

STATE CAPITOL
P.O. BOX 942849
SACRAMENTO, CA 94249-0007
(916) 319-2099
FAX (916) 319-2199

Assembly
California Legislature



ASSEMBLY COMMITTEE ON BUDGET

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ASSEMBLYMEMBER, FORTIETH DISTRICT

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FIRST EXTRAORDINARY SESSION

AGENDA

SEPTEMBER 7, 2011

Upon Call of the Chair – State Capitol Room 4202

Bills in Committee

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Date of Hearing: September 7, 2011

ASSEMBLY COMMITTEE ON BUDGET

Bob Blumenfield, Chair

SB 4 X1 (Committee on Budget and Fiscal Review) – As Amended: September 2, 2011

SENATE VOTE: Vote not relevant

SUBJECT: Public Safety Realignment

SUMMARY: Makes statutory changes necessary to implement the 2011 Public Safety Realignment that was contained in AB 118 (Chapter 40, Statutes of 2011). Specifically, this bill:

- 1) Creates the Undistributed Account in the Local Revenue Fund 2011 in the State Treasury for the deposit of any monies in the fund that are not otherwise distributed to the other accounts as described in Section 30027 of the Government Code. This will enable clear accounting for all the funds deposited in the Local Revenue Fund 2011.
- 2) Specifies that any funds deposited in the Undistributed Account may be used to reimburse the General Fund for costs incurred and expenditures made by the State on behalf of any local government entity in providing Public Safety Services as defined by subdivision (i) of Section 30025 of the Government Code. Also specifies that funds deposited in the Undistributed Account may be available for transfer to the Local Law Enforcement Services Account to permit the full allocation to those programs as described in subdivision (e) of Section 30029 of the Government Code.
- 3) Creates a Foster Care Administration Subaccount that is separate from the Foster Care Assistance Subaccount. This will enable a clear accounting of funding dedicated to supporting foster care assistance and funding that is used for administrative purposes.
- 4) Clarifies that funds deposited in the Local Revenue Fund 2011 may be used to pay for state agency or department costs incurred during the 2011-12 fiscal year related to the realignment of public safety services programs. The Department of Finance is authorized to determine the time, manner, and amount that the state should be reimbursed.
- 5) Clarifies that costs for the Title IV-E Child Welfare Waiver Demonstration Capped Allocation Project are an eligible use of the Local Revenue Fund 2011 funds allocated to the Foster Care Administration Subaccount and the Child Welfare Services Subaccount.
- 6) Specifies that realignment moneys are considered state funds for the purposes of maintaining the nonfederal share of Medicaid expenditures for purposes of Section 5001(g)(2) of the federal American Recovery and Reinvestment Act of 2009 (Public Law 111-5) and Section 100201(c)(6) of the federal Patient Protection and Affordable Care Act (Public Law 111-148).
- 7) Adjusts the statutory allocations among the Subaccounts in the Health and Human Service Account from the Local Revenue Fund 2011.

