



Judicial Council of California

ADMINISTRATIVE OFFICE OF THE COURTS

OFFICE OF GOVERNMENTAL AFFAIRS

770 L Street, Suite 700 • Sacramento, California 95814-3393

Telephone 916-323-3121 • Fax 916-323-4347 • TDD 415-865-4272

RONALD M. GEORGE

Chief Justice of California

Chair of the Judicial Council

WILLIAM C. VICKREY

Administrative Director of the Courts

RONALD G. OVERHOLT

Chief Deputy Director

CURTIS L. CHILD

Director, Office of Governmental Affairs

June 29, 2010

Hon. Lois Wolk
Chair, Senate Revenue and Taxation Committee
State Capitol, Room 4032
Sacramento, California 95814

Subject: AB 1341 (Lowenthal), as amended June 28, 2010 – Sponsor
Hearing: Senate Revenue and Taxation Committee – July 1, 2010

Dear Senator Wolk:

The Judicial Council is sponsoring AB 1341 (Lowenthal) to resolve property tax issues that could potentially delay the Long Beach Courthouse performance-based infrastructure transaction project. The core of the Administrative Office of the Court's Long Beach Courthouse performance-based infrastructure transaction is a service contract where a private entity agrees to design, build, finance, operate and maintain a court facility on land owned by the Judicial Council. The Judicial Council owns the court facility constructed on its land. In return the Judicial Council pays the Project Company a fixed Service Fee under the Project Agreement. The payment of the Service Fee is subject to appropriation. The Project Company merely has the right to come on the Judicial Council's land and provide services which are strictly controlled by the Judicial Council under the terms of the Project Agreement. The Project Company will not be treated as owner of the court facilities for any purpose, including Federal tax purposes, and accordingly, the Project Company cannot depreciate the court facilities.

This bill specifies that for the purposes of applying Revenue and Taxation Code section 107(a) there is no possessory interest of a non-governmental entity in the Long Beach Courthouse authorized by Government Code section 70391.5 if several factors are met. Specifically, those factors include that the non-governmental entity is required to design, build, finance, operate, and maintain the Long Beach Courthouse; the Judicial Council establishes performance expectations and benchmark criteria for the court facility proposal; the Judicial Council and other

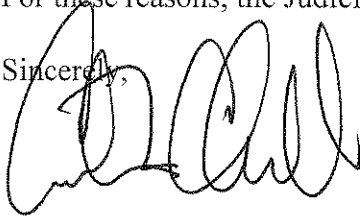
governmental entities have exclusive use of the Long Beach Courthouse land and improvements for court related activities for a term of 35 years; title to the Long Beach Courthouse land and improvements remains with the Judicial Council; the non-governmental entity will not be treated as owner of the improvements of the Long Beach Courthouse for any purpose; and, any lease or leaseback of land and improvements of the Long Beach Courthouse with the non-governmental entity is solely for the purpose of providing security for the payment by the Judicial Council of the service fee. The bill excludes any lease or improvements to the Long Beach Courthouse with a non-governmental entity used for commercial purposes.

Last week the preferred proposer on the project was selected and notified. Over the next several weeks the Administrative Office of the Courts will be working with the selected proposer to complete the project agreement in order to secure final approval of the project from the Department of Finance late this year after which project construction can begin. AB 1341 will ensure that the Long Beach Courthouse project can move ahead without any delay that may be caused by unresolved property tax issues. It has been crafted to be specific to the Long Beach project and does not impact the possessory interest analysis for any other project.

The Long Beach Courthouse project is an innovative delivery arrangement which leverages the private sector's access to financing, technological expertise, and management efficiency to quickly provide a high-quality facility that will serve the Superior Court of Los Angeles County's needs and enhance the public's access to justice. In addition, the project will enhance the economic environment in Long Beach and Los Angeles through the immediate creation of jobs.

For these reasons, the Judicial Council urges your "aye" vote on AB 1341.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Child", written over the word "Sincerely,".

