

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 17, 2007
POSITION: Oppose
SPONSOR: Los Angeles Urban League

BILL NUMBER: SB 765
AUTHOR: M. Ridley-Thomas
RELATED BILLS: AB 1606

BILL SUMMARY

This bill would establish the California Partnership for Urban Communities (Partnership) for the purpose of coordinating and improving existing state and federal efforts designed to assist at-risk communities through locally led efforts. This bill would also require the Business, Transportation and Housing Agency (BTH) to designate one at-risk urban community as a pilot project. This bill would appropriate \$500,000 to the BTH and create the California Partnership for Urban Communities Fund for the purpose of receiving federal, state, local, and private economic development funds. This bill would be in effect until January 1, 2015.

FISCAL SUMMARY

This bill would appropriate \$500,000 General Fund to BTH for expenditure between January 1, 2008, and January 1, 2011.

COMMENTS

Finance is opposed to this bill for the following reasons:

- Local agencies desiring state assistance in economic development have recently been able to compete for designation as economic development zones. This program provides about \$400 million in assistance each year.
- The state offers a wide range of other programs to assist local communities and businesses, including the San Joaquin Valley Partnership (SJV Partnership). It would be premature to create a new Partnership when the accomplishments of the SJV Partnership have yet to be determined.
- Given the structural imbalance in the budget, the state cannot afford this new discretionary General Fund program.

Analyst/Principal (0742) B. Sanders	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

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ANALYSIS

A. Programmatic Analysis

Existing law authorizes the activation of community redevelopment agencies by local governments to alleviate blight and provide financing opportunities for affordable housing. Existing law also provides for the designation of up to 42 enterprise zones for the purpose of stimulating business development and job creation in depressed areas of the state. Lastly, existing law authorizes the establishment of the California Partnership for the San Joaquin Valley (SJV Partnership) to coordinate and improve existing state and federal efforts to increase the living standards and economic performance of the San Joaquin Valley.

This bill would:

- Establish the California Partnership for Urban Communities (Partnership) for the purpose of coordinating existing state and federal efforts designed to assist at-risk communities through locally led efforts.
- Require that the Partnership, consisting of a state and local committee, provide funding to leverage private sector and nonprofit contributions to support the program, and report annually to the Governor and the Legislature on its activities.
- Require the Business, Transportation and Housing Agency (BTH) to designate one at-risk urban community as a pilot project no later than May 1, 2008, for a term of not less than three years. This bill would also authorize the BTH to designate additional project areas prior to completion of the pilot project if it is determined by the Secretary of the BTH to be in the best interest of the state to utilize the partnership methodology.
- Appropriate \$500,000 to the BTH.
- Create the California Partnership for Urban Communities Fund for the purpose of receiving federal, state, local, and private economic development funds.
- Sunset the bill effective January 1, 2015.

Discussion: The author's office states that many urban communities and neighborhoods remain in a distressed state due to poverty, lack of job opportunities and job training, high incidences of crime, and insufficient housing, among other things. According to the sponsor's office, the state could save between \$70,000 and \$154,000 in annual detention costs for every youth averted from incarceration in a juvenile justice facility, and \$34,000 per year for every youth prevented from entering prison as an adult.

The SJV Partnership, which was created by executive order in 2005, already serves as a pilot project. Additionally, while the project has yet to be evaluated, there does not appear to be any definitive data or information that it has been successful in achieving its objectives. Given that the accomplishments of the SJV Partnership have not been determined, it would be premature to establish additional partnerships. In addition, the state already offers various programs in the areas of affordable housing, crime reduction, education, business incentives, and economic development, among other things.

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Related Bills:

AB 1606 (Arambula) would require the Secretary of BTH to establish a statewide partnership with business and industry groups to develop a strategy to increase private investment in California with a special emphasis on new investments in emerging domestic markets.

Chapter 718, Statutes of 2006 made a significant number of changes to the management and oversight of the geographically-targeted economic development areas programs, including a requirement that enterprise zone applications be ranked based on their economic development strategy and implementation plans that focus on setting reasonable goals, attracting private investments, and creating regional and community-based partnerships.

B. Fiscal Analysis

This bill would appropriate \$500,000 General Fund to the BTH, which would be available for expenditure from January 1, 2008, until January 1, 2011. Given the state's current fiscal condition and the speculative benefits that may result from the Partnership, Finance does not support this appropriation.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2007-2008	FC	2008-2009	FC	2009-2010	
0520/Secty BT&H	SO	No	A	\$500		--		--	0001