

# LOCAL GOVERNMENT

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

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## DISSOLUTION OF REDEVELOPMENT AGENCIES

Chapter 5, Statutes of 2011 (ABx1 26), eliminated the state's approximately four hundred 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.

In 2011-12 and 2012-13 combined, approximately \$620 million was returned to cities, \$875 million to counties, and \$310 million to special districts. The Budget estimates that cities will receive an additional \$593 million in general purpose revenues in 2013-14 and 2014-15 combined, with counties receiving \$731 million and special districts \$227 million.

In 2011-12 and 2012-13 combined, approximately \$2.2 billion was returned to K-14 schools. The Budget estimates that Proposition 98 General Fund savings resulting from the dissolution of RDAs will be \$2.1 billion in 2013-14 and 2014-15 combined.

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## **STATE-COUNTY ASSESSORS' PARTNERSHIP AGREEMENT PROGRAM**

The Budget includes \$7.5 million for a three-year limited term State-County Assessors' Partnership Agreement Program to enhance local property assessment efforts. The Program will be limited to nine county assessors' offices that will be competitively selected from a mix of urban, suburban, and rural counties. Participating counties will match their state grant on a dollar-for-dollar basis.

Program funds will be used to enhance equalization efforts, including:

- Enrolling newly constructed property and property ownership changes.
- Reassessing property to reflect current market values.
- Enrolling property modifications that change the property's taxable value.
- Responding to assessed valuation appeals.

As the three-year Program term nears its expiration date, the Department of Finance will evaluate the results and issue findings to the Legislature.

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## **DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

The Department of Housing and Community Development (HCD), among other responsibilities, administers housing finance, economic development, and community development programs.

Significant Adjustments:

- Proposition 41 Implementation—The Budget includes \$76.2 million in bond funds for the Veterans Housing and Homeless Prevention Act of 2014 (Proposition 41) passed by voters in June 2014. Proposition 41 authorizes a total of \$600 million in general obligation bonds to provide affordable multifamily supportive housing for homeless and low-income veterans and their families. Pursuant to Proposition 41, HCD will work collaboratively with the California Housing Finance Agency and the Department of Veterans Affairs to award the bond funds.
- Multifamily Housing Programs (General and Supportive Housing)—The Budget includes \$100 million General Fund for the Multifamily Housing Programs to

provide deferred payment loans for eligible costs of development, construction, rehabilitation, acquisition, and/or conversion of transitional or affordable rental housing developments. Of the \$100 million, the Supportive Housing Program will receive \$50 million to provide deferred payment loans for permanent affordable housing rental developments that contain supportive housing units with a requirement that at least 40 percent of the units in each development be designated for individuals or families experiencing chronic homelessness, homeless youth, and individuals leaving institutional settings.

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## **STATE MANDATE REIMBURSEMENTS**

The Commission on State Mandates is a quasi-judicial body that determines whether local agencies and school districts are entitled to reimbursement by the state for costs related to new or higher levels of service mandated by the state. The state owes counties, cities, and special districts \$900 million in mandate costs incurred prior to 2004 that must be repaid by 2020-21. Annual payments on this debt have been postponed in recent years due to budget shortfalls.

The Budget accelerates the state's repayment of the pre-2004 mandate debt by appropriating \$100 million to local governments. Approximately 73 percent of the payment will go to counties, 25 percent to cities, and 2 percent to special districts. These funds will be available to fund core local government services such as public safety and improving the implementation of 2011 Realignment.

The Budget Act includes a trigger mechanism that makes additional payments for the remaining pre-2004 mandate debt. Additional funds, up to \$800 million, will be provided if estimated General Fund revenues for the 2013-14 and 2014-15 fiscal years at the 2015 May Revision exceed the 2014 Budget Act's estimate for those same revenues. After satisfying the Proposition 98 guarantee, the additional revenues will pay down the remainder of the state's pre-2004 mandate debt.

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