

AMENDED IN SENATE JUNE 22, 2005

AMENDED IN ASSEMBLY APRIL 7, 2005

CALIFORNIA LEGISLATURE—2005—06 REGULAR SESSION

**ASSEMBLY BILL**

**No. 818**

**Introduced by Assembly Member Leslie**

February 18, 2005

An act to amend Section 99 of the Revenue and Taxation Code, relating to local agencies.

LEGISLATIVE COUNSEL'S DIGEST

AB 818, as amended, Leslie. Local agencies.

Existing law provides formulas for the computation of the allocation of property tax revenues among local agencies when various jurisdictional changes occur. One of those jurisdictional changes is a qualified annexation of unincorporated territory, which is defined as an annexation for which proceedings before the relevant local agency formation commission are initiated on or after January 1, 1998, and on or before January 1, 2005.

This bill would change ~~that~~ *the definition of a qualified annexation of unincorporated territory to mean an annexation for which an application or a resolution was filed on or after January 1, 2005, date to 1998, and on or before January 1, 2010.*

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

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

- 1 SECTION 1. Section 99 of the Revenue and Taxation Code is
- 2 amended to read:

1 99. (a) For the purposes of the computations required by this  
2 chapter:

3 (1) In the case of a jurisdictional change, other than a city  
4 incorporation or a formation of a district as defined in Section  
5 2215, the auditor shall adjust the allocation of property tax  
6 revenue determined pursuant to Section 96 or 96.1, or the annual  
7 tax increment determined pursuant to Section 96.5, for local  
8 agencies whose service area or service responsibility would be  
9 altered by the jurisdictional change, as determined pursuant to  
10 subdivision (b) or (c).

11 (2) In the case of a city incorporation, the auditor shall assign  
12 the allocation of property tax revenues determined pursuant to  
13 Section 56810 of the Government Code and the adjustments in  
14 tax revenues that may occur pursuant to Section 56815 of the  
15 Government Code to the newly formed city or district and shall  
16 make the adjustment as determined by Section 56810 in the  
17 allocation of property tax revenue determined pursuant to Section  
18 96 or 96.1 for each local agency whose service area or service  
19 responsibilities would be altered by the incorporation.

20 (3) In the case of a formation of a district as defined in Section  
21 2215, the auditor shall assign the allocation of property tax  
22 revenues determined pursuant to Section 56810 of the  
23 Government Code to the district and shall make the adjustment  
24 as determined by Section 56810 in the allocation of property tax  
25 revenue determined pursuant to Section 96 or 96.1 for each local  
26 agency whose service area or service responsibilities would be  
27 altered by the formation.

28 (b) Upon the filing of an application or a resolution pursuant  
29 to the Cortese-Knox-Hertzberg Local Government  
30 Reorganization Act of 2000 (Division 3 (commencing with  
31 Section 56000) of Title 5 of the Government Code), but prior to  
32 the issuance of a certificate of filing, the executive officer shall  
33 give notice of the filing to the assessor and auditor of each  
34 county within which the territory subject to the jurisdictional  
35 change is located. This notice shall specify each local agency  
36 whose service area or responsibility will be altered by the  
37 jurisdictional change.

38 (1) (A) The county assessor shall provide to the county  
39 auditor, within 30 days of the notice of filing, a report which  
40 identifies the assessed valuations for the territory subject to the

1 jurisdictional change and the tax rate area or areas in which the  
2 territory exists.

3 (B) The auditor shall estimate the amount of property tax  
4 revenue generated within the territory that is the subject of the  
5 jurisdictional change during the current fiscal year.

6 (2) The auditor shall estimate what proportion of the property  
7 tax revenue determined pursuant to paragraph (1) is attributable  
8 to each local agency pursuant to Section 96.1 and Section 96.5.

9 (3) Within 45 days of notice of the filing of an application or  
10 resolution, the auditor shall notify the governing body of each  
11 local agency whose service area or service responsibility will be  
12 altered by the amount of, and allocation factors with respect to,  
13 property tax revenue estimated pursuant to paragraph (2) that is  
14 subject to a negotiated exchange.

15 (4) Upon receipt of the estimates pursuant to paragraph (3) the  
16 local agencies shall commence negotiations to determine the  
17 amount of property tax revenues to be exchanged between and  
18 among the local agencies. This negotiation period shall not  
19 exceed 60 days.

