

1988

## Property Tax Revenues. Redevelopment Agencies.

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## Official Title and Summary Prepared by the Attorney General

**PROPERTY TAX REVENUES. REDEVELOPMENT AGENCIES. LEGISLATIVE CONSTITUTIONAL AMENDMENT.** Presently, if a taxing agency increases the tax rate for revenue to repay its bonded indebtedness for the acquisition or improvement of real property, a portion of the revenues raised for this purpose is allocated to redevelopment agencies having property affected by the rate increase. The revenues received by the redevelopment agency don't have to be applied to repayment of the bonded indebtedness. This measure authorizes the Legislature to require all revenues produced by the rate increase go to the taxing agency for purpose of the repayment of its bonded indebtedness. Summary of Legislative Analyst's estimate of net state and local government fiscal impact: By itself, this measure would have no fiscal effect because it requires legislative implementation. If implemented, the amount of property tax revenues received by redevelopment agencies in 1989-90 and later years would be reduced in an amount which would depend on the number and value of bonds approved by the voters. There would be no fiscal effect on the state or the taxing agencies which impose property taxes to pay off general obligation bonds.

## Final Vote Cast by the Legislature on ACA 56 (Proposition 87)

Assembly: Ayes 72  
Noes 0

Senate: Ayes 33  
Noes 0

## Analysis by the Legislative Analyst

**Background**

The California Constitution permits redevelopment agencies to create projects to eliminate blight and promote economic growth. The redevelopment agency generally receives most of the property tax revenue (called "tax increment revenue") that results from the increase in the value of taxable property within the area of a redevelopment project. Other governments, such as cities, counties, and special districts, generally continue to receive the same amount of property tax revenue that they received prior to the formation of the redevelopment project.

Under current law, a redevelopment agency using tax increment revenue receives additional property tax revenue whenever a local government increases its property tax rate to pay off its general obligation bonds. Specifically, the redevelopment agency receives the amount of revenue generated by applying the local government's increased property tax rate to the increase in the value of taxable property that has occurred since the formation of the redevelopment project.

**Proposal**

This constitutional amendment authorizes the Legislature to prohibit redevelopment agencies from receiving any of the property tax revenue raised by increased property tax rates imposed by local governments to make

payments on their bonds. Thus, all revenues raised for this purpose would go to the local governments responsible for paying off the bonds. As a result, local governments would impose a lower property tax rate for bond financing.

The measure would apply only to tax rates levied on finance bonds approved by the voters on or after January 1, 1989.

**Fiscal Effect**

By itself, this measure has no fiscal effect because it merely authorizes the Legislature to implement its provisions.

If the Legislature implements this measure, there would be no significant effect on state costs or revenues. However, the measure could reduce the amount of property tax revenues received by redevelopment agencies in 1989-90 and later years. Specifically, redevelopment agencies would no longer receive an increase in their property tax revenues whenever a local agency's voters approve certain general obligation bond measures. The size of this revenue reduction would depend on the number and value of these general obligation bonds approved by the voters in future years.

The measure would have no effect on the amount of revenues received by local governments that impose increased property taxes to pay off their general obligation bonds.

# Property Tax Revenues. Redevelopment Agencies

87

## Argument in Favor of Proposition 87

Proposition 87 corrects a flaw in the Constitution that forces some cities, counties, and school districts to levy higher property tax rates than necessary to repay local general obligation bonds.

Currently, the Constitution requires that community redevelopment agencies be given a share of all property taxes collected within their boundaries—even those taxes levied by some other local government to repay bonds. Because of this diversion of tax revenues, the other local government must levy a higher tax rate than necessary to raise enough money to meet its bond obligations. And local citizens must pay higher property taxes than necessary to retire the bonds.

Proposition 87 will correct this problem.

Proposition 87 will dedicate ALL newly approved property tax revenues for bonds to bond repayment.

Proposition 87 will allow local agencies to pay off their new bonds with LOWER PROPERTY TAX RATES.

Proposition 87 will allow local agencies to pay off their new bonds faster.

