
SENATE COMMITTEE ON GOVERNANCE AND FINANCE

Senator Anna M. Caballero, Chair

2023 - 2024 Regular

Bill No:	SB 878	Hearing Date:	3/29/23
Author:	Committee on Governance and Finance	Tax Levy:	No
Version:	2/17/23	Fiscal:	No
Consultant:	Peterson		

VALIDATIONS

Validates the organization, boundaries, acts, and bonds of state and local agencies.

Background

Over the past 80 years, the Legislature's annual Validating Acts have boosted the stability and credit ratings of state and local bonds. The Validating Acts cure public officials' mistakes that might otherwise invalidate boundary changes or bond issues. They also correct errors or omissions by local agencies and state departments. The Acts do not protect against fraud, corruption, or unconstitutional actions.

Proposed Law

Senate Bill 878 validates the organization, boundaries, acts, proceedings, and bonds of the state government, counties, cities, special districts, and school districts, among other public bodies.

State Revenue Impact

No estimate.

Comments

1. **Purpose of the bill.** The annual Validating Acts protect investors from the chance that a minor error might undermine the legal integrity of a public agency's bond. Banks, pension funds, and other investors will not buy public agencies' securities unless they are sound investments. Investors rely on legal opinions from bond counsels to assure the bonds' credit worthiness. Without legislative action to cure technical errors, bond counsels are reluctant to certify bonds as good credit risks. SB 878 gives legislative protection to public agencies and private investors.
2. **Which mistakes?** The three Validating Acts cure typographical, grammatical, and procedural errors. They do not forgive fraud, corruption, or unconstitutional acts. A local official who makes a technical error will find reassurance in the Validating Acts, while a corrupt official faces prosecution regardless of the Acts.

3. Taxpayers benefit. By insulating state and local bonds against harmless errors, the Validating Acts save taxpayers' money. Strong legal opinions from bond counsels result in higher credit ratings for state and local bonds. Higher credit ratings allow state and local officials to pay lower interest rates to private investors. Lower borrowing costs save money for taxpayers.

4. Why three? Starting in the mid-1920s, the Legislature passed separate validating acts for different types of bonds, several classes of special districts, and various local boundary changes. By the late 1930s, the practice was to pass annual validating acts (AB 2842, Bennett, 1939). The current custom and practice is to pass three Validating Acts that retroactively cure public officials' mistakes. The first two measures are urgency bills. The First Validating Act (SB 878) will probably reach Governor Newsom's desk this spring, validating errors made before the date on which the bill is chaptered. The Second Validating Act (SB 879) will become operative on September 1, validating mistakes made after SB 878 is chaptered. The Third Validating Act (SB 880) will take effect on January 1, 2024, covering the period between SB 879's operative date and the end of 2023.

Support and Opposition (3/24/23)

Support:

California Association of Local Agency Formation Commissions (CALAFCO)
California Special Districts Association
California State Association of Counties
East Bay Municipal Utility District
League of California Cities
Orange County Local Agency Formation Commission
Rural County Representatives of California
Urban Counties of California (UCC)

Opposition: None submitted.

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