20 The exchange may be limited to an exchange of property tax  
21 revenues from the annual tax increment generated in the area  
22 subject to the jurisdictional change and attributable to the local  
23 agencies whose service area or service responsibilities will be  
24 altered by the proposed jurisdictional change. The final exchange  
25 resolution shall specify how the annual tax increment shall be  
26 allocated in future years.

27 (5) In the event that a jurisdictional change would affect the  
28 service area or service responsibility of one or more special  
29 districts, the board of supervisors of the county or counties in  
30 which the districts are located shall, on behalf of the district or  
31 districts, negotiate any exchange of property tax revenues. Prior  
32 to entering into negotiation on behalf of a district for the  
33 exchange of property tax revenue, the board shall consult with  
34 the affected district. The consultation shall include, at a  
35 minimum, notification to each member and executive officer of  
36 the district board of the pending consultation and provision of  
37 adequate opportunity to comment on the negotiation.

38 (6) Notwithstanding any other provision of law, the executive  
39 officer shall not issue a certificate of filing pursuant to Section  
40 56658 of the Government Code until the local agencies included

1 in the property tax revenue exchange negotiation, within the  
2 60-day negotiation period, present resolutions adopted by each  
3 such county and city whereby each county and city agrees to  
4 accept the exchange of property tax revenues.

5 (7) In the event that the commission modifies the proposal or  
6 its resolution of determination, any local agency whose service  
7 area or service responsibility would be altered by the proposed  
8 jurisdictional change may request, and the executive officer shall  
9 grant, 15 days for the affected agencies, pursuant to paragraph  
10 (4) to renegotiate an exchange of property tax revenues.  
11 Notwithstanding the time period specified in paragraph (4), if the  
12 resolutions required pursuant to paragraph (6) are not presented  
13 to the executive officer within the 15-day period, all proceedings  
14 of the jurisdictional change shall automatically be terminated.

15 (8) In the case of a jurisdictional change that consists of a  
16 city's qualified annexation of unincorporated territory, an  
17 exchange of property tax revenues between the city and the  
18 county shall be determined in accordance with subdivision (e) if  
19 that exchange of revenues is not otherwise determined pursuant  
20 to either of the following:

21 (A) Negotiations completed within the applicable period or  
22 periods as prescribed by this subdivision.

23 (B) A master property tax exchange agreement among those  
24 local agencies, as described in subdivision (d).

25 For purposes of this paragraph, a qualified annexation of  
26 unincorporated territory means an annexation, as so described,  
27 ~~for which proceedings before the relevant local agency formation~~  
28 ~~commission are initiated, as provided in Section 56651 of the~~  
29 ~~Government Code, for which an application or a resolution was~~  
30 ~~filed on or after January 1, 1998, and on or before January 1,~~  
31 ~~2010.~~

32 (9) No later than the date on which the certificate of  
33 completion of the jurisdictional change is recorded with the  
34 county recorder, the executive officer shall notify the auditor or  
35 auditors of the exchange of property tax revenues and the auditor  
36 or auditors shall make the appropriate adjustments as provided in  
37 subdivision (a).

38 (c) Whenever a jurisdictional change is not required to be  
39 reviewed and approved by a local agency formation commission,  
40 the local agencies whose service area or service responsibilities

1 would be altered by the proposed change, shall give notice to the  
2 State Board of Equalization and the assessor and auditor of each  
3 county within which the territory subject to the jurisdictional  
4 change is located. This notice shall specify each local agency  
5 whose service area or responsibility will be altered by the  
6 jurisdictional change and request the auditor and assessor to  
7 make the determinations required pursuant to paragraphs (1) and  
8 (2) of subdivision (b). Upon notification by the auditor of the  
9 amount of, and allocation factors with respect to, property tax  
10 subject to exchange, the local agencies, pursuant to the  
11 provisions of paragraphs (4) and (6) of subdivision (b), shall  
12 determine the amount of property tax revenues to be exchanged  
13 between and among the local agencies. Notwithstanding any  
14 other provision of law, no such jurisdictional change shall  
15 become effective until each county and city included in these  
16 negotiations agrees, by resolution, to accept the negotiated  
17 exchange of property tax revenues. The exchange may be limited  
18 to an exchange of property tax revenue from the annual tax  
19 increment generated in the area subject to the jurisdictional  
20 change and attributable to the local agencies whose service area  
21 or service responsibilities will be altered by the proposed  
22 jurisdictional change. The final exchange resolution shall specify  
23 how the annual tax increment shall be allocated in future years.  
24 Upon the adoption of the resolutions required pursuant to this  
25 section, the adopting agencies shall notify the auditor who shall  
26 make the appropriate adjustments as provided in subdivision (a).  
27 Adjustments in property tax allocations made as the result of a  
28 city or library district withdrawing from a county free library  
29 system pursuant to Section 19116 of the Education Code shall be  
30 made pursuant to Section 19116 of the Education Code, and this  
31 subdivision shall not apply.

