

State Finances Are Healthy – Time to Help Local Governments

Last month, the State Legislature passed its 2017/18 budget, and the Governor signed it virtually as is. After years of budget turmoil, late budgets, and general animosity between the Governor and the Legislature, one thing that cannot be argued is that Governor Brown has brought a sense of calmness and congeniality when it comes to the budget process.

The spending document that was agreed to is a record for California, calling for \$183.2 billion in spending. Healthy increases in spending will come in public schools and health & human services, and \$1.8 billion will be added to the voter mandated “Rainy day” fund – bringing that fund to \$8.5 billion.

Whether you agree with the plan – and I know many of us have our concerns – there is something to be said for comparing the plan to where we were at the end of great recession. State coffers were so dry that cuts in state spending weren't enough, and the Governor turned his attention to local governments for a way to bridge the gap.

In 2009 and 2010, the State engaged in a number of efforts to balance its books on the backs of local governments. From cutting funds for road maintenance from vehicle licensing to killing off the Redevelopment Agencies, there were a number of financial changes that made things tough on local government.

So now that the State has returned to relatively sound financial footing, what has been done to help return cities and counties to fiscal health? Not much. There have been a few small things, but relatively little. As the State's finances have gotten better, local governments are still trying to return to health.

One easy way to do this would be to allow Cities and Counties to create new Redevelopment Agencies. RDA's were the primary tool used in Santa Barbara to build our downtown parking and much of our Affordable Housing stock. The program helped to grow our local

economy and created the State Street that we know and love. It was successful – right up until the State shut it down.

Redevelopment Agencies are interesting. They were created as a means of helping blighted areas return to profitability, and with some notable exceptions, they worked. The idea is that you outline a specific area to redevelop, determine what the property tax base is for the area, determine what it could be in the future through infrastructure improvements and other projects, then use the increase in the property taxes that will come from that work to pay for the work itself – generally by bonding against it.

That decision to end RDAs was made because much of the tax increment that was being used to run the program would have gone to schools – and school funding was day down. In 2011- 2012, the state spent \$47.3 billion in public education, down from \$56.6 billion in 2007-2008. The idea was to free up that tax increment to go back to local schools – thereby increasing their budgets.

And that effort worked out pretty well. This 2017-2018 budget has a record \$74.6 billion going to school funding. Schools may not have all the money they would like, but they are doing far better. Certainly better off than local governments.

As the legislature heads off on their August recess soon and wraps up this first half of the legislative session, I think it's time for cities and counties to start pushing for solutions – and for us to help them. It's time to look at how we can help ensure local governments have the tools they need to be successful.

It's time for the legislature to start pushing for a restoration of the redevelopment program.