

AMENDED IN ASSEMBLY JANUARY 7, 2002

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

**ASSEMBLY BILL**

**No. 100**

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**Introduced by Assembly Member Simitian**

January 11, 2001

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An act to amend ~~and repeal~~ Section 41204.1 of the Education Code, and to add Section 97.42 to, ~~and to repeal Section 97.43 of~~, the Revenue and Taxation Code, relating to local government finance.

LEGISLATIVE COUNSEL'S DIGEST

AB 100, as amended, Simitian. Property tax revenue shifts: limitation.

Existing property tax law requires the county auditor, in each fiscal year, to allocate property tax revenue to local jurisdictions in accordance with specified formulas and procedures, and generally requires that each jurisdiction be allocated an amount equal to the total of the amount of revenue allocated to that jurisdiction in the prior fiscal year, subject to certain modifications, and that jurisdiction's portion of the annual tax increment, as defined. Existing property tax law also reduces the amounts of ad valorem property tax revenue that would otherwise be annually allocated to the county, cities, and special districts pursuant to these general allocation requirements by requiring, for purposes of determining property tax revenue allocations in each county for the 1992–93 and 1993–94 fiscal years, that the amounts of property tax revenue deemed allocated in the prior fiscal year to the county, cities, and special districts be reduced in accordance with certain formulas. It requires that the revenues not allocated to the county, cities, and special districts as a result of these reductions be

transferred to the Educational Revenue Augmentation Fund (ERAF) in that county for allocation to school districts, community college districts, and the county office of education.

This bill would, ~~for the 2002–03 fiscal year and each fiscal year thereafter~~ *for each successive qualified fiscal year, as defined, beginning on or after July 1, 2004*, modify these reduction and transfer provisions by restricting the total amount of revenue allocated to a county’s ERAF to the applicable revenue shift limit, as defined. This bill would require that those revenues that may not be allocated to the county’s ERAF as a result of this limitation to instead be allocated among local agencies in the county in accordance with each local agency’s proportionate share of those revenues that would be deposited in the county’s ERAF in the absence of this bill. By imposing new duties upon local tax officials in the annual allocation of ad valorem property tax revenues, this bill would impose a state-mandated local program.

This bill would also state the intent of the Legislature, and would require the Director of Finance to make certain adjustments, with respect to ensuring that the modifications required by this bill and earlier acts to property tax revenue allocations do not have a net fiscal impact on school districts or community college districts, or upon the state’s obligation under the California Constitution to provide funding to those districts.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 41204.1 of the Education Code, as
- 2 amended by Chapter 1111 of the Statutes of 1996, is amended to
- 3 read:
- 4 41204.1. (a) (1) Pursuant to paragraph (2) of subdivision (b)
- 5 of Section 41204, the Director of Finance shall annually adjust
- 6 “the percentage of General Fund revenues appropriated for school
- 7 districts and community college districts, respectively, in the



1 1986–87 fiscal year,” for purposes of applying paragraph (1) of  
2 subdivision (b) of Section 8 of Article XVI of the California  
3 Constitution, to reflect those property tax revenue allocation  
4 modifications required by the amendments made to Chapter 6  
5 (commencing with Section 95) of Part 0.5 of Division 1 of the  
6 Revenue and Taxation Code and by the qualifying provisions in a  
7 manner that ensures that those modifications will have no net fiscal  
8 impact upon the amounts that are otherwise required to be applied  
9 by the state for the support of school districts and community  
10 college districts pursuant to Section 8 of Article XVI of the  
11 California Constitution.

12 (2) For purposes of this section, “qualifying provisions”  
13 means the following:

14 (A) The amendments made to Chapter 6 (commencing with  
15 Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation  
16 Code during the 1991–92 Regular Session and the 1993–94  
17 Regular Session.

18 (B) The amendments made to Sections 97.2 and 97.3 of the  
19 Revenue and Taxation Code by Chapter 1111 of the Statutes of  
20 1996.

21 (C) Section 97.42 of the Revenue and Taxation Code.