32 (d) With respect to adjustments in the allocation of property  
33 taxes pursuant to this section, a county and any local agency or  
34 agencies within the county may develop and adopt a master  
35 property tax transfer agreement. The agreement may be revised  
36 from time to time by the parties subject to the agreement.

37 (e) (1) An exchange of property tax revenues that is required  
38 by paragraph (8) of subdivision (b) to be determined pursuant to  
39 this subdivision shall be determined in accordance with all of the  
40 following:

1 (A) The city and the county shall mutually select a third-party  
2 consultant to perform a comprehensive, independent fiscal  
3 analysis, funded in equal portions by the city and the county, that  
4 specifies estimates of all tax revenues that will be derived from  
5 the annexed territory and the costs of city and county services  
6 with respect to the annexed territory. The analysis shall be  
7 completed within a period not to exceed 30 days, and shall be  
8 based upon the general plan or adopted plans and policies of the  
9 annexing city and the intended uses for the annexed territory. If,  
10 upon the completion of the analysis period, no exchange of  
11 property tax revenues is agreed upon by the city and the county,  
12 subparagraph (B) shall apply.

13 (B) The city and the county shall mutually select a mediator,  
14 funded in equal portions by those agencies, to perform mediation  
15 for a period of not to exceed 30 days. If, upon the completion of  
16 the mediation period, no exchange of property tax revenues is  
17 agreed upon by the city and the county, subparagraph (C) shall  
18 apply.

19 (C) The city and the county shall mutually select an arbitrator,  
20 funded in equal portions by those agencies, to conduct an  
21 advisory arbitration with the city and the county for a period of  
22 not to exceed 30 days. At the conclusion of this arbitration  
23 period, the city and the county shall each present to the arbitrator  
24 its last and best offer with respect to the exchange of property tax  
25 revenues. The arbitrator shall select one of the offers and  
26 recommend that offer to the governing bodies of the city and the  
27 county. If the governing body of the city or the county rejects the  
28 recommended offer, it shall do so during a public hearing, and  
29 shall, at the conclusion of that hearing, make written findings of  
30 fact as to why the recommended offer was not accepted.

31 (2) Proceedings under this subdivision shall be concluded no  
32 more than 150 days after the auditor provides the notification  
33 pursuant to paragraph (3) of subdivision (b), unless one of the  
34 periods specified in this subdivision is extended by the mutual  
35 agreement of the city and the county. Notwithstanding any other  
36 provision of law, except for those conditions that are necessary to  
37 implement an exchange of property tax revenues determined  
38 pursuant to this subdivision, the local agency formation  
39 commission shall not impose any fiscal conditions upon a city's

1 qualified annexation of unincorporated territory that is subject to  
2 this subdivision.

3 (f) Except as otherwise provided in subdivision (g), for the  
4 purpose of determining the amount of property tax to be  
5 allocated in the 1979–80 fiscal year and each fiscal year  
6 thereafter for those local agencies that were affected by a  
7 jurisdictional change which was filed with the State Board of  
8 Equalization after January 1, 1978, but on or before January 1,  
9 1979. The local agencies shall determine by resolution the  
10 amount of property tax revenues to be exchanged between and  
11 among the affected agencies and notify the auditor of the  
12 determination.