- 8) Clarifies that counties may contract directly with the state Departments of Alcohol and Drug Programs, Health Care Services, and Social Services, as applicable, for the administration of Medi-Cal Drug Treatment programs and agency adoptions, as specified.
- 9) Requires that counties redirect savings they achieve as a result of the shift of residential placement costs for seriously emotionally disturbed youth from the Department of Social Services to the Department of Education to supplement foster care, child welfare, and adoptions program expenditures. Specifies that these funds shall not supplant other expenditures for these programs. Requires the Department of Social Services, in conjunction with the Department of Finance and the County Welfare Directors Association, to calculate the amount of savings each county is responsible for redirecting as described. Finally, specifies that this redirection is not intended to result in any net costs to any county.
- 10) Requires that cities that accept funds from the Local Law Enforcement Services Account in the Local Revenue Fund 2011 be required, as a condition of receipt, to maintain its overall funding for frontline municipal police services at or above the 2010-11 fiscal year level.
- 11) Specifies that the State Controller distribute funds for specified local law enforcement programs that are part of the 2011 Public Safety Realignment that were previously allocated by California Emergency Management Agency (Cal-EMA). The Controller shall make this distribution pursuant to a schedule provided by Cal-EMA and the Cal-EMA's administrative costs are limited to \$511,000.
- 12) Creates the CalWORKs Maintenance of Effort (MOE) Subaccount in the 1991 realignment Local Revenue Fund and in specified local health and welfare trust funds. Redirects funds that would otherwise have been deposited in the 1991 realignment Mental Health Subaccount to this new CalWORKs MOE Subaccount. Additionally, directs that those funds shall be used to support a greater annual contribution by counties toward the costs of CalWORKs grants, as specified.
- 13) Directs the Office of Systems Integration to oversee the development of a new Statewide Automated Welfare System (SAWS) consortium that will include the 39 counties that currently comprise the C-IV consortium and Los Angeles County, as specified. Requires the Office of Systems Integration to include related information in its annual report on SAWS for 2012.
- 14) Requires each SAWS consortium to provide a seat on its governing body for a representative of the state and to allow for the stationing of state staff at the project site.
- 15) Requires that the Department of Finance report to the Joint Legislative Budget Committee on or before May 30, 2012 regarding the funding of the Local Revenue Fund 2011 including estimated amounts used to reimburse the State and estimated use of funds in the Undistributed Account.
- 16) Includes intent language that legislation enacted to implement 2011 Realignment shall address funding necessary for local public safety to achieve successful outcomes from the implementation of AB 109 and sufficient funding for Child Welfare Services and Foster Care Programs necessary to achieve critical outcomes, including state and federal performance reviews.

- 17) Clarifies that the Youthful Offender Block Grant program is funded from the Local Revenue Fund 2011 and not the General Fund for the 2011-12 fiscal year.
- 18) Clarifies that counties that do not have a public defender's office are still eligible for the allocation of funding allocated under the realignment to support parole revocation proceedings involving persons subject to state parole and the Postrelease Community Supervision Act of 2011 (Chapter 15, Statutes of 2011 [AB 109, Budget]).
- 19) Conforms all county realignment accounts so that they are not interest bearing accounts.

EXISTING LAW: (Chapter 40, Statutes of 2011 [AB 118, Budget]) creates the Local Revenue Fund 2011 for the deposit of \$5.6 billion to support 2011 Public Safety Realignment. The 2011 Public Safety Realignment includes realigning funding and responsibility for various public safety services from the State to local governments. Public Safety services included in the realignment include broadly: (1) low-level offenders and parole violators, adult parole, and funding for various local law enforcement programs funded by the State; (2) mental health services; (3) substance abuse treatment; (4) foster care, child welfare services, and adoptions; (5) adult protective services; and (6) court security. The 2011 Public Safety Realignment is funded with the redirection of 1.06 percent of the existing state sales tax (\$5.1 billion) to the Local Revenue Fund 2011 and the redirection of \$454 million of existing vehicle license fee revenues from the Department of Motor Vehicles and general-purpose local government support.

FISCAL EFFECT: Overall fiscal effects of this bill are unknown, but may be tens of thousands related to the creation of new accounts within the State Treasury. Overall 2011 Public Safety Realignment is expected to save the State up to \$2 billion when it is fully implemented mainly from the reduction in State prison and parole activities.

COMMENTS: This bill seeks to enact technical and other changes necessary to further implement AB 118, which provided the funding structure for public safety realignment for the 2011-12 fiscal year.

REGISTERED SUPPORT / OPPOSITION: None on file.

Analysis Prepared by: Nicole Vazquez / BUDGET / (916) 319-2099

Date of Hearing: September 7, 2011

ASSEMBLY COMMITTEE ON BUDGET

Bob Blumenfield, Chair

SB 5 X1 (Committee on Budget and Fiscal Review) – As Amended: September 2, 2011

SENATE VOTE: Vote not relevant

SUBJECT: Public Safety Realignment

SUMMARY: Makes various technical, clarifying, and conforming changes to implement the 2011 public safety realignment proposal as contained in AB 109 (Committee on Budget), Chapter 15, Statutes of 2011; AB 117 (Committee on Budget), Chapter 39, Statutes of 2011; and AB 116 (Committee on Budget), Chapter 136, Statutes of 2011 pertaining to the public safety realignment of 2011. Specifically, this bill:

- 1) Refines the definition of felony crimes punishable by imprisonment in county jail as stated in subdivision (h) of Penal Code Section 1170.
 - a) The following crimes as felonies are subject to imprisonment in state prison and not county jail:
 - i) Penal Code section 4501.1 (battery on peace officer by gassing);
 - ii) Penal Code section 4530 (escape from prison facility);
 - iii) Penal Code section 12021.5 (possession of firearm during street gang crime); and
 - iv) Penal Code section 12025 (unlawfully carrying a concealed firearm).
 - b) The following crimes as felonies are subject to imprisonment in county jail if otherwise statutorily qualified:
 - i) Health and Safety Code § 11355 (sale or furnishing substance falsely represented to be a controlled substance); and,
 - ii) Health and Safety Code § 11382 (sale or furnishing substance falsely represented to be a controlled substance).
 - c) Clarifies exception to felony jail incarceration, including out-of-state convictions.
- 2) Clarifies the application of sentencing enhancements and penalties for priors to state prison and jail felony terms.
- 3) Conforms county jail custody credits to the equivalent state prison inmate custody credits, including fire camp. Also makes technical changes to make pre-sentence credits consistent with post-sentence credits and excludes periods of “flash” incarceration from credits at county jails.

- 4) Specifies how post-release community supervision applies to “grandfathered” parolees who were paroled from state prison prior to October 1, 2011. These amendments clarify that any discretionary discharge of a grandfathered parolee after six consecutive months of being violation free will not apply to parolees who, 1) are subject to a parole period that exceeds three years; 2) were imprisoned for a serious or violent offense; or 3) are required to register as a sex offender, as specified. These amendments also provide that grandfathered parolees being held for a parole violation in state prison on October 1, 2011, upon completion of a revocation term on or after November 1, 2011, shall be subject to parole or post-release community supervision according to their offense history, as provided by the 2011 public safety realignment measures previously enacted. These amendments further clarify that parolees in county jail on October 1, 2011 serving a parole revocation term who are released from jail without returning to a state facility on or after October 1, 2011 shall remain under the jurisdiction of CDCR state parole. These amendments clarify that any parolee in jail or state prison pending a final adjudication of a parole revocation charge prior to October 1 may be returned to state prison for up to 12 months, as specified, and that any subsequent parole revocations of a parolee on post-release community supervision shall be served in county jail.
- 5) Conforms the release to post-release community supervision with current state parole practice that prohibits these persons from being released on a holiday or weekend.
- 6) Creates a process for inter county transfers of persons subject to post-release community supervision.
- 7) Clarifies the role of post-release community supervision by expressly including language that does the following:
 - a) Includes the availability of continuous electronic monitoring;
 - b) States that any period of time during which a person has absconded shall not be credited towards any period of post-release supervision;
 - c) Authorizes peace officers to arrest a person on post-release supervision where there is probable cause to believe the person is violating a term of release;
 - d) Authorizes county supervising officers to seek a warrant, and a court or its subordinate officer to issue, a warrant for the person’s arrest, as specified;
 - e) Adds tolling language suspending the supervision period where a person subject to supervision is subject to an arrest warrant for failure to appear;
 - f) Provides that every person subject to post-release community supervision, and their residences and possessions, are subject to search or seizure at any time of the day or night with or without a warrant, by a supervising agent or peace officer; and,
 - g) Expands the sole and exclusive authority of the sheriff over the county jail to include a cross-reference to persons confined for a violation of the terms and conditions of post-release community supervision.