Curtis L. Child
Director

CLC/lmb

cc: Members, Senate Revenue and Taxation Committee

Hon. Bonnie Lowenthal, Member of the Assembly

Mr. Colin Grinnell, Consultant, Senate Revenue and Taxation Committee

Mr. Scott Chavez, Consultant, Senate Republican Office of Policy

Mr. Anthony Williams, Policy Consultant, Office of Senate President pro Tempore Darrell S. Steinberg

Ms. Kirsten Kolpitzke, Deputy Director of Legislation, Governor's Office of Planning and Research

Mr. Aaron Maguire, Deputy Legislative Affairs Secretary, Office of the Governor



Judicial Council of California

ADMINISTRATIVE OFFICE OF THE COURTS

OFFICE OF GOVERNMENTAL AFFAIRS

770 L Street, Suite 700 • Sacramento, California 95814-3393
Telephone 916-323-3121 • Fax 916-323-4347 • TDD 415-865-4272

RONALD M. GEORGE
Chief Justice of California
Chair of the Judicial Council

WILLIAM C. VICKREY
Administrative Director of the Courts

RONALD G. OVERHOLT
Chief Deputy Director

CURTIS L. CHILD
Director, Office of Governmental Affairs

August 2, 2010

Hon. Christine Kehoe
Chair, Senate Appropriations Committee
State Capitol, Room 2206
Sacramento, California 95814

Subject: AB 1341 (Lowenthal), as proposed to be amended – Sponsor

Dear Senator Kehoe:

The Judicial Council is sponsoring AB 1341 (Lowenthal) to resolve property tax issues that could potentially delay the Long Beach Courthouse performance-based infrastructure transaction project. The core of the Administrative Office of the Court's Long Beach Courthouse performance-based infrastructure transaction is a service contract where a private entity agrees to design, build, finance, operate and maintain a court facility on land owned by the Judicial Council. The Judicial Council owns the court facility constructed on its land. In return the Judicial Council pays the Project Company a fixed Service Fee under the Project Agreement. The payment of the Service Fee is subject to appropriation. The Project Company merely has the right to come on the Judicial Council's land and provide services which are strictly controlled by the Judicial Council under the terms of the Project Agreement. The Project Company will not be treated as owner of the court facilities for any purpose, including Federal tax purposes, and accordingly, the Project Company cannot depreciate the court facilities.

This bill clarifies that for the purposes of applying Revenue and Taxation Code section 107(a) there is no possessory interest of a non-governmental entity in the Long Beach Courthouse authorized by Government Code section 70391.5 if several factors are met. Specifically, those factors include that the non-governmental entity is required to design, build, finance, operate, and maintain the Long Beach Courthouse; the Judicial Council establishes performance expectations and benchmark criteria for the court facility proposal; the Judicial Council and other governmental entities have exclusive use of the Long Beach Courthouse land and improvements for court related activities for a term of 35 years; title to the Long Beach Courthouse land and improvements remains with the Judicial Council; the non-governmental entity will not be treated as owner of the improvements of the Long Beach Courthouse for any purpose; and, any lease or leaseback of land and improvements of the Long

Beach Courthouse with the non-governmental entity is solely for the purpose of providing security for the payment by the Judicial Council of the service fee. The bill excludes any lease or improvements to the Long Beach Courthouse with a non-governmental entity used for commercial purposes.

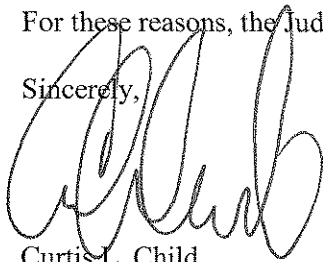
In June the preferred proposer on the project was selected and notified. Over the next several weeks the Administrative Office of the Courts will be working with the selected proposer to complete the project agreement in order to secure final approval of the project from the Department of Finance late this year after which project construction can begin. AB 1341 will ensure that the Long Beach Courthouse project can move ahead without any delay that may be caused by unresolved property tax issues. The bill has been crafted to be specific to the Long Beach project and does not impact the possessory interest analysis for any other project.

We have estimated that in the absence of AB 1341 an assessed possessory interest tax could result in a \$3 to \$5 million cost to the State. If the possessory tax interest is left unresolved this increased project cost could make the project no longer fiscally viable. In that event, the AOC would look to a traditional public construction of the project which would delay the project (and the resulting jobs that would be created) at least 2-3 years and, as a publically owned courthouse, there would be no possessory interest. Thus, either way there is no actual loss of possessory interest tax revenue. As noted in the Senate Revenue and Taxation Committee's analysis, without creating precedent or altering existing code, AB 1341 declares that the unique needs and nature of the Long Beach courthouse project and exempts its state functions from possessory interest taxation.

