

CRA ALTERNATIVE PROPOSAL FOR VOLUNTARY REDEVELOPMENT CONTRIBUTIONS TO SCHOOLS

The California Redevelopment Association has crafted an alternative to the Governor's proposed elimination of redevelopment agencies that provides significant funding to schools that could also help close the state's budget deficit, avoids the unconstitutional provisions of the proposal that would lead to contentious and costly legal battles, and continues local redevelopment's contributions to reviving the state's economy and supporting hundreds of thousands of jobs. A summary of our proposal is as follows:

- 1) **Local redevelopment agencies can voluntarily suspend their housing set-aside for FY 2011-12. An equivalent amount of funds must then be contributed to local school districts in project areas.**
 - a. In exchange for this contribution of funds for FY 2011-12 to local schools, the agency will be allowed to extend the project area's life by TWO YEARS.

- 2) **In addition, or alternatively, redevelopment agencies could voluntarily contribute up to 10 percent of their tax increment revenue stream to local school districts for 10 years, beginning in FY 2011-12.**
 - a. The tax increment revenue stream they could contribute would be calculated as a percentage of the gross tax increment minus the existing pass-through payments to local taxing entities.
 - b. For each percentage of tax increment paid to schools, an additional year could be added to the project area life, up to a maximum of 10 years. For example, if five percent of tax increment was dedicated to schools, the project area life could be extended for five years.
 - c. Contributions to schools will not count toward caps.

The amount of money contributed to local schools, and thus the amount of money the state can save in its budget, is dependent on the participation of agencies. Agencies will have 60 days from the date of enactment of the legislation to decide whether or not to participate.

Benefits:

- **CRA conservatively estimates that the alternative could raise more than \$2.7 billion over the 10-year life of the proposal**, far exceeding the \$1.7 billion in the Governor estimates that could be gained by eliminating redevelopment.
- Much of these funds (estimates range from \$700 million to \$1 billion) would be a one-time upfront payment that could help bridge the FY 2011-12 budget gap.
- This measure replaces the draconian and short-sighted proposal to abolish redevelopment. Local communities would continue to have redevelopment as a tool to create jobs, build affordable housing, and revive local economic growth.

- Because it is a voluntary program, it does not violate the State's Constitution or the will of the voters when they passed Proposition 22. There will be no expensive, time-consuming lawsuits, and no bonding or borrowing.
- The contributions to local schools could be used for discretionary purposes, and the State could choose to score all or part of it towards Proposition 98 guarantees to school districts.
- The contribution would not count toward the redevelopment agency's debt limits.