- 8) Clarifies that sex offender and lifer state parolees who are convicted of a new non-serious, non-violent, non-sex felony while on parole will continue to be subject to state parole for a period at least as long as the parole period they were subject to when they committed the new crime.
- 9) Clarifies that existing statutory provisions that allow for persons who are subject to up to three years of parole supervision may be discharged from parole after six months of continuous parole supervision do not apply to persons imprisoned for committing a violent or serious felony, or who are required to register as a sex offender.
- 10) Allows counties without an established public defender's office to access funds for those purposes from the "District Attorney and Public Defender Account."
- 11) Makes technical revisions concerning operative dates of the 2011 public safety realignment.
- 12) Appropriates \$1,000 to California Department of Correction and Rehabilitation.
- 13) States legislative intent language concerning the enactment of the 2011 public safety realignment with respect to the management of the prison population and expressly states it constitutes the approval required by Section 2 of Chapter 706 (Statutes of 2007) relating to the conversion of a female prison to a male prison.
- 14) Makes non-substantive chaptering amendments.
- 15) Adds an appropriation allowing this bill to take effect immediately upon enactment.

COMMENT: This bill continues the implementation of the 2011 Public Safety Realignment, which moved the responsibility for custody of certain low-level felons, parolees, and juveniles from the State to the counties. The framework for this transfer was contained in AB 109 (Committee on Budget), Chapter 15, Statutes of 2011, which was enacted in March of 2011. In June, AB 117 (Committee on Budget), Chapter 39, Statutes of 2011, was enacted and AB 116 (Committee on Budget) Chapter 136, Statutes of 2011 provided for the implementation of the transfer of this responsibility.

This bill reflects the input from local public safety, counties, and other stakeholders and adds more specificity regarding the implementation of this shift in responsibility, which will occur on October 1, 2011. Much of the bill is intended to address specific concerns from these stakeholders that parts of the current statute regarding local custody and post release programs could be misinterpreted. As a result, the bill includes several provisions to clarify and define elements of these new programs, to address these concerns.

REGISTERED SUPPORT / OPPOSITION: None on file.

Analysis Prepared by: Marvin Deon / BUDGET / (916) 319-2099

Date of Hearing: September 7, 2011

ASSEMBLY COMMITTEE ON BUDGET

Blumenfield, Bob, Chair

SB 6 X1 (Budget and Fiscal Review Committee) – As Amended: September 1, 2011

SENATE VOTE: Vote not relevant

SUBJECT: Education financing.

SUMMARY: Makes statutory changes necessary to enact the 2011-12 Budget Bill. Specifically, this bill:

- 1) Makes changes to the provisions of the education budget trailer bill to delay the implementation date of the community college student fee increase of \$10 per unit, from winter term to summer term of the 2012 calendar year, in the event that the trigger reductions are made operative by January 1, 2012, pursuant to subdivision (b) of Section 3.94 of the 2011-12 Budget Act.
- 2) Adds legislative intent that reductions made by the community college districts in the 2011-12 fiscal year pursuant to paragraph (13) of subdivision (b) of Section 3.94 of Chapter 41 of the Statutes of 2011 reflect the one-time nature of the budget reduction imposed in that section as a result of delaying the \$10 per unit student fee increase from winter term to the summer term of the 2011-12 academic year. College districts should, to the extent possible, make every effort to implement reductions in a manner that will minimize the impact on course offerings and programs needed by students to achieve their basic skills, workforce training, or transfer goals.
- 3) Makes changes to the provision of the budget trailer bill related to implementing mid-year revisions to the Budget Act of 2011, stating that if the Director of Finance proposes to reduce an item of appropriation pursuant to the determination of the higher revenue forecast under subdivision (a) of Section 3.94 of the 2011-12 Budget Act, the director shall do both of the following:
 - a) By December 9, 2011, make every effort to notify the Chief Clerk of the Assembly and the Secretary of the Senate of the specific reductions the director proposes to make; and,
 - b) At least 10 days before implementing a reduction, consult with the Speaker of the Assembly and the Senate Pro Tempore about 1) the amount of reduction and projected revenue shortfall justifying the reduction and 2) statutory changes that provide alternative budget solutions to the reductions.
- 4) Adds an appropriation allowing this bill to take effect immediately upon enactment.

REGISTERED SUPPORT / OPPOSITION: None on file.