22 (b) Notwithstanding any other provision of law, for the  
23 2002–03 fiscal year and each fiscal year thereafter, the percentage  
24 of “General Fund revenues appropriated for school districts and  
25 community college districts, respectively, in fiscal year  
26 1986–87,” for purposes of paragraph (1) of subdivision (b) of  
27 Section 8 of Article XVI of the California Constitution, shall be  
28 deemed to be the percentage of General Fund revenues that would  
29 have been appropriated for those entities if the amendments made  
30 to Chapter 6 (commencing with Section 95) of Part 0.5 of Division  
31 1 of the Revenue and Taxation Code during the 1991–92 Regular  
32 Session, the amendments made to that same chapter during the  
33 1993–94 Regular Session, and Section 97.42 of the Revenue and  
34 Taxation Code, had been operative for the 1986–87 fiscal year.

35 (c) In no event may the recalculations required by subdivisions  
36 (a) and (b) result in a percentage that exceeds the “percentage of  
37 General Fund revenues appropriated for school districts and  
38 community college districts, respectively, in fiscal year  
39 1986–87,” for purposes of paragraph (1) of subdivision (b) of  
40 Section 8 of Article XVI of the California Constitution prior to the



1 amendments made to Chapter 6 (commencing with Section 95) of  
2 Part 0.5 of Division 1 of the Revenue and Taxation Code during  
3 the 1991–92 Regular Session.

4 (d) It is the intent of the Legislature to ensure the following:

5 (1) That the changes required by the qualifying provisions in  
6 the allocations of ad valorem property tax revenues do not have a  
7 net fiscal impact upon school districts, as defined in Section  
8 41302.5, or community college districts.

9 (2) That the changes required by the qualifying provisions in  
10 the allocations of ad valorem property tax revenues do not have a  
11 net fiscal impact upon the amounts of revenue otherwise required  
12 to be applied by the state for the support of school districts and  
13 community college districts pursuant to Section 8 of Article XVI  
14 of the California Constitution.

15 SEC. 2. ~~Section 41204.1 of the Education Code, as amended~~  
16 ~~by Section 1 of Chapter 84 of the Statutes of 1999, is repealed.~~

17 SEC. 3. ~~Section 97.42 is added to the Revenue and Taxation~~  
18 ~~Code, to read:~~

19 97.42. ~~Notwithstanding any other provision of this chapter,~~  
20 ~~for purposes of ad valorem property tax revenue allocations for the~~  
21 ~~2002–03 fiscal year and each fiscal year thereafter, both of the for~~  
22 ~~purposes of annual property tax revenue allocations, all of the~~  
23 following apply:

24 (a) The total amount of ad valorem property tax revenue  
25 annually allocated to the county’s Educational Revenue  
26 Augmentation Fund may not exceed the applicable revenue shift  
27 limit as described below:

28 ~~(1) For the 2002–03 fiscal year, the total amount of ad valorem~~  
29 ~~property tax revenue allocated to the county’s Educational~~  
30 ~~Revenue Augmentation Fund for the 2001–02 fiscal year, plus~~  
31 ~~two-thirds of that fund’s otherwise applicable share of the annual~~  
32 ~~tax increment.~~

33 ~~(2) For the 2003–04 fiscal year, the total amount of ad valorem~~  
34 ~~property tax revenue allocated to the county’s Educational~~  
35 ~~Revenue Augmentation Fund for the 2002–03 fiscal year, plus one~~  
36 ~~third of that fund’s otherwise applicable share of the annual tax~~  
37 ~~increment.~~

38 ~~(3) For the 2004–05 fiscal year and each fiscal year thereafter,~~  
39 ~~the total amount of ad valorem property tax revenue allocated to~~



1 ~~the county's Educational Revenue Augmentation Fund for the~~  
2 ~~2003-04 fiscal year.~~

3 (1) *For the first qualified fiscal year and each fiscal year*  
4 *thereafter until the second qualified fiscal year, the total amount*  
5 *of ad valorem property tax revenue allocated to the county's*  
6 *Educational Revenue Augmentation Fund for the immediately*  
7 *preceding fiscal year, plus 90 percent of that fund's otherwise*  
8 *applicable share of the annual tax increment.*

9 (2) *For the second qualified fiscal year and each fiscal year*  
10 *thereafter until the third qualified fiscal year, the total amount of*  
11 *ad valorem property tax revenue allocated to the county's*  
12 *Educational Revenue Augmentation Fund for the immediately*  
13 *preceding fiscal year, plus 80 percent of that fund's otherwise*  
14 *applicable share of the annual tax increment.*

15 (3) *For the third qualified fiscal year and each fiscal year*  
16 *thereafter until the fourth qualified fiscal year, the total amount of*  
17 *ad valorem property tax revenue allocated to the county's*  
18 *Educational Revenue Augmentation Fund for the immediately*  
19 *preceding fiscal year, plus 70 percent of that fund's otherwise*  
20 *applicable share of the annual tax increment.*

