

AMENDED IN SENATE MARCH 26, 2001

SENATE BILL

No. 536

**Introduced by Senators Oller and Johannessen
(Coauthors: Senators Battin, Haynes, Knight, Margett,
Monteith, and Poochigian)**

February 22, 2001

~~An act to amend Section 95.3 of the Revenue and Taxation Code, relating to taxation.~~ *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, and declaring the urgency thereof, to take effect immediately.*

LEGISLATIVE COUNSEL'S DIGEST

SB 536, as amended, Oller. ~~Property taxation: administrative costs~~
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 2001–02 fiscal year and each fiscal year thereafter, modify these reduction and transfer provisions by restricting the total amount of revenue allocated to a county’s ERAF to that corresponding amount that was so allocated for the 2000–01 fiscal year. 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.

This bill would declare that it is to take effect immediately as an urgency statute.

~~Existing property tax law provides, pursuant to a specified formula, for a county auditor’s determination of shares of those property tax administrative costs that are attributable to local jurisdictions in the county, and further provides in each fiscal year for a county’s recovery of those attributable shares from all other jurisdictions in the county, except for school entities.~~

~~This bill would make technical, nonsubstantive changes to these provisions.~~



Vote: ~~majority~~ 2/3. Appropriation: no. Fiscal committee: ~~no~~ yes.
State-mandated local program: ~~no~~ yes.

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

1 ~~SECTION 1.—Section 95.3 of the Revenue and Taxation Code~~
2 *SECTION 1. Section 41204.1 of the Education Code, as*
3 *amended by Chapter 1111 of the Statutes of 1996, is amended to*
4 *read:*
5 41204.1. (a) (1) Pursuant to paragraph (2) of subdivision (b)
6 of Section 41204, the Director of Finance shall annually adjust
7 “the percentage of General Fund revenues appropriated for school
8 districts and community college districts, respectively, in the
9 1986–87 fiscal year,” for purposes of applying paragraph (1) of
10 subdivision (b) of Section 8 of Article XVI of the California
11 Constitution, to reflect those property tax revenue allocation
12 modifications, required by the amendments made to Chapter 6
13 (commencing with Section 95) of Part 0.5 of Division 1 of the
14 Revenue and Taxation Code ~~and by the act adding this section,~~
15 *qualifying provisions* in a manner that ensures that those
16 modifications will have no net fiscal impact upon the amounts that
17 are otherwise required to be applied by the state for the support of
18 school districts and community college districts pursuant to
19 Section 8 of Article XVI of the California Constitution.
20 ~~(b)–~~
21 (2) *For purposes of this section, “qualifying provisions” means*
22 *the following:*
23 (A) *The amendments made to Chapter 6 (commencing with*
24 *Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation*
25 *Code during the 1991–92 Regular Session and the 1993–94*
26 *Regular Session.*
27 (B) *The amendments made to Sections 97.2 and 97.3 of the*
28 *Revenue and Taxation Code by Chapter 1111 of the Statutes of*
29 *1996.*
30 (C) *Section 97.42 of the Revenue and Taxation Code.*
31 (b) *Notwithstanding any other provision of law, for the*
32 *2001–02 fiscal year and each fiscal year thereafter, the percentage*
33 *of “General Fund revenues appropriated for school districts and*
34 *community college districts, respectively, in fiscal year 1986–87,”*
35 *for purposes of paragraph (1) of subdivision (b) of Section 8 of*



1 Article XVI of the California Constitution, shall be deemed to be
 2 the percentage of General Fund revenues that would have been
 3 appropriated for those entities if the amendments made to Chapter
 4 6 (commencing with Section 95) of Part 0.5 of Division 1 of the
 5 Revenue and Taxation Code during the 1991–92 Regular Session,
 6 the amendments made to that same chapter during the 1993–94
 7 Regular Session, and Section 97.42 of the Revenue and Taxation
 8 Code, had been operative for the 1986–87 fiscal year.

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

18 (d) It is the intent of the Legislature in enacting the act adding
 19 this section to ensure both of the following:

20 (1) That the changes required by the act adding this section
 21 qualifying provisions in the allocations of ad valorem property tax
 22 revenues do not have a net fiscal impact upon school districts, as
 23 defined in accordance with Section 41302.5, or community
 24 college districts.

25 (2) That the changes required by the act adding this section
 26 qualifying provisions in the allocations of ad valorem property tax
 27 revenues do not have a net fiscal impact upon the amounts of
 28 revenue otherwise required to be applied by the state for the
 29 support of school districts and community college districts
 30 pursuant to Section 8 of Article XVI of the California Constitution.