The Long Beach Courthouse project is an innovative delivery arrangement which leverages the private sector's access to financing, technological expertise, and management efficiency to quickly provide a high-quality facility that will serve the Superior Court of Los Angeles County's needs and enhance the public's access to justice. In addition, the project will enhance the economic environment in Long Beach and Los Angeles through the immediate creation of jobs.

For these reasons, the Judicial Council urges your "aye" vote on AB 1341.

Sincerely,



Curtis L. Child
Director

CLC/lmb

cc: Members, Senate Appropriations Committee

Hon. Bonnie Lowenthal, Member of the Assembly

Hon. Alan Lowenthal, Member of the Senate

Mr. Mark McKenzie, Consultant, Senate Appropriations Committee

Mr. Colin Grinnell, Consultant, Senate Revenue and Taxation Committee

Mr. Anthony Williams, Policy Consultant, Office of Senate President pro Tempore Darrell S. Steinberg

Mr. Matt Osterli, Consultant, Senate Republican Fiscal Office

Mr. Scott Chavez, Consultant, Senate Republican Office of Policy

Mr. Nathan Brady, Principal Program Budget Analyst, Department of Finance

Mr. Anthony Simbol, Director of Criminal Justice, Legislative Analyst's Office

Ms. Kirsten Kolpitzke, Deputy Director of Legislation, Governor's Office of Planning and Research

Mr. Aaron Maguire, Deputy Legislative Affairs Secretary, Office of the Governor

Mr. Dan Wall, Chief Legislative Advocate, County of Los Angeles

Mr. Michael J. Arnold, President & Chief Executive Officer, Arnold & Associates



Judicial Council of California
ADMINISTRATIVE OFFICE OF THE COURTS

OFFICE OF GOVERNMENTAL AFFAIRS

770 L Street, Suite 700 • Sacramento, California 95814-3393
Telephone 916-323-3121 • Fax 916-323-4347 • TDD 415-865-4272

RONALD M. GEORGE
Chief Justice of California
Chair of the Judicial Council

WILLIAM C. VICKREY
Administrative Director of the Courts

RONALD G. OVERHOLT
Chief Deputy Director

CURTIS L. CHILD
Director, Office of Governmental Affairs

August 25, 2010

Hon. Anthony J. Portantino
Chair, Assembly Revenue and Taxation Committee
State Capitol, Room 2203
Sacramento, California 95814

Subject: AB 1341 (Lowenthal), as amended August 2, 2010 – Sponsor

Dear Assembly Member Portantino:

The Judicial Council is sponsoring AB 1341 (Lowenthal) to resolve property tax issues that could potentially delay the Long Beach Courthouse performance-based infrastructure transaction project. The core of the Administrative Office of the Court's Long Beach Courthouse performance-based infrastructure transaction is a service contract where a private entity agrees to design, build, finance, operate and maintain a court facility on land owned by the Judicial Council. The Judicial Council owns the court facility constructed on its land. In return the Judicial Council pays the Project Company a fixed Service Fee under the Project Agreement. The payment of the Service Fee is subject to appropriation. The Project Company merely has the right to come on the Judicial Council's land and provide services which are strictly controlled by the Judicial Council under the terms of the Project Agreement. The Project Company will not be treated as owner of the court facilities for any purpose, including Federal tax purposes, and accordingly, the Project Company cannot depreciate the court facilities.

This bill clarifies that for the purposes of applying Revenue and Taxation Code section 107(a) there is no possessory interest of a non-governmental entity in the Long Beach Courthouse authorized by Government Code section 70391.5 if several factors are met. Specifically, those factors include that the non-governmental entity is required to design, build, finance, operate, and maintain the Long Beach Courthouse; the Judicial Council establishes performance expectations and benchmark criteria for the court facility proposal; the Judicial Council and other governmental entities have exclusive use of the Long Beach Courthouse land and improvements for court related activities for a term of 35 years; title to the Long Beach Courthouse land and improvements remains with the Judicial Council; the non-governmental entity will not be treated as owner of the improvements of the Long Beach Courthouse for any purpose; and, any lease or leaseback of land and improvements of the Long Beach Courthouse with the non-governmental entity is solely for the purpose of providing security for the

payment by the Judicial Council of the service fee. The bill excludes any lease or improvements to the Long Beach Courthouse with a non-governmental entity used for commercial purposes.