13 (g) For the purpose of determining the amount of property tax  
14 to be allocated in the 1979–80 fiscal year and each fiscal year  
15 thereafter, for a city incorporation that was filed pursuant to  
16 Sections 54900 to 54904 after January 1, 1978, but on or before  
17 January 1, 1979, the amount of property tax revenue considered  
18 to have been received by the jurisdiction for the 1978–79 fiscal  
19 year shall be equal to two-thirds of the amount of property tax  
20 revenue projected in the final local agency formation commission  
21 staff report pertaining to the incorporation multiplied by the  
22 proportion that the total amount of property tax revenue received  
23 by all jurisdictions within the county for the 1978–79 fiscal year  
24 bears to the total amount of property tax revenue received by all  
25 jurisdictions within the county for the 1977–78 fiscal year.  
26 Except, however, in the event that the final commission report  
27 did not specify the amount of property tax revenue projected for  
28 that incorporation, the commission shall by October 10,  
29 determine pursuant to Section 54790.3 of the Government Code  
30 the amount of property tax to be transferred to the city.

31 The provisions of this subdivision shall also apply to the  
32 allocation of property taxes for the 1980–81 fiscal year and each  
33 fiscal year thereafter for incorporations approved by the voters in  
34 June 1979.

35 (h) For the purpose of the computations made pursuant to this  
36 section, in the case of a district formation that was filed pursuant  
37 to Sections 54900 to 54904, inclusive, of the Government Code  
38 after January 1, 1978, but before January 1, 1979, the amount of  
39 property tax to be allocated to the district for the 1979–80 fiscal

1 year and each fiscal year thereafter shall be determined pursuant  
2 to Section 54790.3 of the Government Code.

3 (i) For the purposes of the computations required by this  
4 chapter, in the case of a jurisdictional change, other than a  
5 change requiring an adjustment by the auditor pursuant to  
6 subdivision (a), the auditor shall adjust the allocation of property  
7 tax revenue determined pursuant to Section 96 or 96.1 or its  
8 predecessor section, or the annual tax increment determined  
9 pursuant to Section 96.5 or its predecessor section, for each local  
10 school district, community college district, or county  
11 superintendent of schools whose service area or service  
12 responsibility would be altered by the jurisdictional change, as  
13 determined as follows:

14 (1) The governing body of each district, county superintendent  
15 of schools, or county whose service areas or service  
16 responsibilities would be altered by the change shall determine  
17 the amount of property tax revenues to be exchanged between  
18 and among the affected jurisdictions. This determination shall be  
19 adopted by each affected jurisdiction by resolution. For the  
20 purpose of negotiation, the county auditor shall furnish the  
21 parties and the county board of education with an estimate of the  
22 property tax revenue subject to negotiation.

23 (2) In the event that the affected jurisdictions are unable to  
24 agree, within 60 days after the effective date of the jurisdictional  
25 change, and if all the jurisdictions are wholly within one county,  
26 the county board of education shall, by resolution, determine the  
27 amount of property tax revenue to be exchanged. If the  
28 jurisdictions are in more than one county, the State Board of  
29 Education shall, by resolution, within 60 days after the effective  
30 date of the jurisdictional change, determine the amount of  
31 property tax to be exchanged.

32 (3) Upon adoption of any resolution pursuant to this  
33 subdivision, the adopting jurisdictions or State Board of  
34 Education shall notify the county auditor who shall make the  
35 appropriate adjustments as provided in subdivision (a).

36 (j) For purposes of subdivision (i), the annexation by a  
37 community college district of territory within a county not  
38 previously served by a community college district is an alteration  
39 of service area. The community college district and the county  
40 shall negotiate the amount, if any, of property tax revenues to be

1 exchanged. In these negotiations, there shall be taken into  
2 consideration the amount of revenue received from the timber  
3 yield tax and forest reserve receipts by the community college  
4 district in the area not previously served. In no event shall the  
5 property tax revenue to be exchanged exceed the amount of  
6 property tax revenue collected prior to the annexation for the  
7 purposes of paying tuition expenses of residents enrolled in the  
8 community college district, adjusted each year by the percentage  
9 change in population and the percentage change in the cost of  
10 living, or per capita personal income, whichever is lower, less the  
11 amount of revenue received by the community college district in  
12 the annexed area from the timber yield tax and forest reserve  
13 receipts.

14 (k) At any time after a jurisdictional change is effective, any of  
15 the local agencies party to the agreement to exchange property  
16 tax revenue may renegotiate the agreement with respect to the  
17 current fiscal year or subsequent fiscal years, subject to approval  
18 by all local agencies affected by the renegotiation.