Proposition 87 will assure that any new property taxes approved for bonds will be used **ONLY FOR THE PURPOSES INTENDED BY THE VOTERS.**

The future of California's economic growth and quality of life will in large part depend on our ability to meet our tremendous needs for schools, roads, water, parks, and other public services. Many of these services will be financed by local voter-approved bonds. We owe it to the taxpayers of California to finance this economic growth with the **LOWEST POSSIBLE PROPERTY TAX RATES.**

Please join us in voting YES on Proposition 87.

**JACK O'CONNELL**

*Member of the Assembly, 35th District*

**RICHARD P. SIMPSON**

*Executive Vice President, California Taxpayers Association*

**BOB EPPLE**

*Candidate for the Assembly, 63rd District*

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No argument against Proposition 87 was filed

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Text of Proposed Law appears on pages 122-123

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to carry out the actions specified in Article 2 (commencing with Section 19955), and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out those actions progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time.

19974. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year, and it is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act which is necessary to collect that additional sum.

19975. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this chapter, an amount that will equal the total of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this chapter, as the principal and interest become due and payable.

(b) The sum which is necessary to carry out the provisions of Section 19976, appropriated without regard to fiscal years.

19976. For the purposes of carrying out this chapter, the Director of Finance may authorize the withdrawal from the General Fund of an amount or amounts not to exceed the amount of the unsold bonds which have been authorized to be sold for the purpose of carrying out this chapter. Any amounts withdrawn shall be deposited in the fund. Any money made available under this section shall be returned to the General Fund, with interest at the rate earned by the money in the Pooled Money Investment Account during the time the money was withdrawn from the General Fund pursuant to this section from money

received from the sale of bonds for the purpose of carrying out this chapter.

19977. The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account, in accordance with Section 16312 of the Government Code, for the purposes of carrying out this chapter. The amount of the request shall not exceed the amount of the unsold bonds which the committee has by resolution authorized to be sold for the purpose of carrying out this chapter. The board shall execute any documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the board in accordance with this chapter.

19978. Any bonds issued and sold pursuant to this chapter may be refunded by the issuance of refunding bonds in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 2 of Title 2 of the Government Code. Approval by the electors of the state for the issuance of bonds shall include the approval of the issuance of any bonds issued to refund any bonds originally issued or any previously issued refunding bonds.

19979. All money deposited in the fund which is derived from premium and accrued interest on bonds sold shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

19980. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this chapter are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

19981. An amount not to exceed 1 percent of the fund may be used by the State Librarian for costs of administering this chapter.

## Proposition 86: Text of Proposed Law

Continued from page 37

not necessary that all of the bonds authorized to be issued be sold at any one time.

4496.38. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year, and it is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act which is necessary to collect that additional sum.

4496.40. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this chapter, an amount that will equal the total of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this chapter, as the principal and interest become due and payable.

(b) The sum which is necessary to carry out the provisions of Section 4496.42, appropriated without regard to fiscal years.

4496.42. For the purposes of carrying out this title, the Director of Finance may authorize the withdrawal from the General Fund of an amount or amounts not to exceed the amount of the unsold bonds which have been authorized by the committee to be sold for the purpose of carrying out this chapter. Any amounts withdrawn shall be deposited in the fund. Any money made available under this

section, plus any interest that the amounts would have earned in the Pooled Money Investment Account, shall be returned to the General Fund from money received from the sale of bonds for the purpose of carrying out this title.

4496.44. All money deposited in the fund which is derived from premium and accrued interest on bonds sold shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

4496.46. The bonds may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code.

4496.47. The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account, in accordance with Section 16312 of the Government Code, for the purposes of carrying out the provisions of this chapter. The amount of the request shall not exceed the amount of the unsold bonds which the committee has by resolution authorized to be sold for the purpose of carrying out this chapter. The board shall execute such documents as required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the board in accordance with this chapter.

4496.48. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this title are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

## Proposition 87: Text of Proposed Law

This amendment proposed by Assembly Constitutional Amendment 56 (Statutes of 1988, Resolution Chapter 54) expressly amends the Constitution by amending a section thereof; therefore, existing provisions proposed to be deleted are printed in ~~strikeout~~ type and new provisions proposed to be added are printed in *italic* type to indicate that they are new.