In June the preferred proposer on the project was selected and notified. Over the next several weeks the Administrative Office of the Courts will be working with the selected proposer to complete the project agreement in order to secure final approval of the project from the Department of Finance late this year after which project construction can begin. AB 1341 will ensure that the Long Beach Courthouse project can move ahead without any delay that may be caused by unresolved property tax issues. The bill has been crafted to be specific to the Long Beach project and does not impact the possessory interest analysis for any other project.

We have estimated that in the absence of AB 1341 an assessed possessory interest tax could result in a \$3 to \$5 million cost to the State. If the possessory tax interest is left unresolved this increased project cost could make the project no longer fiscally viable. In that event, the AOC would look to a traditional public construction of the project which would delay the project (and the resulting jobs that would be created) at least 2–3 years and, as a publically owned courthouse, there would be no possessory interest. Thus, either way there is no actual loss of possessory interest tax revenue. As noted in the Senate Revenue and Taxation Committee's analysis, without creating precedent or altering existing code, AB 1341 declares that the unique needs and nature of the Long Beach courthouse project and exempts its state functions from possessory interest taxation.

The Long Beach Courthouse project is an innovative delivery arrangement which leverages the private sector's access to financing, technological expertise, and management efficiency to quickly provide a high-quality facility that will serve the Superior Court of Los Angeles County's needs and enhance the public's access to justice. In addition, the project will enhance the economic environment in Long Beach and Los Angeles through the immediate creation of jobs.

For these reasons, the Judicial Council urges your "aye" vote on AB 1341.

Sincerely,



Curtis L. Child
Director

CLC/lmb

cc: Members, Assembly Revenue and Taxation Committee

Hon. Bonnie Lowenthal, Member of the Assembly

Hon. Alan Lowenthal, Member of the Senate

Mr. M. David Ruff, Principal Consultant, Assembly Revenue and Taxation Committee

Mr. Alan Cooper, Consultant, Assembly Republican Fiscal Office

Ms. Julia King, Consultant, Assembly Republican Office of Policy

Ms. Fredericka McGee, General Counsel, Office of Assembly Speaker John A. Pérez

Mr. Pedro Reyes, Special Assistant, Office of Assembly Speaker John A. Pérez

Mr. Nathan Brady, Principal Program Budget Analyst, Department of Finance

Mr. Anthony Simbol, Director of Criminal Justice, Legislative Analyst's Office

Ms. Kirsten Kolpitcke, Deputy Director of Legislation, Governor's Office of Planning and Research

Mr. Aaron Maguire, Deputy Legislative Affairs Secretary, Office of the Governor

Mr. Dan Wall, Chief Legislative Advocate, County of Los Angeles

Mr. Michael J. Arnold, President & Chief Executive Officer, Arnold & Associates



Judicial Council of California

ADMINISTRATIVE OFFICE OF THE COURTS

OFFICE OF GOVERNMENTAL AFFAIRS

770 L Street, Suite 700 • Sacramento, California 95814-3393
Telephone 916-323-3121 • Fax 916-323-4347 • TDD 415-865-4272

RONALD M. GEORGE
Chief Justice of California
Chair of the Judicial Council

WILLIAM C. VICKREY
Administrative Director of the Courts

RONALD G. OVERHOLT
Chief Deputy Director

CURTIS L. CHILD
Director, Office of Governmental Affairs

August 31, 2010

Hon. Arnold Schwarzenegger
Governor of California
State Capitol, First Floor
Sacramento, California 95814

Subject: AB 1341 (Lowenthal) – Request for Signature

Dear Governor Schwarzenegger:

The Judicial Council is sponsoring AB 1341 (Lowenthal) to resolve property tax issues that could potentially delay the Long Beach Courthouse performance-based infrastructure project. The core of the Administrative Office of the Court's Long Beach Courthouse performance-based infrastructure project is a service contract where a private entity agrees to design, build, finance, operate and maintain a court facility on land owned by the Judicial Council. The Judicial Council owns the court facility constructed on its land. In return the Judicial Council pays the Project Company a fixed Service Fee under the Project Agreement. The payment of the Service Fee is subject to appropriation. The Project Company merely has the right to come on the Judicial Council's land and provide services which are strictly controlled by the Judicial Council under the terms of the Project Agreement. The Project Company will not be treated as owner of the court facilities for any purpose, including Federal tax purposes, and accordingly, the Project Company cannot depreciate the court facilities.

