

Date of Hearing: June 7, 2023

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Cecilia Aguiar-Curry, Chair

SB 878 (Committee on Governance and Finance) – As Introduced February 17, 2023

SENATE VOTE: 36-0

SUBJECT: Validations.

SUMMARY: Validates the organization, boundaries, acts, proceedings, and bonds of the state government, counties, cities, special districts, and school districts, among other public bodies.

EXISTING LAW: Allows agencies to make changes to the organization, boundaries, acts, proceedings, and bonds of the state, cities, counties, special districts, school districts, and other local agencies.

FISCAL EFFECT: None.

COMMENTS:

- 1) **Bill Summary and Background on Validating Acts.** 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. The Validating Acts give legislative protection to public agencies and private investors.

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.

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.

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 Validating Acts are urgency bills that go into effect when they are chaptered. The **First Validating Act** (SB 878) validates 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, 2023, covering the period between SB 879's operative date and the end of 2023.

- 2) **Urgency Clause.** This bill contains an urgency clause and requires a two-thirds vote of each house.
- 3) **Arguments in Support.** The California State Association of Counties writes in support, "The Validating Acts help all public agencies because they protect investors from minor and technical errors that might otherwise threaten our bonds, boundary changes, and other official acts. As in past years, the passage of the Validating Acts of 2023 will ensure that local bonds receive the highest possible ratings, resulting in the lowest possible borrowing costs for our constituents."
- 4) **Arguments in Opposition.** None on file.

REGISTERED SUPPORT / OPPOSITION:

Support

California Special Districts Association
California State Association of Counties
California Association of Local Agency Formation Commissions (CALAFCO)
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 on file

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