### PROPOSED AMENDMENT TO ARTICLE XVI, SECTION 16

SEC. 16. All property in a redevelopment project established under the Community Redevelopment Law ~~Act~~ as now existing or hereafter amended, except publicly owned property not subject to taxation by reason of ~~such~~ that ownership, shall be taxed in proportion to its value as provided in Section 1 of this article, and ~~such~~ those taxes (the word "taxes" as used herein ~~shall include~~ *includes*, but ~~shall~~ is not be limited to, all levies on an ad valorem basis upon land or real property) shall be levied and collected as other taxes are levied and collected by the respective taxing agencies.

The Legislature may provide that any redevelopment plan may contain a provision that the taxes, if any, so levied upon ~~such~~ the taxable property in a redevelopment project each year by or for the benefit of the State of California, any city, county, city and county, district, or other public corporation (hereinafter sometimes called "taxing agencies") after the effective date of the ordinance approving the redevelopment plan, shall be divided as follows:

(a) That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of ~~said~~ those taxing agencies upon the total sum of the assessed value of the taxable property in the redevelopment project as shown upon the assessment roll used in connection with the taxation of ~~such~~ that property by ~~such~~ the taxing agency, last equalized prior to the effective date of ~~such~~ the ordinance, shall be allocated to, and when collected shall be paid into, the funds of the respective taxing agencies as taxes by or for ~~said~~ those taxing agencies on all other property are paid (for the purpose of allocating taxes levied by or for any taxing agency or agencies which did not include the territory in a redevelopment project on the effective date of ~~such~~ the ordinance but to which

~~such~~ that territory has been annexed or otherwise included after ~~such~~ the ordinance's effective date, the assessment roll of the county last equalized on the effective date of ~~said~~ that ordinance shall be used in determining the assessed valuation of the taxable property in the project on ~~said~~ that effective date); and

(b) ~~That~~ Except as provided in subdivision (c), that portion of ~~said~~ the levied taxes each year in excess of ~~such~~ that amount shall be allocated to and when collected shall be paid into a special fund of the redevelopment agency to pay the principal of and interest on loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed or otherwise) incurred by ~~such~~ the redevelopment agency to finance or refinance, in whole or in part, ~~such~~ the redevelopment project. Unless and until the total assessed valuation of the taxable property in a redevelopment project exceeds the total assessed value of the taxable property in ~~such~~ the project as shown by the last equalized assessment roll referred to in ~~paragraph designated to~~ *hereof subdivision (a)*, all of the taxes levied and collected upon the taxable property in ~~such~~ the redevelopment project shall be paid into the funds of the respective taxing agencies. When ~~said~~ the loans, advances, and indebtedness, if any, and interest thereon, have been paid, then all moneys thereafter received from taxes upon the taxable property in ~~such~~ the redevelopment project shall be paid into the funds of the respective taxing agencies as taxes on all other property are paid.

(c) That portion of the taxes identified in subdivision (b) which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness for the acquisition or improvement of ~~re~~ property shall be allocated to, and when collected shall be paid into, the fund ~~that~~ *that* taxing agency. This paragraph shall only apply to taxes levied to ~~re~~ bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989.

The Legislature may also provide that in any redevelopment plan or in the proceedings for the advance of moneys, or making of loans, or the incurring of any indebtedness (whether funded, refunded, assumed, or otherwise) by the rede-

velopment agency to finance or refinance, in whole or in part, the redevelopment project, the portion of taxes mentioned identified in paragraph designated (b) hereof subdivision (b), exclusive of that portion identified in subdivision (c), may be irrevocably pledged for the payment of the principal of and interest on said those loans, advances, or indebtedness.

intended by this section to empower any redevelopment agency, city, or city and county under any law authorized by this section to exercise the

provisions hereof separately or in combination with powers granted by the same or any other law relative to redevelopment agencies. This section shall not affect any other law or laws relating to the same or a similar subject but is intended to authorize an alternative method of procedure governing the subject to which it refers.