Analysis Prepared by: Sara Bachez / BUDGET / (916) 319-2099

Date of Hearing: September 7, 2011

ASSEMBLY COMMITTEE ON BUDGET

Bob Blumenfield, Chair

SB 7 X1 (Committee on Budget and Fiscal Review) – As Amended: September 1, 2011

SENATE VOTE: Vote not relevant

SUBJECT: State Responsibility Areas: fire protection fees.

SUMMARY: This bill would revise and recast state responsibility area (SRA) fee provisions to require the Board of Forestry (BOF) to adopt emergency regulations to establish and administer fire protection fees in specified amounts, but not in an amount that would exceed the reasonable cost of providing fire protection services. Specifically, this bill:

- 1) Finds that owners of property within SRA receive a disproportionately larger benefit from fire protection activities than the general public, and that a portion of the cost of these activities should be borne by the owners of properties through the establishment of a fire protection fee.
- 2) Intends that this fire protection fee not exceed the reasonable cost to the state of conferring the benefit of fire protection to the payer.
- 3) Defines "fire protection" as fire suppression and fire prevention services.
- 4) Defines "property" to include land and buildings or structures.
- 5) Directs the BOF to adopt emergency regulations to establish a fire protection fee as follows:
 - a) \$1.00 per acre for the first 100 contiguous acres owned, \$0.50 per acre for the next 900 contiguous acres owned, \$0.25 per acre for each additional contiguous acre owned, not to exceed a total of \$3,000 for 10,000 acres or more owned; and,
 - b) In addition, not less than \$175 for the first structure and \$25 for each subsequent structure on land owned.
- 6) Authorizes a \$25 reduction to the structure component of the fire protection fee for those property owners who are located within an established fire protection district.
- 7) Stipulates that the fire protection fee apply to all owners of property within SRA as of July 1, 2011 and as of every July 1 thereafter.
- 8) Authorizes the BOF to adjust the fire protection fees annually using prescribed methods.
- 9) Authorizes the Board of Equalization (BOE) to collect the fee and deposit moneys collected into the State Responsibility Area Fire Protection Fund.
- 10) Directs the moneys in the fund be used for the following fire protection activities, in descending order of priority:

- a) The cost to administer this chapter, including mapping of SRA boundaries and related hazard an risk;
 - b) The portion of the department's fire protection costs that benefit owners of property in SRA; and,
 - c) Local assistance grants and other activities.
- 11) Establishes an appeals process, which would authorize BOE to eliminate or change the fee based on a determination that this chapter does not apply, or applies differently, to the person who filed the petition.
 - 12) Appropriates \$4,372,000 and \$4,900,000 from the SRA Protection Fund to CAL FIRE/ BOF and BOE respectively to implement and administer these provisions.

COMMENTS: On July 7, 2011, the Governor signed AB 29 X1, a budget bill which directed the Board of Forestry to establish a fire prevention fee (up to \$150 per structure) in state responsibility areas. The purpose of the bill was to ensure property owners in developed wildland areas pay for a portion of the fire and emergency response services they receive.

In the Governor's signing message, he stated:

"As a result of population increases and urban development in state responsibility areas in recent decades, there has been a significant increase in state costs associated with fire protection in state wildland areas. This bill recognizes that a portion of the costs borne by the state for wildland fire prevention and protection services should be funded by the landowners in these areas.

A fee consistent with the "beneficiary pays principle," such as the one intended in this bill, can achieve significant General Fund savings. However, as drafted, the revenues may not materialize. I am directing the Department of Finance and CAL FIRE to work with the Legislature during the remaining legislative session to identify necessary clean-up language to realize these revenues."

SB 7 X1 contains the Administration's amendments to AB 29 X1 to address the concerns raised above. According to the Administration, the bill has two main objectives:

- 1) To allow CAL FIRE's fire protection activities to be an eligible purpose for revenue generated from the SRA fee established by AB 29 X1. Under AB 29 X1, proceeds from the SRA fee are only available for fire prevention activities; and,
- 2) To make AB 29 X1 more compliant with Proposition 26 by requiring all property owners within the SRA (including owners of land) be included in the fee, since they all benefit from CAL FIRE's fire protection services.

