

TAX RELIEF AND LOCAL GOVERNMENT

This part of the Budget contains state and federal funds used for tax relief and provided to local governments. The largest programs are the homeowners' property tax exemption (\$442 million General Fund), the apportionment of fuel taxes to local governments (\$1.7 billion special fund), and the apportionment of Vehicle License Fees to local governments (\$153 million special fund).

ADOPTED SOLUTIONS

- Eliminate Funding for Williamson Act Subventions—A decrease of \$10 million. The funding partially backfilled revenues lost by local governments when they entered into voluntary contracts with landowners to assess property at a lower rate in exchange for the landowners' agreement to use the land only for agricultural or open space purposes.
- Voluntary Alternative Redevelopment Program—Savings of \$1.7 billion in 2011-12 associated with ABx1 27, which allows redevelopment agencies (RDAs) to continue in operation provided their establishing cities or counties agree to make \$1.7 billion in payments to K-12 schools. This will reduce the state's Proposition 98 General Fund costs in 2011-12 by a commensurate amount. RDAs whose establishing cities or counties do not agree to make these payments will shut down pursuant to ABx1 26. If an RDA is shut down, any property tax remaining after its debt service payments and allowable administrative costs will be distributed to cities, counties, special districts, and K-14 schools.

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- Redirection of Motor Vehicle License Fee (MVLFF) Revenues to Realignment
—Savings of \$153.4 million by shifting MVLFF revenues from cities and counties, and using it to fund public safety activities that have been realigned from the state to the counties. Of the shifted funds, \$105.6 million was previously distributed to cities and \$47.8 million comes specifically from Orange County. The latter funds were initially provided to repay debt issued by the County in the wake of its 1994 bankruptcy.