

April 11, 2012
Agenda Item 15a2

2012
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2 April 2012

Senator Gloria Negrete McLeod
California State Senate
State Capital Room 4061
Sacramento, CA 95814

Subject: **Support of SB 1566**

Dear Senator Negrete McLeod:

The California Association of Local Agency Formation Commissions is pleased to support SB 1566 authored by yourself and Senator Emmerson. The bill reinstates allocations of motor vehicle license fees (VLF) to recently incorporated cities and cities which annexed inhabited areas, consistent with the allocation formula those communities relied upon when making the decision to incorporate or annex the affected territory.

The CALAFCO Board believes 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. 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. SB 89 also created severe penalties for those communities which have recently voted to incorporate themselves. SB 1566 eliminates these disincentives and penalties, and avoids the likely disincorporation or bankruptcies of some or all of the cities incorporated since 2005.

The availability of an equitable distribution of VLF funds to newly incorporated cities and city annexations of inhabited territory is vital to assure the financial feasibility of these actions. Without VLF funds the ability to achieve cityhood or the annexation of islands and disadvantaged unincorporated communities is all but impossible. Reinstating VLF revenues for incorporations and annexations is consistent with the CALAFCO legislative policy of providing communities with local governance and efficient service delivery options, including the ability to incorporate or annex.

Because SB 1566 reinstates a critical funding component to incorporations and inhabited annexations, CALAFCO supports this bill.

Thank you to you and Senator Emmerson for carrying this important legislation.

Sincerely Yours,



William Chiat
Executive Director

c: Senator Bill Emmerson
Senator Lois Wolk, Chair, Senate Local Governance and Finance Committee
Samantha Lui, Consultant, Senate Local Governance and Finance Committee
Ryan Eisberg, Consultant, Senate Republican Caucus

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