The Legislature shall enact such those laws as may be necessary to enforce the provisions of this section.

### Proposition 88: Text of Proposed Law

This amendment proposed by Assembly Constitutional Amendment 63 (Statutes of 1988, Resolution Chapter 59) expressly amends the Constitution by amending a section thereof; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

#### PROPOSED AMENDMENT TO ARTICLE XI, SECTION 11

SEC. 11. (a) The Legislature may not delegate to a private person or body power to make, control, appropriate, supervise, or interfere with county or municipal corporation improvements, money, or property, or to levy taxes or

assessments, or perform municipal functions.

(b) The Legislature may, however, provide for the deposit of public moneys in any bank in this state or in any savings and loan association in this state or any credit union in this state or in any *federally insured industrial loan company in this state* and for payment of interest, principal, and redemption premiums of public bonds and other evidence of public indebtedness by banks within or without this state. It may also provide for investment of public moneys in securities and the registration of bonds and other evidences of indebtedness by private persons or bodies, within or without this state, acting as trustees or fiscal agents.

### Proposition 93: Text of Proposed Law

This amendment proposed by Senate Constitutional Amendment 16 (Statutes of 1988, Resolution Chapter 68) expressly amends the Constitution by amending sections thereof; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

#### PROPOSED AMENDMENT TO ARTICLE XIII, SECTION 3

First—That subdivision (o) of Section 3 of Article XIII thereof is amended to read:

(o) Property in the amount of \$1,000 of a claimant who—

(1) is serving in or has served in and has been discharged under honorable conditions from service in the United States Army, Navy, Air Force, Marine Corps, Coast Guard, or Revenue Marine (Revenue Cutter) Service; and—

(2) served either

(i) in time of war, or

(ii) in time of peace in a campaign or expedition for which a medal has been issued by Congress, or

(iii) in time of peace and because of a service-connected disability was released from active duty; and—

(3) resides in the State on the current lien date; and

~~(4) resided in the State either~~

~~(i) November 2, 1964; or~~  
*(i) the time of entry into one of the branches of the armed forces named in paragraph (4) of this subsection.*

An unmarried person who owns property valued at \$5,000 or more, or a married person, who, together with the spouse, owns property valued at \$10,000 or more, is ineligible for this exemption.

If the claimant is married and does not own property eligible for the full amount of the exemption, property of the spouse shall be eligible for the unused balance of the exemption.

Second—That subdivision (p) of Section 3 of Article XIII thereof is amended to read:

(p) Property in the amount of \$1,000 of a claimant who—

(1) is the unmarried spouse of a deceased veteran who met the service requirement stated in paragraphs (1) and (2) of subsection 3(o), and

(2) does not own property in excess of \$10,000, and

(3) is a resident of the State on the current lien date; and either

~~(i) resided in the State on November 2, 1964; or~~

*(i) is the unmarried spouse of a deceased veteran who met the residency requirement stated in paragraph 4 of subsection 3(o).*

Third—That subdivision (q) of Section 3 of Article XIII thereof is amended to read:

(q) Property in the amount of \$1,000 of a claimant who—

(1) is the parent of a deceased veteran who met the service requirement stated in paragraphs (1) and (2) of subsection 3(o), and

(2) receives a pension because of the veteran's service, and

(3) is a resident of the State on the current lien date; and either

~~(i) resided in the State on November 2, 1964; or~~

*(i) is the parent of a deceased veteran who met the residency requirement stated in paragraph 4 of subsection 3(o).*

Either parent of a deceased veteran may claim this exemption.

An unmarried person who owns property valued at \$5,000 or more, or a married person, who, together with the spouse, owns property valued at \$10,000 or more, is ineligible for this exemption.

### Proposition 95: Text of Proposed Law

Continued from page 67

selected from a panel of names submitted for consideration by the County Supervisors Association of California; and one who shall be selected from a panel of names submitted for consideration by the League of California Cities. The remaining appointee shall be a person who, in the judgment of the Governor, has demonstrated a commitment to the problems of hunger and homelessness.