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

33 41204.1. (a) (1) Pursuant to paragraph (2) of subdivision (b)
 34 of Section 41204, the Director of Finance shall annually adjust
 35 “the percentage of General Fund revenues appropriated for school
 36 districts and community college districts, respectively, in the
 37 1986–87 fiscal year” for purposes of applying paragraph (1) of
 38 subdivision (b) of Section 8 of Article XVI of the California
 39 Constitution, to reflect those property tax revenue allocation
 40 modifications, required by the amendments made to Chapter 6



1 ~~(commencing with Section 95) of Part 0.5 of Division 1 of the~~
2 ~~Revenue and Taxation Code by the qualifying provisions, in a~~
3 ~~manner that ensures that those modifications will have no net fiscal~~
4 ~~impact upon the amounts that are otherwise required to be applied~~
5 ~~by the state for the support of school districts and community~~
6 ~~college districts pursuant to Section 8 of Article XVI of the~~
7 ~~California Constitution.~~

8 (2) ~~For purposes of this section, “qualifying provisions”~~
9 ~~means all of the following:~~

10 (A) ~~The amendments made to Chapter 6 (commencing with~~
11 ~~Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation~~
12 ~~Code during the 1991–92 Regular Session and the 1993–94~~
13 ~~Regular Session.~~

14 (B) ~~The amendments made to Sections 97.2 and 97.3 of the~~
15 ~~Revenue and Taxation Code by Chapter 1111 of the Statutes of~~
16 ~~1996.~~

17 (C) ~~Section 97.43 of the Revenue and Taxation Code.~~

18 (b) ~~Notwithstanding any other provision of law, for the~~
19 ~~2000–01 fiscal year and each fiscal year thereafter, the percentage~~
20 ~~of “General Fund revenues appropriated for school districts and~~
21 ~~community college districts, respectively, in fiscal year~~
22 ~~1986–87,” for purposes of paragraph (1) of subdivision (b) of~~
23 ~~Section 8 of Article XVI of the California Constitution, shall be~~
24 ~~deemed to be the percentage of General Fund revenues that would~~
25 ~~have been appropriated for those entities if the amendments made~~
26 ~~to Chapter 6 (commencing with Section 95) of Part 0.5 of Division~~
27 ~~1 of the Revenue and Taxation Code during the 1991–92 Regular~~
28 ~~Session, the amendments made to that same chapter during the~~
29 ~~1993–94 Regular Session, and Section 97.43 of the Revenue and~~
30 ~~Taxation Code, had been operative for the 1986–87 fiscal year.~~

31 (e) ~~In no event shall the recalculations pursuant to subdivisions~~
32 ~~(a) and (b) result in a percentage that exceeds the “percentage of~~
33 ~~General Fund revenues appropriated for school districts and~~
34 ~~community college districts, respectively, in fiscal year~~
35 ~~1986–87,” for purposes of paragraph (1) of subdivision (b) of~~
36 ~~Section 8 of Article XVI of the California Constitution prior to the~~
37 ~~amendments made to Chapter 6 (commencing with Section 95) of~~
38 ~~Part 0.5 of Division 1 of the Revenue and Taxation Code during~~
39 ~~the 1991–92 Regular Session.~~



1 ~~(d) It is the intent of the Legislature to ensure both of the~~
2 ~~following:~~

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

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

13 *SEC. 3. Section 97.42 is added to the Revenue and Taxation*
14 *Code, to read:*

15 *97.42. Notwithstanding any other provision of this chapter,*
16 *for purposes of ad valorem property tax revenue allocations for the*
17 *2001–02 fiscal year and each fiscal year thereafter, both of the*
18 *following apply:*

19 *(a) The total amount of ad valorem property tax revenue*
20 *annually allocated to the county’s Educational Revenue*
21 *Augmentation Fund may not exceed the total amount of those*
22 *revenues that was allocated to that fund for the 2000–01 fiscal*
23 *year.*

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

32 *SEC. 4. Section 97.43 of the Revenue and Taxation Code is*
33 *repealed.*

34 ~~97.43. (a) Notwithstanding any other provision of this~~
35 ~~article, for purposes of ad valorem property tax revenue~~
36 ~~allocations for the 2000–01 fiscal year and each fiscal year~~
37 ~~thereafter, the total amount of ad valorem property tax revenue~~
38 ~~allocated to the county’s Educational Revenue Augmentation~~
39 ~~Fund shall not exceed the total amount of revenues allocated to that~~
40 ~~fund for the 1999–2000 fiscal year.~~



1 ~~(b) In the 2000–01 fiscal year and each fiscal year thereafter,~~
2 ~~any amount of ad valorem property tax revenue that is not~~
3 ~~allocated to a county’s Educational Revenue Augmentation Fund~~
4 ~~as a result of the limit established by subdivision (a) shall instead~~
5 ~~be allocated among the local agencies in the county in accordance~~
6 ~~with each local agency’s proportionate share of the total amount~~
7 ~~of ad valorem property tax revenues that would be required to be~~
8 ~~allocated to the county’s Educational Revenue Augmentation~~
9 ~~Fund in the absence of this section.~~

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

16 *SEC. 6. This act is an urgency statute necessary for the*
17 *immediate preservation of the public peace, health, or safety*
18 *within the meaning of Article IV of the Constitution and shall go*
19 *into immediate effect. The facts constituting the necessity are:*

20 *In order to immediately begin a program of fiscal relief that will*
21 *allow local agencies to restore an adequate level of essential*
22 *public services, it is necessary that this act take effect immediately.*
23 *is amended to read:*