REGISTERED SUPPORT / OPPOSITION: None on file

Analysis Prepared by: Gabrielle Meindl / BUDGET / (916) 319-2099

Date of Hearing: September 7, 2011

ASSEMBLY COMMITTEE ON BUDGET
Bob Blumenfield, Chair

SB 8 X1 (Committee on Budget and Fiscal Review) – As Amended: September 2, 2011

SENATE VOTE: Vote not relevant

SUBJECT: Community Redevelopment/Alternative Voluntary Redevelopment Program

SUMMARY: Makes various changes to existing laws related to community redevelopment and the Alternative Voluntary Redevelopment Program. The changes relate to certain technical issues, clarifying provisions and special circumstances that are in reference to previously adopted legislation affecting redevelopment agencies (RDAs). These changes are necessary for the proper implementation of that legislation relating to the 2011-12 budget agreement. Specifically, this bill:

- 1) Grants additional financial flexibility for cities or counties (communities) choosing to participate in the Alternative Voluntary Redevelopment Program to make their community remittances under the program.
 - a) Allows amounts provided by a city or county for the 2011-12 community remittance to be repaid by additional transfers of funds from the RDA to the city or county in 2012-13 and 2013-14.
 - b) Permits RDAs that borrowed from their low- and moderate-income housing fund (LMIHF) in order to make supplemental educational revenue augmentation fund (SERAF) payments in 2009-10 and 2010-11, to extend the repayment of such borrowed funds for an additional 5 years.
 - i. The RDA must make a finding that there are insufficient other moneys to accomplish planned activities and must also address the specific impact of the repayment delay on housing activities.
 - ii. The agency must adopt a resolution containing detailed reference to its existing payment obligations and include a schedule for repayment to the LMIHF of the SERAF borrowing over the period of the five year extension.
- 2) Establishes that, for RDAs whose sponsoring community chooses not to continue under the Alternative Voluntary Redevelopment Program, any balances in the LMIHF would continue to be used for designated housing purposes by the local housing agency or by the California Department of Housing and Community Development if no local agency is designated. Also requires, rather than allows, the local housing agency to enforce affordability covenants.
- 3) Addresses specific circumstances involving unintended consequences, consistent with the intent of the original legislation.

- a) Allows the extension of certain third-party credit agreements that were used to secure outstanding bonds and allows refunding bonds to be issued for lines-of-credit obtained from financial institutions.
 - b) Resolves that if an existing employee MOU expires, its provisions remain in place until the RDA freeze period ends, including compensation provisions for employees reassigned to an existing vacancy
 - c) Clarifies that a member of an Oversight Board (established to govern activities of former RDAs), including the member representing employees of the former RDA, can vote to approve a contract as an enforceable obligation.
 - d) Includes as enforceable obligations:
 - i. Repayment of loans made to an RDA by community that established the RDA if such loans were made within two years of the date of the creation of a project area.
 - ii. Repayment of loans made to an RDA by a community to fulfill that RDA's SERAF payments in 2009-10 and 2010-11.
 - e) Permits the Director of Finance to adjust community remittances based on tax increment attributable to an RDA, which reached its permanent increment cap subsequent to the 2008-09 data utilized in the remittance calculation.
 - f) Establishes flexibility in reducing the amount of property tax increment used for RDA debt upon the retirement of debt, in instance where other related debt may increase as a consequence of such retirement.
- 4) Addresses specific technical aspects of previous legislation by: correcting certain code section references; adding a computational requirement regarding the calculation of the community remittance amount; and including supplemental and unitary property tax increment in relevant fund calculation.
 - 5) Clarifies the operation of certain provisions that relate to the California Supreme Court stay issued with respect to portions of the original bills, AB 26 X1 and AB 27 X1.
 - 6) Adds an appropriation to the Department of Finance allowing this bill to take effect immediately upon enactment.

