

ASSEMBLY BILL

No. 1590

Introduced by Assembly Members Lieber and Cohn
(Principal coauthor: Senator Alquist)
**(Coauthors: Assembly Members Coto, Ruskin, Salinas, and
Torrico)**
(Coauthor: Senator Figueroa)

February 22, 2005

An act to amend Section 97.72 of the Revenue and Taxation Code, relating to local government finance, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 1590, as introduced, Lieber. Property tax revenue allocations: special districts.

(1) 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 law requires the auditor to reduce, for the 2004–05 and 2005–06 fiscal years, the total amount of property tax revenue that is otherwise required to be allocated to an enterprise special district, as defined, by an amount calculated by the Controller pursuant to a specified formula that is based upon, in certain instances, the 2001–02 edition of the State Controller's Special Districts Annual Report.

This bill would, for the 2005–06 fiscal year, limit the amount of this reduction for a special district that performs both enterprise and

nonenterprise functions to an amount equal to the sum of 10% of the property tax revenues allocated to the district’s nonenterprise functions for the 2001-02 fiscal year and 100% of the property tax revenues allocated to the district’s enterprise functions for the 2001-02 fiscal year, as reported in the 2001-02 edition of the State Controller’s Special Districts Annual Report. This bill would also specify that, for purposes of calculating these limits, the 2001–02 edition of the State Controller’s Special Districts Annual Report means the version of that report that has been corrected, as specified.

This bill would also require the Controller, in making the reduction calculations for the 2005–06 fiscal year for all special districts, to ensure that this bill does not result in a net increase in the total amount of the reduction for any special district for the 2005–06 fiscal year from the total amount of the reduction determined for that special district for the 2004–05 fiscal year.

By changing the manner in which county auditors allocate ad valorem property tax revenues, this bill would impose a state-mandated local program.

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, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

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

Vote: $\frac{2}{3}$. 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 97.72 of the Revenue and Taxation
- 2 Code is amended to read:
- 3 97.72. Notwithstanding any other provision of law, for each
- 4 of the 2004–05 and 2005–06 fiscal years, all of the following
- 5 apply:
- 6 (a) (1) (A) (i) Except as otherwise provided in clauses (ii)
- 7 and (iii), the total amount of ad valorem property tax revenue,

1 other than these revenues that are pledged to debt service,
2 otherwise allocated for each of those fiscal years to each
3 enterprise special district shall be reduced by the lesser of the
4 following:

5 (I) Forty percent of the amount of ad valorem property tax
6 revenue of the district for the 2001–02 fiscal year, as reported in
7 the 2001–02 edition of the State Controller’s Special Districts
8 Annual Report.

9 (II) An amount equal to 10 percent of that district’s total
10 revenues for the 2001–02 fiscal year, from whatever source, as
11 reported in the 2001–02 edition of the State Controller’s Special
12 Districts Annual Report.

13 (ii) The total amount of ad valorem property tax revenue
14 otherwise allocated for each of those fiscal years to each
15 enterprise special district that is a transit district shall be reduced
16 by 3 percent of the amount of ad valorem property tax revenue of
17 the district for the 2001–02 fiscal year, as reported in the
18 2001–02 edition of the State Controller’s Special Districts
19 Annual Report.

20 (iii) The total amount of ad valorem property tax revenue
21 otherwise allocated for each of those fiscal years to an enterprise
22 special district that also performs, as reported in the 2001–02
23 edition of the State Controller’s Special Districts Annual Report,
24 nonenterprise functions other than fire protection or police
25 protection shall be decreased by both of the following, not to
26 exceed 10 percent of a district’s total revenues from whatever
27 source, as reported in the 2001–02 edition of the State
28 Controller’s Special Districts Annual Report:

29 (I) Forty percent of the amount of ad valorem property tax
30 revenue of the district’s enterprise functions for the 2001–02
31 fiscal year, as reported in the 2001–02 edition of the State
32 Controller’s Special Districts Annual Report.

33 (II) Ten percent of the amount of ad valorem property tax
34 revenue of the district’s nonenterprise functions for the 2001–02
35 fiscal year, as reported in the 2001–02 edition of the State
36 Controller’s Special Districts Annual Report.

37 (B) If an enterprise special district is located in more than one
38 county, the auditor of each county in which that enterprise
39 special district is located shall implement that portion of the total
40 reduction, required by subparagraph (A) with respect to that

1 district, determined by the ratio of the amount of ad valorem
2 property tax revenue allocated to that district from the county to
3 the total amount of ad valorem property tax revenue allocated to
4 that district from all counties.

5 (2) (A) The Controller shall determine the amount of the ad
6 valorem property tax revenue reduction required by paragraph
7 (1) for each enterprise special district in each county. The
8 Controller shall then determine whether the total amount of ad
9 valorem property tax revenue reductions under paragraph (1) and
10 Section 97.73 is less than three hundred fifty million dollars
11 (\$350,000,000). If, for either the 2004–05 or 2005–06 fiscal year,
12 the total ~~of the~~ amount of these reductions is less than three
13 hundred fifty million dollars (\$350,000,000), the total amount of
14 ad valorem property tax revenue allocated to each enterprise
15 special district, other than an enterprise special district that is a
16 transit district, shall be reduced by an additional amount equal to
17 that district's proportionate share of the difference, provided that
18 the total reduction under this section for a district shall not
19 exceed 10 percent of that district's revenue from whatever source
20 for the 2001–02 fiscal year, as reported in the 2001–02 edition of
21 the State Controller's Special Districts Annual Report. If, as a
22 result of this 10-percent limitation, any portion of the difference
23 remains unapplied, that remaining portion shall, as many times as
24 necessary, be applied in proportionate shares among those
25 enterprise special districts, other than transit districts, for which
26 the 10-percent limitation has not been reached, until a three
27 hundred fifty million dollar reduction (\$350,000,000) has been
28 applied. The Controller shall, on or before October 25, 2004,
29 notify the Director of Finance of the reduction amounts
30 determined under this subdivision. The Director of Finance shall,
31 on or before November 12, 2004, notify each county auditor of
32 the allocation reductions required by this paragraph and Section
33 97.73.