This bill clarifies that for the purposes of applying Revenue and Taxation Code section 107(a) there is no possessory interest of a non-governmental entity in the Long Beach Courthouse authorized by Government Code section 70391.5 if several factors are met. Specifically, those factors include that the non-governmental entity is required to design, build, finance, operate, and maintain the Long Beach Courthouse; the Judicial Council establishes performance expectations and benchmark criteria for the court facility proposal; the Judicial Council and other governmental entities have exclusive use of the Long Beach Courthouse land and improvements for court related activities for a term of 35 years; title to the Long Beach Courthouse land and improvements remains with the Judicial Council; the non-governmental entity will not be treated as owner of the improvements of the Long Beach Courthouse for any purpose; and, any lease or leaseback of land and improvements of the Long Beach Courthouse with

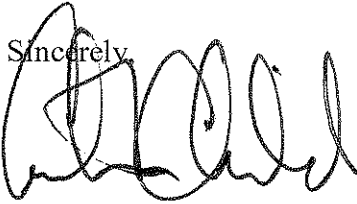
the non-governmental entity is solely for the purpose of providing security for the payment by the Judicial Council of the service fee. The bill excludes any lease or improvements to the Long Beach Courthouse with a non-governmental entity used for commercial purposes.

In June the preferred proposer on the project was selected and notified. Over the next several weeks the Administrative Office of the Courts will be working with the selected proposer to complete the project agreement in order to secure final approval of the project from the Department of Finance late this year after which project construction can begin. AB 1341 will ensure that the Long Beach Courthouse project can move ahead without any delay that may be caused by unresolved property tax issues. The bill has been crafted to be specific to the Long Beach project and does not impact the possessory interest analysis for any other project.

We have estimated that in the absence of AB 1341 an assessed possessory interest tax could result in a \$3 to \$5 million cost to the State. If the possessory tax interest is left unresolved this increased project cost could make the project no longer fiscally viable. In that event, the AOC would look to a traditional public construction of the project which would delay the project (and the resulting jobs that would be created) at least 2–3 years and, as a publically owned courthouse, there would be no possessory interest. Thus, either way there is no actual loss of possessory interest tax revenue. As noted in the Senate Revenue and Taxation Committee's analysis, without creating precedent or altering existing code, AB 1341 declares that the unique needs and nature of the Long Beach courthouse project and exempts its state functions from possessory interest taxation.

The Long Beach Courthouse project is an innovative delivery arrangement which leverages the private sector's access to financing, technological expertise, and management efficiency to quickly provide a high-quality facility that will serve the Superior Court of Los Angeles County's needs and enhance the public's access to justice. In addition, the project will enhance the economic environment in Long Beach and Los Angeles through the immediate creation of jobs.

For these reasons, the Judicial Council requests your signature on AB 1341.

Sincerely,


Curtis L. Child
Director

CLC/lmb

cc: Hon. Bonnie Lowenthal, Member of the Assembly

Hon. Alan Lowenthal, Member of the Senate

Ms. Kirsten Kolpitke, Deputy Director of Legislation, Governor's Office of Planning and Research

Mr. Aaron Maguire, Deputy Legislative Affairs Secretary, Office of the Governor

Mr. Dan Wall, Chief Legislative Advocate, County of Los Angeles

Mr. Michael J. Arnold, President & Chief Executive Officer, Arnold & Associates



Judicial Council of California
Administrative Office of the Courts

455 Golden Gate Avenue ♦ San Francisco, California 94102-3688
Telephone 415-865-4235 ♦ Fax 415-865-4244 ♦ TDD 415-865-4272

RONALD M. GEORGE
Chief Justice of California
Chair of the Judicial Council

WILLIAM C. VICKREY
Administrative Director of the Courts

RONALD G. OVERHOLT
Chief Deputy Director

September 3, 2010

Hon. Arnold Schwarzenegger
Governor of California
State Capitol, First Floor
Sacramento, California 95814

Re: Request for Signatory Approval of Key Legislation

Dear Governor Schwarzenegger:

I am writing to request your signature on four items of key legislation that are either sponsored or strongly supported by the Judicial Council. You will receive detailed information on each of these from the Judicial Council's Office of Governmental Affairs, but I would like to emphasize here the importance of these measures to the judicial branch. They are summarized below.

