

AMENDED IN ASSEMBLY JANUARY 16, 2002

AMENDED IN ASSEMBLY JANUARY 7, 2002

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

ASSEMBLY BILL

No. 100

Introduced by Assembly Member Simitian

(Coauthors: Assembly Members Aroner, Bates, Briggs, John Campbell, Canciamilla, Cardenas, Cardoza, Chan, Chavez, Cox, Diaz, Florez, Frommer, Harman, Hollingsworth, Horton, Jackson, Keeley, Kehoe, Koretz, Leach, Liu, Longville, Lowenthal, Nakano, Nation, Negrete McLeod, Oropeza, Pavley, Pescetti, Richman, Salinas, Shelley, Steinberg, Strom-Martin, Washington, Wyman, and Zettel)

(Coauthors: Senators Chesbro, Costa, and Sher)

January 11, 2001

An act to amend Section 41204.1 of the Education Code, and to add Section 97.42 to 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 each successive qualified fiscal year, as defined, beginning on or after July 1, ~~2004~~–2005, 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
8 1986–87 fiscal year,” for purposes of applying paragraph (1) of
9 subdivision (b) of Section 8 of Article XVI of the California
10 Constitution, to reflect those property tax revenue allocation
11 modifications required by the amendments made to Chapter 6
12 (commencing with Section 95) of Part 0.5 of Division 1 of the
13 Revenue and Taxation Code and by the qualifying provisions in a
14 manner that ensures that those modifications will have no net fiscal
15 impact upon the amounts that are otherwise required to be applied
16 by the state for the support of school districts and community
17 college districts pursuant to Section 8 of Article XVI of the
18 California Constitution.

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

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

25 (B) The amendments made to Sections 97.2 and 97.3 of the
26 Revenue and Taxation Code by Chapter 1111 of the Statutes of
27 1996.

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

29 (b) Notwithstanding any other provision of law, for the
30 2002–03 fiscal year and each fiscal year thereafter, ~~the~~ “*the*
31 percentage of ~~General~~ *General* Fund revenues appropriated for
32 school districts and community college districts, respectively, in
33 fiscal year 1986–87,” for purposes of paragraph (1) of subdivision
34 (b) of Section 8 of Article XVI of the California Constitution, shall
35 be deemed to be the percentage of General Fund revenues that
36 would have been appropriated for those entities if the amendments
37 made to Chapter 6 (commencing with Section 95) of Part 0.5 of
38 Division 1 of the Revenue and Taxation Code during the 1991–92



1 Regular Session, the amendments made to that same chapter
2 during the 1993–94 Regular Session, and Section 97.42 of the
3 Revenue and Taxation Code, had been operative for the 1986–87
4 fiscal year.

5 (c) In no event may the recalculations required by subdivisions
6 (a) and (b) result in a percentage that exceeds the “percentage of
7 General Fund revenues appropriated for school districts and
8 community college districts, respectively, in fiscal year
9 1986–87,” for purposes of paragraph (1) of subdivision (b) of
10 Section 8 of Article XVI of the California Constitution prior to the
11 amendments made to Chapter 6 (commencing with Section 95) of
12 Part 0.5 of Division 1 of the Revenue and Taxation Code during
13 the 1991–92 Regular Session.

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

15 (1) That the changes required by the qualifying provisions in
16 the allocations of ad valorem property tax revenues do not have a
17 net fiscal impact upon school districts, as defined in Section
18 41302.5, or community college districts.

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

25 SEC. 2. Section 97.42 is added to the Revenue and Taxation
26 Code, to read:

27 97.42. Notwithstanding any other provision of this chapter,
28 for purposes of annual property tax revenue allocations, all of the
29 following apply:

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

34 (1) For the first qualified fiscal year and each fiscal year
35 thereafter until the second qualified fiscal year, the total amount
36 of ad valorem property tax revenue allocated to the county’s
37 Educational Revenue Augmentation Fund for the immediately
38 preceding fiscal year, plus 90 percent of that fund’s otherwise
39 applicable share of the annual tax increment.



1 (2) For the second qualified fiscal year and each fiscal year
2 thereafter until the third qualified fiscal year, the total amount of
3 ad valorem property tax revenue allocated to the county's
4 Educational Revenue Augmentation Fund for the immediately
5 preceding fiscal year, plus 80 percent of that fund's otherwise
6 applicable share of the annual tax increment.

