

Release of state budget has LTUSD, S. Tahoe on edge

By Kathryn Reed

The \$15 million question is: What will Gov. Jerry Brown's 2011-12 budget look like when it's unveiled Monday?



Some people in the 325,000-member California Teachers Association have been in Sacramento all week lobbying lawmakers to not further slash the education budget. Lake Tahoe Unified School District personnel are there, with more going down today for Friday's rally at the Capitol.

(The CTA website has more information.)

Not knowing if the state will abolish redevelopment agencies, South Lake Tahoe on May 17 has scheduled a public hearing during the City Council meeting that would move most of the city's Redevelopment Agency's assets to the city proper. This is a pre-emptive strike to protect what belongs to the city. (The meeting starts at 9am at Lake Tahoe Airport with a workshop about the General Plan.)

While LTUSD and the city won't go unscathed in whatever the governor comes out with, they are not alone. Lake Tahoe Community College is likely to take a hit, as are social service programs throughout the area.

The compounded ripple effect to the South Shore and throughout the Lake Tahoe Basin is hard to pinpoint because of the moving parts, potential spike to the already 17 percent unemployment rate in South Lake Tahoe, and the unknowns of what voters would do if the tax extension makes the ballot.

And what comes out May 16 is not likely to be the final budget because the Legislature needs to go through it with a red pen adding and deleting what it believes are necessary components.

One piece of good news is when Brown took office the deficit was at \$26 billion and making cuts and other financial moves has eliminated about \$11 million of that.

Another bright spot is the state controller reported revenue from July 1 (the start of the fiscal year) through April 30 is up \$1.3 billion, or 1.9 percent, from Brown's initial budget.

Gains are attributed to personal income taxes being on the rise.

"Personal income taxes continue to lead the charge – rising 8 percent over estimates and 13 percent over last fiscal year," Controller John Chiang said in a statement.

Although the state budget is supposed to take effect July 1, for years the Legislature and governor have not done their jobs in the specified time line. This will be Brown's first budget as governor this term.

LTUSD concerns

"CTA/STEA in conjunction with the Education Coalition and the support of the LTUSD school board is participating in a Week of Action to bring awareness to the public regarding the budget crisis that our public schools continue to face," said Jodi Dayberry, South Tahoe Educators Association president.

At the May 10 LTUSD board meeting district officials, including the elected body, and many in the audience wore buttons showing solidarity.

Teachers handed out informational flyers at schools this week asking parents and others to contact lawmakers to encourage them to pass the governor's tax extension proposal.

With fewer employees than anticipated taking early retirement and LTCC not renting classroom space from LTUSD, the K-12 district has immediate budget revisions without the state even taking action.

However, Lake Tahoe Unified is in better shape than many districts.

Deb Yates, CFO for LTUSD, told the board, "Thirty percent of the students in the state are in a district that is negative or qualified."

This means the districts are near bankrupt status. Four California districts, with the nearest being Natomas, are without cash. This means they won't make payroll.

If the tax extension is not approved, it could be a \$3 million hit for LTUSD.

"We can't handle that," Superintendent Jim Tarwater said.

South Tahoe's dilemma

Across town, South Tahoe officials are doing what they can protect assets that are under the purview of the Redevelopment Agency. Even though the five members of the City Council also oversee the Redevelopment Agency, they are two distinctly different organizations. There was a time when the city had notable different meetings for the two and the RDA chief has not always been the mayor as is the case now. Those days allowed transactions to be more transparent and easier for the public to understand what was going on.

A redevelopment agency has to be approved by the state, that is why the state can dissolve the agencies and in turn try to grab the money in the accounts.

South Lake created its RDA in the 1980s, while the state Redevelopment Act was adopted in 1945, changed to the Community Redevelopment Act in 1951, with tax increment

financing added in 1952. Assembly Bill 1290 made further changes to the legislation in 1993.

What the council will be asked to do on Tuesday is to transfer all redevelopment assets except for the parking garage and Heavenly Village amenities to the city.

City officials are not anticipating the redevelopment component being in the proposed budget that will be released Monday, but it could be.

“The state is trying to take everything and sell-off everything, and pay off the debt with the sale and keep the remaining cash,” explained Nancy Kerry, the city’s spokeswoman who used to be No. 2 in the city’s Redevelopment Agency. “They didn’t think about all the agencies with the debt.”

Many locations, including South Lake Tahoe, are paying for redevelopment through the sale of bonds. The people who own those bonds would have a right to be paid their money. That’s part of the issue the state did not think through when it initially proposed dissolving RDAs and taking assets. Many assets aren’t worth much throughout the state because of what is still owed on them.

As of Sept. 30, 2010, the most current figures Finance Director Christine Vuletich provided, the principal balance outstanding on debt for RDA is \$106 million, plus another \$8 million for the parking garage.

Of the \$7.2 million the RDA pilfered from the general fund per council approval to pay for Heavenly Village, half has been paid back. That comes in \$500,000 annual payments.

Kerry said the city’s argument to the state would be that the remaining \$3.6 million owed to the general fund is a continuing obligation the state cannot wipe off the books.

The land/projects the city is proposing to transfer are these

RDA properties. The value of them was not available because they have not all been recently assessed.

In RDA law is also a component for moderate and low-income housing cities must build. South Tahoe has committed a total of \$2.5 million to the Aspens project near the fire station at Ski Run Boulevard and Pioneer Trail. That would be something the city would fight for, Kerry said, adding that \$1 million of that total will come from tax increment.

Even if the state decides to eliminate the nearly 400 redevelopment agencies, it's likely millions of taxpayer dollars will end up going to attorneys to fight it.