Assembly Bill 12 (Beall) – California Fostering Connections to Success Act

The Judicial Council is cosponsoring AB 12, which will reenact the existing Kinship-Guardianship Assistance Program (Kin-GAP) in order to access federal funding for this proven path to permanency for abused and neglected children. It also will allow California to access federal funds to provide transitional foster care services for youth ages 18–21 on a fiscally responsible basis. Improving transitional support for youth who turn 18 while under the court's dependency jurisdiction was a key recommendation of the Judicial Council's California Blue Ribbon Commission on Children in Foster Care. Implementation of this important policy change will allow juvenile courts to fulfill their obligation to protect the best interests of these vulnerable young people and provide them with the opportunity to transition to a secure and productive adulthood.

Assembly Bill 1341 (Lowenthal) – Long Beach Courthouse

AB 1341 is a Judicial Council-sponsored bill that will resolve property tax issues that could derail the Long Beach Courthouse performance-based infrastructure project. As we have discussed many times, the Long Beach Courthouse project is an innovative arrangement that leverages the private sector's access to financing, technological expertise, and management efficiency to quickly provide a high-quality facility for the Superior Court of Los Angeles County. This bill clarifies that a non-governmental entity does not acquire a taxable possessory interest in the Long Beach Courthouse, authorized by Government Code section 70391.5, if specified factors are met. AB 1341 will ensure that the Long Beach Courthouse project can move ahead without a delay that might be caused by unresolved property tax issues. The bill has been crafted to be specific to the Long Beach project and does not affect the possessory interest analysis for any other project. We have estimated that in the absence of AB 1341, an assessed possessory interest tax could result in an annual cost to the state of \$3–5 million.

Assembly 2284 (Evans) – Expedited Jury Trials

AB 2284 establishes the Expedited Jury Trials Act, which will improve access to justice by creating a voluntary, alternative, streamlined method for handling certain civil cases in a more cost-effective manner for litigants and the courts. Under this bill, parties are encouraged to enter into agreements that streamline the method of presenting evidence and other matters so that cases generally would be concluded within one trial day. Smaller juries and limitations on appeals should also yield significant savings and help courts conserve precious judicial resources. AB 2284 is a bipartisan measure that is supported by a broad coalition of stakeholders, including the plaintiffs and defense bars and the insurance industry. It passed the Legislature without any "no" votes.

Assembly Bill 2499 (Portantino) – Regulation of Traffic Violator Schools

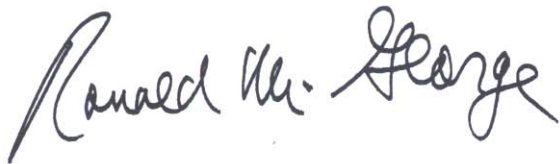
AB 2499 will improve California's driving safety program by consolidating the regulation of all traffic violator schools, including Internet-based and other home-study programs, under the licensing authority of the Department of Motor Vehicles (DMV). In doing so, AB 2499 appropriately relieves the judicial branch of the well-intentioned but misplaced regulatory role it has had to play in an attempt to ensure quality traffic school programs for court users in the absence of DMV licensing.

Under current law, DMV has authority to license only *classroom* traffic violator schools. This has left the superior courts in the untenable position of having to decide, county by county, which online or home-study schools will do business in that county, what driver education curriculum will be used, how complaints against a school will be handled, and even under what name the traffic school may operate. This important bill will bring uniformity and better transparency to the regulation of traffic violator schools.

Hon. Arnold Schwarzenegger
September 3, 2010
Page 3

Thank you for your consideration of these important bills and your ongoing support of the judicial branch. If you have any questions, please do not hesitate to have your staff contact Curtis L. Child, Director, Office of Governmental Affairs, at 916-323-3121.

Sincerely,

A handwritten signature in black ink that reads "Ronald M. George". The signature is fluid and cursive, with the first name "Ronald" being the most prominent.

RONALD M. GEORGE
Chief Justice of California and
Chair of the Judicial Council

RMG/CLC/lmb

cc: Hon. Jim Beall, Jr., Member of the Assembly
Hon. Noreen Evans, Member of the Assembly
Hon. Bonnie Lowenthal, Member of the Assembly
Hon. Anthony J. Portantino, Member of the Assembly
Ms. Susan Kennedy, Chief of Staff, Office of the Governor
Mr. Michael Prozio, Deputy Chief of Staff and Legislative Affairs Secretary, Office of the Governor
Ms. Kirstin Kolpitke, Deputy Director of Legislation, Governor's Office of Planning and Research
Mr. Aaron Maguire, Deputy Legislative Affairs Secretary, Office of the Governor
Mr. William C. Vickrey, Administrative Director of the Courts
Mr. Curtis L. Child, Director, Office of Governmental Affairs