

ACBO Presentation

AB 1389 Overview

Overview

- Redevelopment overview and tax increment
- Different types of pass through obligations
- State Controller Report of findings from May 2008
- AB 1389 Requirements and process
- Initial State Controller Report on AB 1389

Redevelopment Overview

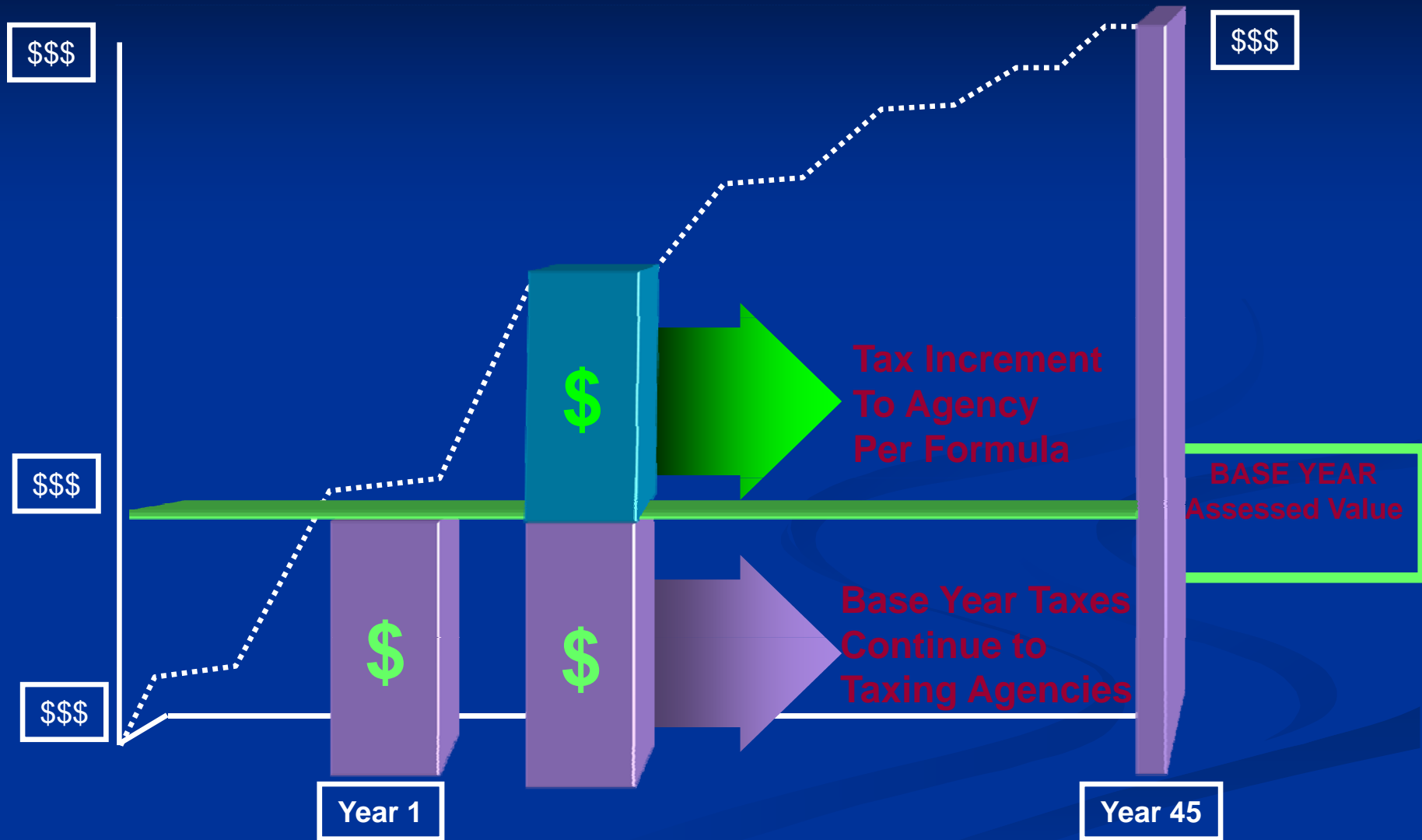
Communities Must:

- Form a Redevelopment Agency
- Identify One or More Areas in Need of Redevelopment - “Blighted Areas”
- Adopt a Redevelopment Plan for the Redevelopment of Each Blighted Area (known as a Project Area)
- Receive authority to collect tax increment

Tax Increment

- Tax Increment Is Property Tax
- Allocated Among Taxing Entities
- Redevelopment results in reallocation of most growth to redevelopment agency
- Taxing entities can receive pass through payments under various criteria

What is Tax Increment Financing?



