

May 21, 2015  
Issue #51

## Senate Budget Subcommittee Passes Redevelopment Proposal with Chair Expressing Concern with Problematic Provisions, Assembly Budget Subcommittee to Vote on Framework Today

Legislators heard the voice of California cities loud and clear yesterday as representatives from cities throughout California lined up to testify in opposition to the Department of Finance's (DOF) redevelopment dissolution proposal in the May Budget Revise. Both the Senate Budget Subcommittee #4 on State Administration and the Assembly Budget Subcommittee #4 held hearings on Wednesday, May 20, to take up the revised redevelopment dissolution budget proposal for FY 2015-16. The Senate committee concluded its work on Wednesday, passing it, but the Assembly committee will not vote on the framework until today. The proposal is part of a larger omnibus local government budget trailer bill that contains other outstanding local government finance issues. For more information, please see the League's [May Revise budget story](#) in *CA Cities Advocate* on May 14.

Senate Budget Subcommittee Chair Richard Roth (D-Riverside) raised concerns over DOF's proposal and the impact on communities. When making the motion to approve the staff recommendation to pass the proposal, he called on DOF to work on the issues of major concern to local agencies.

The League's Senior Director of Legislative Affairs Dan Carrigg headed up the opposition testimony in both committees and began by telling members that cities are pleased with a number of changes made to the redevelopment dissolution budget proposal since its January introduction. The most significant is the removal of previous provisions that sought to repeal various re-entered agreements that local agencies had entered into under the provisions of AB 26X (2011) and the use of some of the 2011 bonds.

He then focused his testimony by outlining the outstanding harmful provisions that have the broadest impact on cities:

- **Reimbursement agreements.** The proposal retroactively prohibits the reinstatement of reimbursed agreements between a city and a redevelopment agency for public improvements constructed by a third party. The city of Watsonville has prevailed in a court case in the lower courts. DOF is expected to appeal.
- **Loan interest rates.** The proposal retroactively undoes the final March 16, 2015 ruling in the *City of Glendale v. Department of Finance* over the appropriate method of calculating interest rates on reinstated loans.
- **Erosion of due process review of DOF decisions.** Continues to undercut the due process provisions agreed upon by the Administration and Legislature in AB 1484 to enable a successor agency to contest a DOF decision in the Sacramento County Superior Court.

The League's [full analysis](#) and [letter](#) to both committees are available online.

City officials' testimony on Wednesday powerfully conveyed how seriously the proposal will affect their communities. Watsonville Vice Mayor Felipe Hernandez told the Assembly Budget Subcommittee #4 that his city is already faced with cutting its summer parks lunch program. Glendale City Attorney Gillian Van Muyden warned that if the interest rate on loans due the city is recalculated under this proposal, her city will be forced to cut police and fire, putting lives at stake.

Christine Carson, Ridgecrest's assistant city attorney, echoed much of what Van Muyden said, explaining that the loss of this revenue would cause the city to enact deep cutbacks, with the greatest impact on public safety.

Numerous other cities were represented in the hearings by city representatives or their lobbyists including:

- Coronado
- Fontana
- Fresno
- La Habra
- Lakeport
- Montebello
- La Habra
- Murrieta
- Sacramento
- Santa Monica
- Tustin

### **Next Steps**

The proposal will go to the joint Budget Conference Committee upon approval by the Assembly Budget Subcommittee #4. The League will provide further guidance on advocacy activities over the next few weeks.