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MEMORANDUM
April 13, 2018

TO: RPEA

FROM: Marketplace Communications

RE: Daily Media Clips

Following are today's news clips:

DATE	PUBLICATION	TITLE & LINK	AUTHOR
04/13/2018	California Policy Center	Local Voters Uphold Utility Tax in Sierra Madre https://californiapolicycenter.org/local-voters-uphold-utility-tax-sierra-madre/	Edward Ring
04/13/2018	Star Tribune	Pension bill in limbo as legislative session progresses http://www.startribune.com/pension-bill-in-limbo-as-minnesota-session-progresses/479579943/	Jessie Van Berkel

Local Voters Uphold Utility Tax in Sierra Madre

April 12, 2018/by Edward Ring

Voters in tiny, affluent Sierra Madre, three square miles of leafy neighborhoods nestled at the foot of the majestic San Gabriel mountains, had an opportunity earlier this week to repeal their utility tax. As reported in the San Gabriel Valley Tribune, by a margin of more than four-to-one, they decided to keep their tax.

Opponents of the utility tax repeal pointed out that Sierra Madre has very low per capita sales tax revenue (claiming 460th out of 481 California cities), and therefore depends on their utility tax. And in any case, the numbers are vanishingly small. Had Sierra Madre's citizens voted to repeal their utility tax, it would have eliminated $2.6 million, or 24%, from the city's annual revenue.

The real question facing Sierra Madre, and all of California's cities, isn't whether or not to repeal various local taxes, but how many new taxes to approve in the next few years. As documented by CalTax, every election cycle, hundreds of new local taxes are proposed, and they usually pass. For example, in November 2016, 224 new local tax increases were proposed, and 71% of them were approved by voters.

How these measures get approved by voters is nicely exemplified by the Sierra Madre ballot. Measure D, at the top of the ballot, presented the question to voters: "Shall the City of Sierra Madre adopt a measure repealing the City's Utility Users Tax in its entirety?"

But below Measure D on this ballot was Advisory Measure A, which read "If Measure "D" passes, repealing the Utility Users' Tax and eliminating approximately 24% or $2.6 million of the City's General Fund Revenues, should the City Council eliminate paramedic services, reduce and outsource police services and library services, reduce code enforcement, and fire suppression services, in addition to other reductions which will be required to balance the budget?"

If that isn't an anti Measure D campaign message masquerading as an "advisory measure," then there's a bridge for sale in San Francisco, and the moon is made of green cheese.

It's worth wondering why the pro-repeal campaign didn't just try to reverse Sierra Madre's recent utility tax increase, instead of calling for its total repeal. After all, that tax has been in place since 1993. But in 2016, Sierra Madre's voters approved an increase in the utility tax rate from 8% to 10%. Rolling back that increase, which equates to about a half-million per year in additional tax collections, would not have broken the city's finances. It could have been marketed for what it would have been – a way to pressure Sierra Madre's elected officials to finally confront their escalating pension payments.

ALL NEW TAXES ARE TO PAY MORE FOR GOVERNMENT PENSIONS

Beyond any serious debate by now is the fact that payments to CalPERS by California's cities are set to nearly double in the next six years, from a projected total of $3.1 billion in 2017-18 to over $5.8 billion in 2024-25. This is based on recent "Public Agency Actuarial Valuation Reports" issued by CalPERS actuaries for each of their participating agencies, summarized here by the California Policy Center.

In the case of Sierra Madre, this year they will pay $1.5 million to CalPERS, which is 13.8% of their total general fund revenues. By 2024, they will be paying CalPERS $2.2 million, or over 20% of their total general fund revenues.

One in five dollars of Sierra Madre's tax revenue will be paying for pensions. And that does NOT include (1) any payments for other post-employment benefits, (2) any increases to those payments based on investments deciding not to perform as well in the next ten years as they have in the past ten years (imagine that), or (3) any additional payments if Sierra Madre happens to have issued "pension obligation bonds" in prior years. We didn't look into this, but plenty of cities have succumbed to the temptation to borrow money to make their pension payments.

One possible source of relief for this comes in the form of the CalFire vs CalPERS case that is working its way through the California Supreme Court. There is a possibility that a ruling could undermine the "California Rule," which to-date has been aggressively – and successfully – interpreted by government union attorneys to mean that pension benefits cannot be diminished, even for work not yet performed.

