopted by the commission authorizing submission of the application for purposes defined in the application.

(B) Change of organization or reorganization plans with timelines for expected outcomes.

(C) A full budget accounting for estimated costs of the action to be performed.

(D) The most recent completed study in which determinations were made by the local agency formation commission indicating the agency should be reorganized or dissolved, or, if there exists a municipal services

review or study with like determinations that is no more than five years old.

(E) An identification of the disadvantaged community that is expected to benefit from the action.

(2) The council shall review the applications submitted pursuant to paragraph (3) of subdivision (b), select the program participants based on criteria that furthers the purposes of this section, and notify the participants of their selection within two months of receiving the application. Funds shall be issued by the council to the local agency formation commission within 60 days of notification.

(3) A local agency formation commission that receives funds pursuant to paragraph (3) of subdivision (b) shall commence action within 30 days of receipt of funding.

(4) A local agency formation commission that receives funds pursuant to paragraph (3) of subdivision (b) shall hold a public hearing to consider the action described in paragraph (2) of subdivision (a) of Section 56375, except the dissolution of a special district that is listed by the Controller as inactive pursuant to Section 56879 of the Government Code. If the action is approved by a local agency formation commission, that local agency formation commission shall order the change of organization or reorganization subject to Section 57075 of the Government Code, except that the level of protest necessary to require an election for confirmation by the registered voters residing within the affected territory shall be determined by the corresponding percentage of registered voters or land owners required to qualify a recall on the ballot pursuant to subdivision (a) or (d), as appropriate, of Section 11221 of the Elections Code. The calculation of registered voters shall be made pursuant to subdivision (b) of that section. Upon completion of the change of organization or reorganization, the local agency formation commission that receives funds pursuant to paragraph (3) of subdivision (b) shall do both of the following:

(A) Submit to the council a final report within 30 days of the final action. The report shall be in the form and manner specified by the council. At a minimum, the report shall include all of the following:

- (i) The final action taken by the local agency formation commission.
- (ii) If proceedings were terminated as a result of protest, all necessary information pertinent to support that fact.
- (iii) All reports and documents pertaining to the final action or protest action.
- (iv) A full budget accounting report of the funds used.
- (v) The reimbursement of any unexpended funds.

(B) Upon the request of the council, the participating local agency formation commission shall provide the council with any supplemental information necessary to substantiate the information contained in the report submitted pursuant to this subdivision.

(f) The Legislature finds and declares that there is a compelling public interest in allowing the council to implement and administer this section as expeditiously as possible, and to thereby accelerate local agency formation commission efforts. The guidelines, timelines, and application and reporting criteria adopted by the council for purposes of this section shall be exempt from the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) for the purpose of carrying out the duties enumerated in this section.

(g) For the purposes of this section, the following terms shall apply:

(1) "Disadvantaged community" means a community with an annual median household income that is less than 80 percent of the statewide annual median household income.

(2) "Local agency formation commission" means a local agency formation commission that operates in a county pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Division 3 (commencing with Section 56000) of Title 5 of the Government Code).

(h) This section shall not be interpreted to effect the independence or discretion exercised by a local agency formation commission in carrying out an action pursuant to this section.

(i) This section shall become inoperative on July 31, 2025, and, as of January 1, 2026, is repealed.