

LOCAL GOVERNMENT

This part of the Budget includes information related to local governments.

REDEVELOPMENT AGENCIES

Chapter 5, Statutes of 2011 (ABx1 26), eliminated the state's approximately 400 Redevelopment Agencies (RDAs) and replaced them with locally organized successor agencies that are tasked with retiring the former RDAs' outstanding debts and other legal obligations. The elimination of RDAs allows local governments to protect core public services by returning property tax money to cities, counties, special districts and K-14 schools.

Between 2011-12 and 2014-15, \$3.6 billion in general-purpose property tax revenue has been returned to cities, counties, and special districts. The Budget anticipates that in 2015-16 and 2016-17, cities will receive an additional \$643 million in general-purpose revenues, with counties receiving \$684 million and special districts \$203 million.

Between 2011-12 and 2014-15, \$4.7 billion was returned to K-14 schools. The Budget anticipates Proposition 98 General Fund savings resulting from the dissolution of RDAs will be \$1.1 billion in 2015-16. For 2016-17, Proposition 98 General Fund savings are expected to be \$1 billion. This amount should continue to grow over the next three decades as the former RDAs' debts and other legal obligations are paid off and property tax revenues grow.

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The Administration is currently in the process of implementing Chapter 325, Statutes of 2015 (SB 107), which made numerous changes to the RDA dissolution process. The most significant short-term change is transitioning successor agencies from a biannual Recognized Obligation Payment Schedule (ROPS) process to an annual ROPS process in 2016. The law also allows a successor agency with a finding of completion to submit a Last and Final ROPS that schedules all of its payments over the life of the agency. These two significant changes will greatly reduce workload for successor agencies, oversight boards, and the state.

Other significant changes made by SB 107 include:

- Clarifying what types of loans qualify for repayment to cities and counties that provided money to their RDAs prior to dissolution and the interest rates at which those loans may be repaid.
- Authorizing the limited expenditure of proceeds from RDA bonds issued after December 31, 2010.
- Requiring property tax “override” revenues to be returned to the levying entity if those revenues are not needed by the successor agency to pay approved enforceable obligations.
- Clarifying that RDA tax revenue caps and project area time limits do not apply for purposes of paying approved enforceable obligations.
- Clarifying that agreements between a city or county and an RDA that were reauthorized by an oversight board after June 26, 2012 are invalid.
- Postponing the transition to countywide oversight boards for two years, to July 1, 2018.
- Establishing a deadline of December 31, 2015 for a successor agency to qualify for a finding of completion.

OTHER LOCAL GOVERNMENT CHANGES

- Siting Incentive Grants—Local governments have sole control over land use, zoning and permitting within their communities. When local communities are reluctant to allow the operation of programs for the rehabilitation of offenders in the criminal justice system, this local authority has slowed the ability of the state and local governments to provide meaningful rehabilitation programs. The Budget

proposes \$25 million General Fund for incentive payments to cities and/or counties that approve, between January 1, 2016 and June 30, 2017, new long-term permits for hard-to-site facilities that improve public safety and support the criminal justice system through the provision of services, such as substance use disorder treatment, mental health, and reentry programming. The Administration will work with city and county stakeholders during the spring to develop an allocation methodology while also safeguarding existing permitted facilities.

- Wildfire Relief—In 2015, Lake and Calaveras Counties suffered devastating losses due to two separate wildfires. The fires burned more than 145,000 acres combined and destroyed more than 2,000 homes and other structures. The Budget includes the following actions to help support Lake and Calaveras Counties:
 - Revenue Loss Backfill—\$1.9 million General Fund one-time in 2016-17 to backfill property tax, sales and use tax, and transient occupancy tax revenue losses that Calaveras and Lake Counties, and the special districts located in those counties, will incur due to the wildfires.
 - Relief from Paying for State Services—The state will cover local costs for an existing CAL FIRE \$2.6 million contract with South Lake County Fire and a \$267,000 contract with Calaveras County. CAL FIRE is funding these costs from its existing General Fund appropriation in the current year.