34 (B) (i) *Notwithstanding any other provision of law, for the*
35 *2005-06 fiscal year, for an enterprise special district that*
36 *performs both enterprise and nonenterprise functions, as*
37 *reported in the 2001–02 edition of the State Controller's Special*
38 *Districts Annual Report, the amount of the reduction under*
39 *paragraph (1) shall not exceed an amount equal to the sum of the*
40 *following two amounts:*

1 (I) Ten percent of the amount of ad valorem property tax
2 revenue of the district's nonenterprise functions for the 2001-02
3 fiscal year, as reported in the 2001-02 edition of the State
4 Controller's Special Districts Annual Report .

5 (II) One hundred percent of the amount of ad valorem
6 property tax revenue of the district's enterprise functions for the
7 2001-02 fiscal year, as reported in the 2001-02 edition of the
8 State Controller's Special Districts Annual Report.

9 (ii) For purposes of this subparagraph, "the 2001-02 edition
10 of the State Controller's Special Districts Annual Report" means
11 the version of that report that was published on the State
12 Controller's Web site on June 30, 2004, and any corrections
13 made to that report on or before October 24, 2005.

14 (iii) Notwithstanding any other provision of law, in making the
15 determinations required by subparagraph (A), the Controller
16 shall ensure that the operation of this subparagraph does not
17 result in a net increase in the total amount of the reduction for
18 any special district required by this section or Section 97.73 for
19 the 2005-06 fiscal year from the total amount of the reduction
20 determined under those provisions for that special district for the
21 2004-05 fiscal year.

22 (iv) On or before October 24, 2005, the Controller shall notify
23 the Director of Finance of the reduction amounts determined
24 under this subparagraph. The Director of Finance shall, on or
25 before November 12, 2005, notify each applicable county auditor
26 of the allocation adjustments required by this subparagraph.

27 (b) That amount of ad valorem property tax revenue that is not
28 allocated to an enterprise special district as a result of subdivision
29 (a) shall instead be deposited in the county Educational Revenue
30 Augmentation Fund and shall be allocated as specified in
31 subdivision (d) of Section 97.3.

32 (c) For purposes of this section, all of the following apply:

33 (1) "Enterprise special district" means a special district that
34 performs, as reported in the 2001-02 edition of the State
35 Controller's Special Districts Annual Report, an enterprise
36 function. "Enterprise special district" does not include a fire
37 protection district that was formed under the Shade Tree Law of
38 1909 set forth in Article 2 (commencing with Section 25620) of
39 Chapter 7 of Division 2 of Title 3 of the Government Code, a
40 local health care district as described in Division 23

1 (commencing with Section 32000) of the Health and Safety
2 Code, or a qualified special district as defined in Section 97.34.

3 (2) With respect to an enterprise special district that also
4 performs, as reported in the 2001–02 edition of the State
5 Controller’s Special Districts Annual Report, a police protection
6 nonenterprise function with certified peace officers, as described
7 in Chapter 4.5 (commencing with Section 830) of Title 3 of Part
8 2 of the Penal Code, or a fire protection nonenterprise function,
9 “the amount of ad valorem property tax revenue of the district for
10 the 2001–02 fiscal year” does not include ad valorem property
11 tax revenue of that district for fire protection or police protection
12 nonenterprise functions, as reported in the 2001–02 edition of the
13 State Controller’s Special Districts Annual Report.

14 (3) For purposes of this section, “revenues that are pledged to
15 debt service” includes only those amounts required as the sole
16 source of repayment to pay debt service costs in the 2002–03
17 fiscal year on debt instruments issued by an enterprise special
18 district for the acquisition of fixed assets. For purposes of this
19 paragraph, “fixed assets” means land, buildings, equipment, and
20 improvements, including improvements to buildings.

21 (d) For the purposes of this section, if a special district’s
22 financial transactions do not appear in the 2001–02 edition of the
23 State Controller’s Special Districts Annual Report, the Controller
24 shall use the most recent data available for that district.

25 (e) For the 2005–06 fiscal year and each fiscal year thereafter,
26 the amounts determined under subdivision (a) of Section 96.1, or
27 any successor to that provision, shall not reflect, for a preceding
28 fiscal year, any portion of any allocation required by this section.

29 SEC. 2. If the Commission on State Mandates determines that
30 this act contains costs mandated by the state, reimbursement to
31 local agencies and school districts for those costs shall be made
32 pursuant to Part 7 (commencing with Section 17500) of Division
33 4 of Title 2 of the Government Code.

34 SEC. 3. This act is an urgency statute necessary for the
35 immediate preservation of the public peace, health, or safety
36 within the meaning of Article IV of the Constitution and shall go
37 into immediate effect. The facts constituting the necessity are:

38 In order to provide immediate fiscal relief to special districts
39 that perform both enterprise and nonenterprise functions to
40 enable these districts to provide vital public services for the

- 1 2005-06 fiscal year, it is necessary that this act take effect
- 2 immediately.

O