21 (4) *For the fourth qualified fiscal year and each fiscal year*  
22 *thereafter until the fifth qualified fiscal year, the total amount of ad*  
23 *valorem property tax revenue allocated to the county's*  
24 *Educational Revenue Augmentation Fund for the immediately*  
25 *preceding fiscal year, plus 60 percent of that fund's otherwise*  
26 *applicable share of the annual tax increment.*

27 (5) *For the fifth qualified fiscal year and each fiscal year*  
28 *thereafter until the sixth qualified fiscal year, the total amount of*  
29 *ad valorem property tax revenue allocated to the county's*  
30 *Educational Revenue Augmentation Fund for the immediately*  
31 *preceding fiscal year, plus 50 percent of that fund's otherwise*  
32 *applicable share of the annual tax increment.*

33 (6) *For the sixth qualified fiscal year and each fiscal year*  
34 *thereafter until the seventh qualified fiscal year, the total amount*  
35 *of ad valorem property tax revenue allocated to the county's*  
36 *Educational Revenue Augmentation Fund for the immediately*  
37 *preceding fiscal year, plus 40 percent of that fund's otherwise*  
38 *applicable share of the annual tax increment.*

39 (7) *For the seventh qualified fiscal year and each fiscal year*  
40 *thereafter until the eighth qualified fiscal year, the total amount of*



1 *ad valorem property tax revenue allocated to the county's*  
2 *Educational Revenue Augmentation Fund for the immediately*  
3 *preceding fiscal year, plus 30 percent of that fund's otherwise*  
4 *applicable share of the annual tax increment.*

5 (8) *For the eighth qualified fiscal year and each fiscal year*  
6 *thereafter until the ninth qualified fiscal year, the total amount of*  
7 *ad valorem property tax revenue allocated to the county's*  
8 *Educational Revenue Augmentation Fund for the immediately*  
9 *preceding fiscal year, plus 20 percent of that fund's otherwise*  
10 *applicable share of the annual tax increment.*

11 (9) *For the ninth qualified fiscal year and each fiscal year*  
12 *thereafter until the 10th qualified fiscal year, the total amount of*  
13 *ad valorem property tax revenue allocated to the county's*  
14 *Educational Revenue Augmentation Fund for the immediately*  
15 *preceding fiscal year, plus 10 percent of that fund's otherwise*  
16 *applicable share of the annual tax increment.*

17 (10) *For the 10th qualified fiscal year and each fiscal year*  
18 *thereafter, the total amount of ad valorem property tax revenue*  
19 *allocated to the county's Educational Revenue Augmentation*  
20 *Fund for the ninth qualified fiscal year.*

21 (b) Those amounts of ad valorem property tax revenue that may  
22 not be allocated to the county's Educational Revenue  
23 Augmentation Fund as a result of subdivision (a) shall instead be  
24 allocated among the local agencies in the county in accordance  
25 with each local agency's proportionate share of the total amount  
26 of ad valorem property tax revenues that would be required to be  
27 allocated to the county's Educational Revenue Augmentation  
28 Fund in the absence of this section.

29 (c) *Each reduction resulting from the implementation of*  
30 *subdivision (a) in the amount of ad valorem property tax revenues*  
31 *deposited in the county's Educational Revenue Augmentation*  
32 *Fund shall be applied exclusively to reduce the amounts that are*  
33 *allocated from that fund to school districts and county offices of*  
34 *education, and may not be applied to reduce the amounts of ad*  
35 *valorem property tax revenues that are allocated from that fund to*  
36 *community college districts.*

37 (d) *For purposes of this section, "qualified fiscal year" means*  
38 *a fiscal year beginning on or after July 1, 2004, that is immediately*  
39 *preceded by a fiscal year during which nonfarm employment did*  
40 *not decline for consecutive calendar quarters.*



1 ~~SEC. 4.~~ Section 97.43 of the Revenue and Taxation Code is  
2 repealed.

3 ~~SEC. 5.~~

4 *SEC. 3.* No reimbursement is required by this act pursuant to  
5 Section 6 of Article XIII B of the California Constitution because  
6 this act provides for offsetting savings to local agencies or school  
7 districts that result in no net costs to the local agencies or school  
8 districts, within the meaning of Section 17556 of the Government  
9 Code.

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