



The above-referenced law firms have reviewed the Governor's Redevelopment Proposal and have concluded the measure violates multiple provisions of the California Constitution. The Governor's proposal seeks to disestablish redevelopment agencies, install "successor" agencies to hold redevelopment agency assets, and use redevelopment tax increment funding for Medi-Cal and trial court expenses in the short term—and for other non-redevelopment purposes in the long term.

This proposal violates at least three provisions of the California Constitution:

- 1) **Proposition 22 - Cal. Const., article XIII, § 25.5(a)(7).** Proposition 22 (2010) was just adopted in November 2010 to prohibit the State from directly or *indirectly* requiring redevelopment agencies to use redevelopment tax increment for the benefit of the State, any agency of the State, or any jurisdiction. By forcibly eliminating redevelopment agencies and transferring their assets to different accounts under the control of different entities so that redevelopment revenues can be used to fund Medi-Cal and trial courts—both of which are state programs—the Governor's Redevelopment Proposal indirectly requires redevelopment agencies to transfer their assets for the benefit of the State, in clear violation of Proposition 22. The meaning of Proposition 22 is not ambiguous; and in any event, any conceivable doubts as to its meaning would be resolved by reference to the Attorney General's title and summary, the Legislative Analyst's impartial analysis, the ballot arguments in support of *and* in opposition to Proposition 22, and the measure's own findings and declarations—which all forcefully declare that Proposition 22 flatly prohibits the State from redirecting redevelopment revenues.
- 2) **Cal. Const., article XVI, § 16(b)** mandates that redevelopment tax increment funds "*shall be allocated to*" and when collected "*paid into a special fund of the redevelopment agency to pay the principal and interest on...loans, moneys advanced to, or indebtedness...incurred by the redevelopment agency to finance...redevelopment project[s].*" The Governor's Redevelopment Proposal violates Article XVI, § 16 because it does not deposit redevelopment tax increment funds *into a special fund of the redevelopment agency*, and does not use redevelopment tax increment funding to repay *loans, moneys advanced to, or indebtedness incurred for redevelopment projects*. The funds are diverted into other accounts for non-redevelopment uses.
- 3) **Cal. Const., article XIII A, § 1(a)** states that ad valorem real property taxes are "to be collected by the counties and apportioned according to law to the *districts within the counties.*"¹ The Governor's proposal seeks to use redevelopment funding for Medi-Cal and trial courts, but the Medi-Cal program and trial courts are not *districts within the counties*. Therefore, Article XIII A prohibits allocating tax increment funding in this manner. Moreover, Cal. Constitution, article XIII B, § 6(b)(3), as amended by Proposition 1A (2004), prohibits using ad valorem property tax revenue to reimburse a local government for the costs of a new program or a higher level of service. As such, the Governor's Redevelopment Proposal cannot circumvent Article XIII A by imposing the mandate to fund Medi-Cal and trial courts directly on the counties and then forcing them to allocate redevelopment property tax revenues for those purposes.

¹ "*Districts within the counties*" has been interpreted by California courts to mean those local entities within a county that levied a property tax prior to the approval of Proposition 13—which was the measure that added Article XIII A to the Constitution. (*City of Rancho Cucamonga v. Mackzum* (1991) 228 Cal.App.3d 929.)