



**City of Grass Valley  
City Council and Redevelopment Agency  
Agenda Action Sheet**

**Council Meeting Date:** June 23, 2009

**Date Prepared:** June 15, 2009

**Prepared by:** Daniel C. Holler, City Administrator

**Title:** Adoption of Resolution No. 2009-64 Objecting to the State’s Seizure of Highway Users Tax Account

**Agenda:** Administrative

**Recommended Motion:** Staff recommends the City Council adopt proposed Resolution No. 2009-64 objecting to the State’s seizure of revenues in the Highway Users Tax Account (HUTA) and expressing the City’s support of litigation if the unconstitutional legislation is adopted by the Legislature, and signed into law by the Governor.

**Background Information:** In the May Budget Revision, the Governor proposed the seizure of almost one billion dollars in city and county shares of revenues in the Highway Users Tax Account (HUTA) from the motor fuel tax in order to fund past and future highway bond debt services payments. The HUTA money would be placed into the State’s general fund. On Thursday, June 11, 2009, the Joint Budget Conference Committee endorsed this recommendation.

The League of California Cities obtained legal opinions suggesting the Governor and Legislature’s recommendation, if enacted, would be unconstitutional. In both 1974 and 1998, voters enacted limitations on the power of the legislature to seize and use HUTA gas tax funds, allowing only loans to the general fund on a limited basis.

The Resolution before the Council identifies the City’s objection to the State unconstitutionally diverting the City’s share of funding from HUTA for purposes of funding the State general fund. The proposed resolution does not commit the City to participating in litigation or filing litigation. Instead, this resolution expresses the City’s willingness to cooperate with the League of California Cities, and other cities and counties, by supporting litigation against the State of California if the legislature enacts, and the Governor signs, legislation unconstitutionally diverting the City’s share of funding from HUTA to fund the State general fund.

**FISCAL IMPACT:** If the State seizes the funds, the projected loss to the City, based on actual allocations as reported by the California State Controller, would be approximately \$272,597.00 for fiscal year 2009-2010.

**Funds Available:** Yes

**Account #:** City Attorney Budget

**Reviewed by:**

\_\_\_\_ City Administrator  
\_\_\_\_ City Attorney

\_\_\_\_ Finance Department

**Action:**

\_\_\_\_ Approved  
\_\_\_\_ Denied

\_\_\_\_ Approved with Modifications  
\_\_\_\_ Other