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## Dan Walters: Some look to redevelopment taxes to help close state budget gap

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Over the years, as California politicians have contended with income-outgo gaps in the state budget, they have often turned to upfront and backdoor loans, accounting gimmicks, and raids on various pots of money to ease or avoid the difficult alternatives of raising taxes and cutting spending.

The most famous, or infamous, of these "solutions," at least among budget mavens, is ERAF, an acronym that stands for the Educational Revenue Augmentation Fund, devised in the early 1990s as then-Gov. Pete Wilson and lawmakers faced a horrendous, recession-caused budget crisis. The state grabbed several billion dollars in property tax revenues from cities, counties and other local governments and shifted them to schools, thereby reducing the state's constitutional obligation to education.

Gov. Arnold Schwarzenegger and the Legislature face another yawning income-outgo gap in this year's already-delayed state budget, and they and the minions they employ, in time-dishonored fashion, are looking for ways to dodge the bullets of raising taxes and cutting spending. Schwarzenegger has already proposed one bullet-dodger, a scheme to "securitize" the state lottery by borrowing billions of dollars against future lottery earnings.

Amidst the fiscal angst, another "securitization" concept is being floated that bears some resemblance to the lottery scheme – diverting a portion of property taxes collected by local redevelopment agencies to repay several billion dollars that the state would either borrow from commercial lenders or temporarily divert from local governments and/or transportation funds.

The redevelopment loan has been introduced to legislative leaders in conceptual form and is being refined into a detailed proposal this week. Its prime movers are cities with long-standing redevelopment projects that may be thwarted by the looming January 2009 cutoff on their authorized lives – especially the City of Industry, which has hired a phalanx of lobbyists for legislation to extend the life of its redevelopment project.

That legislation, carried by Sen. Gloria Romero, D-Los Angeles, has been stalled by allegations, denied by city officials, that redevelopment would be used to underwrite a City of Industry deal with developer Ed Roski to build a stadium and lure a professional football team back to Los Angeles.

Bev Hansen, a former Republican assemblywoman who lobbies for the City of Industry, is one of those pushing the notion in the Legislature. Assemblyman Roger Niello of Fair Oaks, who is the GOP point man on the budget in the Assembly, said Hansen and two former assemblymen, Curt Pringle and Mike Roos, outlined the idea to him. Pringle is the mayor of Anaheim and Roos is a government relations consultant in Los Angeles.

As described by Niello and others, the state would allow cities to extend the lives of their redevelopment projects – thus allowing them to keep property taxes that the projects generate –

without having to meet the stringent requirements for redevelopment project extension in current law, including new findings of blight to be cleaned up. And in return, the state would be given a share of the property taxes from those extensions that would repay a loan in the \$2 billion-plus range to help cover this year's \$15.2 billion budget gap.

One reason for the shortfall is that the state already is required to cough up more than \$2 billion a year to cover property tax losses to schools because cities can keep all of the taxes from redevelopment projects, rather than sharing them with schools and other local governments. So advocates are saying that this is a way for the state to recoup some of that money and ease its budget crunch.

Whether it becomes part of the eventual budget package – when and if that happens – is very much up in the air, however.

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