

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 (\$173 million special fund). The state also shares the property tax with local agencies and redevelopment agencies by applying the school share toward the Proposition 98 funding guarantee for schools and community colleges. Redevelopment agency allocations of property taxes shift \$2.1 billion away from K-14 schools, increasing state costs by the same amount. These costs are reflected in the K-14 education budgets.

In addition to the changes discussed in this chapter, the May Revision includes proposals to reduce state operations and achieve statewide efficiencies. Please see the Reducing State Government chapter for the details of the Governor's proposal.

RECENTLY ADOPTED SOLUTIONS

The Legislature approved the following major solution in March that was signed into law by the Governor:

- Eliminate Funding for Williamson Act Subventions—A decrease of \$10 million in 2010-11, and in each subsequent year. The funding partially backfilled revenues lost by local governments when they enter 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.

SOLUTIONS TO ADDRESS REMAINING SHORTFALL

The following previously proposed solution is needed to address the remaining budget shortfall:

- **Redevelopment Agency Elimination**—An increase of \$1.7 billion in 2011-12 associated with eliminating redevelopment agencies (RDAs) and using a portion of the property tax increment that remains after RDA debt service payments to reimburse the state for providing Medi-Cal and trial court services. This is proposed as a one-time General Fund benefit. In subsequent years all property tax increment remaining after RDA debt service payments and other approved expenses will flow to cities, counties, special districts, and K-14 schools.