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## **Governor's May Budget Revise Expected on Thursday**

*Cities Should Anticipate Updated Redevelopment Dissolution Proposal, Cap-and-Trade Fund Allocations and Watch for Possible Drought and Transportation Proposals*

This week all eyes in the Capitol will be on Gov. Jerry Brown as he releases his revised budget for [FY 2015-16](#). The announcement is expected to occur on Thursday. This budget will include revisions based on updated revenue projections since January when the Governor released his proposed budget. The general consensus is that the state's revenues are looking up over January's projections. Expected to be included in this proposal is an update to the Department of Finance's (DOF) redevelopment dissolution proposal, as well as additional allocations of Cap-and-Trade funds.

In January, the League did a [thorough analysis](#) of the Governor's \$113.3 billion General Fund FY 2015-16 budget proposal in *CA Cities Advocate*. That proposal also called for \$2.8 billion to be reserved for the rainy day fund in accordance with Proposition 2, which voters approved in November 2014. Although the state appears to have an increasingly positive revenue picture, Governor Brown is known for fiscal restraint and is expected to be cautious about expanding future General Fund obligations.

Cities this week should also pay attention to see if the Governor includes something additional on transportation funding. Although his January budget stated that California's transportation system was a priority, it did not include any specific financing proposals. The Legislature is working on the issue. In April, Sen. Jim Beall (D-San Jose), as chair of the Senate Transportation and Housing Committee announced his [SB 16 funding plan](#). The League supports the measure. Transportation stakeholders will be interested in whether the Governor proposes an Administration transportation funding plan or indicates a position on what Sen. Beall has put forward.

The Governor's focus on the severe drought could also generate additional funding proposals and potentially accelerate allocations from Proposition 1, the Water Bond.

Mandates are another item of note for local government. The Governor's proposed FY 2015-16 budget in January revealed that as a result of trigger language included with the passage of the FY 2014-15 budget, local agencies are projected to receive an additional payment of \$533 million in mandate repayments. This money is owed to local governments from prior to 2004. The allocation builds upon the \$100 million repayment received by cities, counties and special districts as part of the FY 2014-15 budget. DOF Director Michael Cohen indicated at that time that this number may increase after the April tax receipts are in and accounted. The question now is whether all of the pre-2004 repayments will be made to local governments or just a portion and if so, how much.

## **Update Expected on Redevelopment Dissolution Proposal**

The [DOF proposal](#) to change the redevelopment dissolution process has dominated much of the League's efforts this spring. This proposal, which is expected to be updated in the May Revise, attempts to change the rules after the fact and would undo court cases and change other statutes upon which local governments relied on when making decisions in the redevelopment dissolution process.

In anticipation of the updated DOF redevelopment proposal, the League will be hosting a special webinar briefing on Friday, May 15 from 11 a.m. to 12:30 p.m. This 90-minute session, for

League members only, will feature League Senior Director of Legislative Affairs Dan Carrigg and League Special Counsel Betsy Strauss who will provide details on how this proposal could affect cities.

Register for this webinar at [www.cacities.org/events](http://www.cacities.org/events) by Thursday, May 14 at 3 p.m. Registration questions can be directed to [Megan Dunn](#).

**Next Steps**

The League will issue more information on the May Revise late on Thursday or early Friday.