7 (3) For the third qualified fiscal year and each fiscal year
8 thereafter until the fourth qualified fiscal year, the total amount of
9 ad valorem property tax revenue allocated to the county's
10 Educational Revenue Augmentation Fund for the immediately
11 preceding fiscal year, plus 70 percent of that fund's otherwise
12 applicable share of the annual tax increment.

13 (4) For the fourth qualified fiscal year and each fiscal year
14 thereafter until the fifth qualified fiscal year, the total amount of
15 ad valorem property tax revenue allocated to the county's
16 Educational Revenue Augmentation Fund for the immediately
17 preceding fiscal year, plus 60 percent of that fund's otherwise
18 applicable share of the annual tax increment.

19 (5) For the fifth qualified fiscal year and each fiscal year
20 thereafter until the sixth qualified fiscal year, the total amount of
21 ad valorem property tax revenue allocated to the county's
22 Educational Revenue Augmentation Fund for the immediately
23 preceding fiscal year, plus 50 percent of that fund's otherwise
24 applicable share of the annual tax increment.

25 (6) For the sixth qualified fiscal year and each fiscal year
26 thereafter until the seventh qualified fiscal year, the total amount
27 of ad valorem property tax revenue allocated to the county's
28 Educational Revenue Augmentation Fund for the immediately
29 preceding fiscal year, plus 40 percent of that fund's otherwise
30 applicable share of the annual tax increment.

31 (7) For the seventh qualified fiscal year and each fiscal year
32 thereafter until the eighth qualified fiscal year, the total amount of
33 ad valorem property tax revenue allocated to the county's
34 Educational Revenue Augmentation Fund for the immediately
35 preceding fiscal year, plus 30 percent of that fund's otherwise
36 applicable share of the annual tax increment.

37 (8) For the eighth qualified fiscal year and each fiscal year
38 thereafter until the ninth qualified fiscal year, the total amount of
39 ad valorem property tax revenue allocated to the county's
40 Educational Revenue Augmentation Fund for the immediately



1 preceding fiscal year, plus 20 percent of that fund’s otherwise
 2 applicable share of the annual tax increment.

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

9 (10) For the 10th qualified fiscal year and each fiscal year
 10 thereafter, the total amount of ad valorem property tax revenue
 11 allocated to the county’s Educational Revenue Augmentation
 12 Fund for the ninth qualified fiscal year.

13 (b) Those amounts of ad valorem property tax revenue that may
 14 not be allocated to the county’s Educational Revenue
 15 Augmentation Fund as a result of subdivision (a) shall instead be
 16 allocated among the local agencies in the county in accordance
 17 with each local agency’s proportionate share of the total amount
 18 of ad valorem property tax revenues that would be required to be
 19 allocated to the county’s Educational Revenue Augmentation
 20 Fund in the absence of this section.

21 (c) Each reduction resulting from the implementation of
 22 subdivision (a) in the amount of ad valorem property tax revenues
 23 deposited in the county’s Educational Revenue Augmentation
 24 Fund shall be applied exclusively to reduce the amounts that are
 25 allocated from that fund to school districts and county offices of
 26 education, and may not be applied to reduce the amounts of ad
 27 valorem property tax revenues that are allocated from that fund to
 28 community college districts.

29 (d) For purposes of this section, “qualified fiscal year” means
 30 a fiscal year beginning on or after July 1, 2004, that is immediately
 31 preceded by a fiscal year during which nonfarm employment did
 32 not decline for consecutive calendar quarters. a fiscal year
 33 beginning on or after July 1, 2005, in which the Director of
 34 Finance certifies, on or before November 1 of each year, both of
 35 the following:

36 (1) The General Fund reserve is at least 3 percent of revenues,
 37 excluding the revenues derived from the 0.25 percent sales and use
 38 tax rate imposed pursuant to Sections 6051.3 and 6201.3.



1 (2) *Actual General Fund revenues for the period May 1 to*
2 *September 30, inclusive, equal or exceed the May Revision*
3 *forecast prior to the November 1 determination.*

4 (e) *The Director of Finance shall, on or before November 1 of*
5 *each year, determine whether the conditions described in*
6 *subdivision (d) have been met.*

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