EXISTING LAW: Eliminates redevelopment agencies and directs a phase-out of their activities. The law also provides for an Alternative Voluntary Redevelopment Program for communities that wish to continue. Participation in the Alternative Voluntary Redevelopment Program entails an annual remittance directed to schools and other local governments. Resources for making such remittances by the community may include available funds passed-through from their RDA. Some RDAs borrowed funds from their LMIHF to make payments required under SERAF in 2009-10 and 2010-11. These loans are required to be repaid in five years from the date of borrowing: by 2015 and 2016, respectively. Under current law, balances in the LMIHF for non-continuing RDAs would be dispersed to local taxing entities. The law defines enforceable obligations that may be paid, the issuance of additional debt, employee MOUs, the make-up of

Oversight Boards, appeal procedures regarding community remittances, and the use of property tax increment.

FISCAL EFFECT: No measurable impact on the \$1.7 billion attributed in 2011-12 as a result of remittance payments by communities participating in the Alternative Voluntary Redevelopment Program. Potential delay in receipt of repayment by RDAs to the LMIHF due to the availability of an extended repayment plan. Increased funds available for housing program activities through redirection of existing LMIHF balances of RDAs whose communities choose not to participate in the Alternative Voluntary Redevelopment Program.

COMMENTS: A stay (and a subsequent revision) has been issued by the California Supreme Court regarding many of the provisions of AB 26 X1 and AB 27X1 with respect to community redevelopment and the Alternative Voluntary Redevelopment Program. The stay applies to actions that would be allowed or required under the legislation. As a result, pending a final court decision scheduled by January 15, 2012, RDAs are not subject to dissolution if they choose not to participate in the Alternative Voluntary Redevelopment Program and their current redevelopment activities are largely "frozen." RDAs are precluded from most activities including adopting or amending redevelopment plans, entering into new agreements, amending or modifying existing agreements, issuing or restructuring bond issues, or disposing of assets. The stay allows for RDAs to continue making required payments on enforceable obligations and to conduct administrative operations necessary for these payments.

REGISTERED SUPPORT / OPPOSITION: None on file.

Analysis Prepared by: Mark Ibele / BUDGET / (916) 319-2099

Date of Hearing: September 7, 2011

ASSEMBLY COMMITTEE ON BUDGET

Bob Blumenfield, Chair

SB 13 X1 (Committee on Budget and Fiscal Review) – As Amended: September 2, 2011

SENATE VOTE: Vote not relevant

SUBJECT: Alternative Voluntary Redevelopment Program

SUMMARY: Makes a change in the basis on which community remittances can be adjusted under the Alternative Voluntary Redevelopment Program established under previous legislation. The change is necessary for the proper implementation of that legislation relating to the 2011-12 budget agreement. Specifically, this bill:

- 1) Provides for an appeal of the amount or payment schedule of the community remittance calculated by the Director of Finance for participation in the Alternative Voluntary Redevelopment Program, based financial, fiscal and economic criteria that show the payment would place a significant and detrimental requirement on the city or county (community).
- 2) Allows communities that wish to participate in the Alternative Voluntary Redevelopment Program to appeal by November 1, 2011 for an adjustment of their calculated community remittance amount by:
 - a. Providing evidence that their RDA's net tax increment, after payment of debt obligations and pass-through payments, together with any other available funds, is less than the calculated community remittance amount, after accounting for any other adjustment in the remittance amount.
 - b. Issuing a finding that the community's financial position as demonstrated by such measures as revenue trends, fund balances, employment, service levels, and credit rating indicate resources that, together with any available pass-through amounts, are insufficient to pay the community remittance.
 - c. Demonstrating that the community is economic distressed relative to other communities in the state and region as indicated by unemployment, property values, income, taxable sales, or other indicators.
- 3) Requires the Director of Finance to respond to the appeal along with a statement of reasons for the action by December 15, 2011. The director may reject the appeal or accept the appeal in whole or in part.
- 4) Contains an appropriation to the Department of Finance allowing the bill to be an urgency measure and take effect immediately upon enactment.

EXISTING LAW allows for communities to opt into the Alternative Voluntary Redevelopment Program upon adoption of an ordinance and the payment of community remittances. It also provides for appeal of the amount calculated by the Department of Finance as the community

remittance on the basis of errors in the data or substantial changes in the amount of increment necessary for debt service.