(2) Five members appointed by the Senate Rules Committee, four of whom shall be persons having the following qualifications: one who shall be affiliated with a privately funded agency or organization which provided services to the hungry or homeless prior to January 1, 1987; one who shall be a provider of emergency nutrition services; one who shall be an official or employee of a local housing authority; and one who shall be affiliated with a Community Action Agency, as defined in Government Code Section 12750, which provides services to hungry or homeless persons. The remaining appointee shall be a person who, in the judgment of the Senate Rules Committee, has demonstrated a commitment to the problems of hunger and homelessness.

(3) Five members appointed by the Speaker of the California Assembly, four of whom shall be persons having the following qualifications: one who shall be affiliated with a provider of services to the hungry or homeless; one who shall have experience as a non-profit housing developer; one who shall be affiliated with a provider of federal food program services; and one who shall be affiliated with a provider of services to homeless adolescents. The remaining appointee shall be a person who, in the judgment of the Speaker of the California Assembly, has demonstrated a commitment to the problems of hunger and homelessness.

(4) The State Treasurer.

8699.6. Qualifications and Terms of Members.

(a) Members of the board shall be persons broadly reflective of the economic, cultural, geographic (including urban and rural), and social diversity of the state, including ethnic minorities and women. However, it is not intended that formulas or percentages be applied in order to achieve that diversity.

Members shall be appointed for terms of three years. All initial appointments shall be made within 30 days of the effective date of this chapter. Vacancies shall be filled within 30 days by the appointing authority empowered by Section 8699.5(b) to appoint the member whose departure created the vacancy. A person appointed to fill a vacancy shall serve for the unexpired portion of the term in which the vacancy occurred. Members of the board shall be eligible for reappointment.

8699.7. Compensation and Expenses. Members of the board of directors shall be compensated at the rate of one hundred dollars (\$100) for each day they are engaged in meetings of the board or its committees or subcommittees. Members shall be reimbursed for actual expenses incurred on Corporation business, including necessary travel and child care expenses as determined by the Department of Personnel Administration.

8699.8. Chairperson. The board of directors shall meet within 60 days of the effective date of this Act for the purpose of selecting from among its membership an interim chairperson who shall serve until a permanent chairperson has been selected by the board. Thereafter, the board shall annually select from its membership a chairperson. The chairperson shall have the power to convene special meetings of the board upon 48 hours written notice to members.

8699.9. Open Meetings. Meetings of the Corporation shall be open and public in accordance with the Bagley-Keene Open Meeting Act, commencing with Section 11120 of Chapter 1 of Part 1 of Division 3 of the Government Code.

8699.10. Quorum; Voting. A quorum shall consist of eight members of the board. All decisions of the Corporation shall be made by a majority vote of the quorum.

8699.11. Appointment of Executive Director. The board shall appoint an executive director within 120 days of the effective date of this chapter. The executive director shall be responsible for managing the affairs of the Corporation and shall, in the judgment of the board, be qualified by training and experience to direct the operations of the Corporation. The executive director shall be exempt from civil service, shall serve at the pleasure of the board, and shall be compensated at the same rate as the president of the Public Utilities Commission. The executive director shall devote his or her entire time and attention to the duties of his or her office and shall not be engaged in any other profession or occupation.

8699.12. Deputy Director. Upon recommendation of the executive director, the board may appoint a deputy director who shall be exempt from civil service and shall serve at the pleasure of the board. The executive director shall supervise the activities of the deputy director. The board shall determine the compensation of the deputy director.

8699.13. Appropriation; Disclosure in State Budget; Hearings.

(a) The Department of Finance, in preparing the state budget and the Budget Bill submitted to the Legislature, shall include an item for the support of the Corporation of California, which item shall include all of the following: (1) all net proceeds of penalties collected pursuant to the provisions of Division 22.5 of the Health and Safety Code, except as otherwise provided in Section 31040 thereof; (2) all proceeds from the sale of bonds issued pursuant to Article 3 of this chapter;