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Staff Report

ITEM NO. 5J

To: Lemoore City Council
From: Judy Holwell, Project Manager
Date: May 29, 2012
**Subject: Letter of Opposition to the Governor's Budget Trailer Bill
regarding AB X1 26**

Discussion

The California Department of Finance (DOF) has distributed a proposed Budget Trailer Bill that would make major changes to AB X1 26, the redevelopment dissolution bill. The Bill grants DOF the unprecedented ability to divert local sales and property taxes when it determines successor agencies have "improperly" transferred funds to other public or private entities. In addition, the proposal calls for all remaining unencumbered funds (housing and non-housing funds), to be transferred to the county auditor-controller to benefit the other taxing entities. It also limits the authority of oversight boards, giving final approval of all matters to the DOF. The Bill language can be found on the Department of Finance website at:

http://www.dof.ca.gov/budgeting/trailer_bill_language/business_transportation_and_housing/documents/%5b210%5d%20ABx1%2026%20Redevelopment%20Clean-Up%20and%20RDA%20Asset%20Disposition%20.pdf

The City, through its Successor Agency and Oversight Board has sought to abide by the statutes in place regarding the dissolution of the redevelopment agency. However, the Governor continues to seek changes to these statutes and gain more control of former redevelopment agency funds. If this Bill is passed, it could have devastating effects on the City of Lemoore since any obligations the DOF determines are "improper" are required to be transferred to the county auditor-controller in an effort to help fill the State's budget gap. Additionally, local sales tax and property tax revenues intended for the City can also be diverted to the other taxing entities to "makeup" for improper spending. This could result in significant shortfalls for the City. For these reasons, the attached letter of opposition has been prepared to submit to the State Legislature

Budget Impact

Implementation of the Budget Trailer Bill could have significant impacts to our budget. However, no estimates are available at this time.

Recommendation

That the Lemoore City Council approve the submittal of the attached letter to the Legislature urging them to oppose and reject the Budget Trailer Bill.