If the outcome of that case tilts in favor of reform, you might see this “advisory measure” on a local ballot, right beneath the next proposed tax increase.

HYPOTHETICAL SIERRA MADRE SPECIAL ELECTION BALLOT

(including “advisory measure” that proposes reducing pension benefits)

That would be the day. When immediately below a proposed tax increase, an “advisory measure” proposes to reduce pension benefits if the tax increase does not pass.

And that certainly would not be an anti-tax campaign message, would it?

Pension bill in limbo as legislative session progresses

House Republicans said they expect to pass bill.

By Jessie Van Berkel Star Tribune APRIL 12, 2018 — 8:09PM

Teachers, firefighters and other public employees who plan to retire have a stake in a political showdown at the State Capitol.

Minnesota's public employee pension funds have been strained as baby boomers retire and people live longer and would eventually run out of money to support retirees without changes to how they're funded. The state Senate has already unanimously passed a measure, broadly supported by stakeholders, to lower cost-of-living adjustments, increase employee and employer contributions, reduce benefits and raise the state contribution in an effort to resolve pension fund liabilities of $3.4 billion.

"The bill truly reflects shared sacrifices from all parties," Gov. Mark Dayton, a DFLer, wrote in a Tuesday letter to GOP House Speaker Kurt Daudt, urging the House to approve the bill soon.

Republicans insist they will do so: "It's not in danger. It's not something we're delaying," said Rep. Tim O'Driscoll, R-Sartell, who helped craft the measure.

But other recent attempts by the state's political leaders to settle the pension system's unfunded liabilities have been tripped up by political maneuvering or disagreements, leading Dayton to veto pension-reform legislation in both 2016 and 2017. Dayton expressed concern that this year's measure would become a "vehicle to add mischief" as he and lawmakers look to finish up this year's work.

With five weeks left in the legislative session, House Republicans added clarity Thursday to their own plans for spending the state's projected $329 million budget surplus. Among the major highlights, Republican want a little over $100 million to go to tax relief and another $100 million to go to fixing roads and bridges statewide, and an additional $30 million for public schools. Most of that would go to school safety and mental health programs.

"We're not proposing a huge amount of tax relief," said Daudt, R-Crown.

The House GOP proposal did not specifically include the $27 million that the pension plan calls for in 2019. But O'Driscoll said he is confident it will pass this session. "The House does have its timeline to take care of business," he said.

Senators have unanimously approved the reform proposal that was three years in the making. But the House has not acted on the measure this session, which devotes more state money to pensions and cuts some employee benefits.

In 2017, legislators tied the pension plan, which Dayton wanted, to a proposal he opposed that would have blocked cities from raising the minimum wage or enacting paid sick-time laws. The previous year, Dayton said the pension reform was unfair and put the burden on retirees.

The 2018 bill has "95 percent of the same content" as the 2016 plan Dayton vetoed, O'Driscoll said. Nonetheless, he said he is pleased the governor is on board this year.

State officials are feeling pressure from credit rating agencies that consider unfunded pension liabilities when setting the state's credit rating.

"The rating agencies are already raising concerns, and we've assured them the best we can that we think we're going to take care of it this session," Dayton said. "If we don't, we jeopardize our fiscal rating."

If the reform does not pass this year, the cost to retirees and taxpayers will continue to grow, said Jay Stoffel, executive director of the Teachers Retirement Association. He said he was concerned to see that the House did not specifically include the pension money in its budget numbers.

As part of their spending framework, House Republicans proposed an $825 million public works bonding package that puts another $25 million toward school safety. The governor has championed a $1.5 billion bonding bill.

The GOP spending proposal did not include $33 million Dayton requested for repairs to the Minnesota Licensing and Registration System, known as MNLARS. Daudt said there's not much confidence in the administration's plans to fix the system.

While the spending targets do not specify money for pension reform, Daudt said he expects it will be funded.

Dayton highlighted a few new spending priorities Thursday. He called on the Legislature to give another $35 million to the state's Rural Finance Authority, which loans money to farmers to support their operations. And he said the state should allocate nearly $9 million to encourage private landowners to sell their timber to Minnesota mills to help with a timber shortage.

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