24 ~~95.3.—(a) Notwithstanding any other provision of law, for the~~
25 ~~1990–91 fiscal year and each fiscal year thereafter, the auditor~~
26 ~~shall divide the sum of the amounts calculated with respect to each~~
27 ~~jurisdiction, Educational Revenue Augmentation Fund (ERAF),~~
28 ~~or community redevelopment agency pursuant to Sections 96.1~~
29 ~~and 100, or their predecessor sections, and Section 33670 of the~~
30 ~~Health and Safety Code, by the countywide total of those~~
31 ~~calculated amounts. The resulting ratio shall be known as the~~
32 ~~“administrative cost apportionment factor” and shall be~~
33 ~~multiplied by the sum of the property tax administrative costs~~
34 ~~incurred in the immediately preceding fiscal year by the assessor,~~
35 ~~tax collector, county board of equalization and assessment appeals~~
36 ~~boards, and auditor to determine the fiscal year property tax~~
37 ~~administrative costs proportionately attributable to each~~
38 ~~jurisdiction, ERAF, or community redevelopment agency. For~~
39 ~~purposes of this paragraph, property tax administrative costs also~~
40 ~~include applicable administrative overhead costs allowed by the~~



1 ~~federal Office of Management and Budget Circular A-87~~
2 ~~standards, but do not include any amount reimbursed pursuant to~~
3 ~~Section 75.60 and former Section 98.6, or include any amount in~~
4 ~~excess of the amounts reimbursable pursuant to Section 75.60,~~
5 ~~unless a county meets the conditions of paragraph (2) of~~
6 ~~subdivision (b) of Section 75.60. However, no amount of funds~~
7 ~~appropriated to counties for purposes of property tax~~
8 ~~administration in Item 9100-102-001 of the Budget Act of 1994 or~~
9 ~~any subsequent Budget Act shall result in any deduction from~~
10 ~~those property tax administrative costs that are eligible for~~
11 ~~reimbursement pursuant to this subdivision.~~

12 ~~(b) (1) Each proportionate share of property tax~~
13 ~~administrative costs determined pursuant to subdivision (a),~~
14 ~~except for those proportionate shares determined with respect to~~
15 ~~a school entity or ERAF, shall be deducted from the property tax~~
16 ~~revenue allocation of the relevant jurisdiction or community~~
17 ~~redevelopment agency, and shall be added to the property tax~~
18 ~~revenue allocation of the county. For purposes of applying this~~
19 ~~paragraph for the 1990-91 fiscal year, each proportionate share of~~
20 ~~property tax administrative costs shall be deducted from those~~
21 ~~amounts allocated to the relevant jurisdiction or community~~
22 ~~redevelopment agency after January 1, 1991.~~

23 ~~(2) It is the intent of the Legislature that the portion of those~~
24 ~~shares of property tax administrative costs that are calculated by~~
25 ~~the auditor for each fiscal year pursuant to subdivision (a) for~~
26 ~~school entities and the county's ERAF, that is attributable to the~~
27 ~~county's costs in providing boards and hearing officers for the~~
28 ~~review of property tax assessment appeals, be calculated by local~~
29 ~~officials and reimbursed by the state in the time and manner~~
30 ~~specified by a future act of the Legislature that makes an~~
31 ~~appropriation for purposes of that reimbursement.~~

32 ~~(c) Reductions made pursuant to this section to property tax~~
33 ~~revenue allocations shall be made without regard to Section 907~~
34 ~~of the Government Code.~~

35 ~~(d) Any additional amounts of property tax revenue allocated~~
36 ~~to the county pursuant to this section shall be used only to fund~~
37 ~~costs incurred by the county in assessing, equalizing, and~~
38 ~~collecting property taxes, and in allocating property tax revenues,~~
39 ~~and shall constitute charges for those services, not exceeding the~~



1 ~~actual and reasonable costs incurred by the county in performing~~
2 ~~those services.~~

3 ~~(e) It is the intent of the Legislature in enacting this section to~~
4 ~~recognize that since the adoption of Article XIII A of the~~
5 ~~California Constitution by the voters, county governments have~~
6 ~~borne an unfair and disproportionate part of the financial burden~~
7 ~~of assessing, collecting, and allocating property tax revenues for~~
8 ~~other jurisdictions and for redevelopment agencies. The~~
9 ~~Legislature finds and declares that this section is intended to fairly~~
10 ~~apportion the burden of collecting property tax revenues and is not~~
11 ~~a reallocation of property tax revenue shares or a transfer of any~~
12 ~~financial or program responsibility.~~

13 ~~(f) Commencing with the 1992-93 fiscal year and each fiscal~~
14 ~~year thereafter, this section shall supersede and replace Section~~
15 ~~95.2, as authority for a county to recover property tax~~
16 ~~administrative costs.~~

17 ~~(g) This section shall apply to the entire 1993-94 fiscal year,~~
18 ~~regardless of the operative date of the act adding the predecessor~~
19 ~~to this section, and to each fiscal year thereafter.~~