FISCAL EFFECT: Unknown and dependent upon the extent of community appeals under the bill and interpretations and determinations made by the Director of Finance. The overall net effect is likely to be some reduction of an undetermined amount in community remittances with commensurate reductions in the \$1.7 billion of state General Fund savings included in the 2011-12 budget. While any payment relief that is granted would reduce the \$1.7 million savings, some of this loss may be offset to the extent that successful appeals result in the participation in the alternative program by communities that would otherwise have not have been able to participate and for which dissolution of their agency would have resulted in less state savings than result from the adjusted payment amount. Any fiscal effect may also depend on the decision of the California Supreme Court in the pending challenge to the redevelopment package.

COMMENTS: There some communities across the state that are unlikely to participate in the Alternative Voluntary Redevelopment Program based on the magnitude of community remittance amounts. The additional appeal process in this bill provides an avenue for those communities, while leaving the decision regarding the disposal of such appeals in the hands of the Director of Finance. The director could use discretion in each case both in terms of weighing the appeal and designing the remedy, to the extent any is offered.

REGISTERED SUPPORT / OPPOSITION: None on file.

Analysis Prepared by: Mark Ibele / BUDGET / (916) 319-2099

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Date of Hearing: September 7, 2011

ASSEMBLY COMMITTEE ON BUDGET

Bob Blumenfield, Chair

SB 18 X1 (Budget and Fiscal Review Committee) – As Amended: September 2, 2011

SENATE VOTE: Vote not relevant

SUBJECT: Education financing.

SUMMARY: Makes statutory changes necessary to enact the 2011-12 Budget Bill.
Specifically, this bill:

- 1) Amends provisions of the education budget trailer bill relating to the community college deferral amounts, identified in section 41 of Chapter 7, Statutes of 2011, to be applied beginning with the 2011-12 fiscal year and corrects a drafting error in order to authorize payment of the 2010-11 deferral be paid in 2011-12 fiscal year.
- 2) Makes changes to the provisions of the education budget trailer bill to delay the implementation date of the community college student fee increase of \$10 per unit, from winter term to summer term of the 2012 calendar year, in the event that the trigger reductions are made operative by January 1, 2012, pursuant to subdivision (b) of Section 3.94 of the 2011-12 Budget Act.
- 3) Adds legislative intent that reductions made by the community college districts in the 2011-12 fiscal year pursuant to paragraph (13) of subdivision (b) of Section 3.94 of Chapter 41 of the Statutes of 2011 reflect the one-time nature of the budget reduction imposed in that section as a result of delaying the \$10 per unit student fee increase from winter term to the summer term of the 2011-12 academic year. College districts should, to the extent possible, make every effort to implement reductions in a manner that will minimize the impact on course offerings and programs needed by students to achieve their basic skills, workforce training, or transfer goals.
- 4) Makes a technical correction to change a Revenue and Taxation Code reference in section 15 of Chapter 43 of the Statutes of 2011, which changes the calculation of General Fund revenues for purposes of Proposition 98 to reflect the dedication of specific state sales tax revenues to local realignment pursuant to the 2011-12 budget and holds schools harmless from the loss of revenues.
- 5) Amends item 6110-488 of the Budget Act 2011 to add \$23.8 million in one-time Proposition 98 savings to replace \$23.8 million in other one-time savings that are not available for reappropriation in the 2011-12 fiscal year. This budget item reappropriates one-time Proposition 98 funds for several educational programs in order to achieve savings in the 2011-12 budget.
- 6) Adds Education Code provisions to clarify that school districts can continue to receive Necessary Small Schools (NSS) funding grants for middle and junior high schools, as well as, elementary and high schools in 2011-12. These changes authorize school districts that counted grade 7 and 8 student average daily attendance and instructors for purposes of

receiving NSS grants in 2010-11 to account for them in 2011-12. Without these clarifying changes, CDE has identified and notified several school districts that would lose anticipated NSS funding for 2011-12 fiscal year.

7) Adds an appropriation allowing this bill to take effect immediately upon enactment.

REGISTERED SUPPORT / OPPOSITION: None on file.

Analysis Prepared by: Sara Bachez / BUDGET / (916) 319-2099