Types of Pass Through Payments

- Negotiated agreements
 - Pre 1994 Plans
- Section 33676 Allocations (2% Payments)
 - Projects adopted between 1985 to 1993
 - Santa Ana Unified case
- Statutory Payments
 - Areas adopted after 1994
 - Pre 1994 areas when certain amendments are made
- Very complicated payment structure

Pass-through Payment Determination

	Negotiated Agreement	Inflationary Revenue	Statutory	Statutory w/Adjusted Base Yr
Code Reference:	HSC33401 (formerly)	HSC 33676 (formerly)	HSC 33607.5	HSC 33607.7

PLAN ADOPTED:

- Pre-1985	possibly	no	no	only if Amended (see below)
- 1/1/85 - 12/31/93	possibly	possibly	no	only if Amended (see below)
- 1/1/94 to current	no	no	yes	no

PLAN AMENDED:

To Add Territory (post 1/1/94)			yes - Added Area only	
To Increase TI Limit, extend or eliminate time to incur debt, extend effectiveness of Plan	Pre-Existing Agreements stay in effect	Pre-Existing Payments stay in effect		Yes - where no Negotiated Agreements Exist
To extend Eminent Domain	No Change in Payment Structure			
Other Minor Amendments	No Change in Payment Structure			

How are statutory pass-throughs calculated for new redevelopment plans?

- Three layered tiers of payments from tax increment (TI).
- Each entity receives an increasing share of TI over time, proportionate to its share of property taxes.
- Each tier of payments is calculated based on a different formula, tied to the growth in assessed value (AV) over time.

What formulas are used for each tier?

- Tier 1: Applies to all years when Agency collects TI. Formula: 25% of TI After Housing (25% x 80% or 20% of gross TI).
- Tier 2: Applies to 11th year of TI collection to end of plan. Formula: 21% of TI After Housing (16.8% of gross TI) from the growth in AV over the AV in the 10th year of TI collection.
- Tier 3: Applies to 31st year of TI collection to end of plan. Formula: 14% of TI After Housing (11.2% of gross TI) from the growth in AV over the AV in the 30th year of TI collection.

How are statutory payments calculated for amendments to pre-AB 1290 plans?

- For amendments that increase certain time and fiscal limits, pass-through payments typically begin the year following the initial limit being amended.
- Payment is based on “Adjusted Base Year AV.”
- The first Adjusted Base Year AV is the AV during the year when the limit being amended was first reached.
- Three-tier formula then applies to growth above Adjusted Base Year AV.

What is unique about statutory pass-through payments for school entities?

- All school entities receive payments based on the formulas presented, but Basic Aid School Districts receive additional payments designed to hold them fiscally harmless.
- Only a portion of the statutory payments count against a school entity's State subvention (Colleges = 47.5%)
- The remaining portion can be used by the schools to fund capital facilities (Colleges = 52.5%).

SCO May 2008 Report

- Schools not reporting statutory pass through payments properly, costing the state money
- RDA's, especially in LA County, had not made statutory payments to taxing entities or schools
- Excess state obligations to schools could be as much as \$63 million during two year period (2005-06 & 2006-07)
- Result was AB 1389

Basic AB 1389 Obligations of RDAs

- Submit report to County Auditor-Controller with specified information about statutory pass-through obligations.
- Obtain County Auditor-Controller “Finding of Concurrence”.
- Make all payments to local education agencies.

AB 1389 Process for Initial Reports

11/1/08 (Delayed from 10/1/08)	RDAs submit report to Auditor
12/15/08	Auditor reports due to State Controller's Office (SCO)
2/1/09 (Delayed to April)	SCO reports due to Legislative Analyst and Department of Finance
2/1/09 (Currently Delayed)	SCO reports to State Department of Education and Community College System
4/1/09	State Education bodies report to local education agencies

Sanctions for RDA Failure to Comply (“Bad List”)

- Prohibited from adding new project areas or expanding existing project areas.
- Prohibited from issuing new bonded indebtedness or programs.
- Limited to paying administrative costs not greater than 75% of previous fiscal year’s admin costs.
- Must pay interest on statutory pass-through payment amounts paid more than 60 days after the end of fiscal year in which payments were due.

SCO Report April 2009

- Total payments owed to educational agencies was \$355 million (03-04 to 07-08)
- Total payments made equaled \$328.5 million or 93% of total
- 67 agencies owed \$24.5 million
- 83 agencies filed disputes over method of calculating payments

SCO Report April 2009

- 107 agencies were on the sanctions list
 - This list was replete with errors
 - All but 20 agencies have been removed already, with the balance under review
 - Most that remain are disputes over how to calculate the payments
- The report did not address reporting errors by local educational agencies