

AMENDED IN ASSEMBLY MARCH 22, 2007

AMENDED IN ASSEMBLY MARCH 15, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 83

Introduced by Assembly Member Lieber

(Principal coauthors: Senators Alquist and Ashburn)

(Coauthors: Assembly Members Bass, Beall, Caballero, Coto, Davis, DeSaulnier, Dymally, Gaines, Houston, Huffman, Jones, Karnette, Mendoza, Portantino, Ruskin, Saldana, and Torrico)

(~~Coauthor: Senator Cedillo~~ *Coauthors: Senators Cedillo, Cox, Maldonado, Torlakson, and Wiggins*)

December 6, 2006

An act to add and repeal Section 95.36 of the Revenue and Taxation Code, relating to taxation, and declaring the urgency thereof, to take effect immediately. *Code, relating to taxation.*

LEGISLATIVE COUNSEL'S DIGEST

AB 83, as amended, Lieber. Property tax administration: PARE program.

Existing law establishes, until the end of the 2006–07 fiscal year, the State-County Property Tax Administration Grant Program under which a county that enacts a specified resolution and meets certain conditions may, if funds are appropriated for this purpose, receive from the state a grant of a specified amount of money for property tax administration, as specified.

This bill would, for the 2007–08 fiscal year and for each fiscal year thereafter to the 2012–13 fiscal year, inclusive, establish the State-County Property Assessment and Revenue for Education Funding

Program (PARE) under which a county that enacts a specified resolution and meets certain conditions would, if funds are appropriated for the program, receive moneys for specified property tax administration purposes. This bill would specify that funds received under the program would be under the administrative control of the county auditor, but the county assessor would direct the expenditure of these funds, as provided. This bill would reduce the amount of funding available to a county under the PARE program if the county fails to meet specified performance goals relating to administering the property tax system, as provided. This bill would also require the Department of Finance to evaluate the PARE program and to report its findings to the Legislature on or before December 31, 2012.

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

Vote: $\frac{2}{3}$ -majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

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

- 1 SECTION 1. Section 95.36 is added to the Revenue and
- 2 Taxation Code, to read:
- 3 95.36. (a) (1) The Legislature finds and declares all of the
- 4 following:
- 5 (A) There is a significant and compelling state financial interest
- 6 in the maintenance of an adequately funded system of property
- 7 tax administration. This financial interest derives from the fact
- 8 that schools are the greatest beneficiaries of all property tax
- 9 revenues collected statewide which serve to offset the General
- 10 Fund obligation to fund K–12 schools, and extends not only to
- 11 assessment and maintenance of the tax rolls, but also to all aspects
- 12 of the system which include, but are not limited to, collection,
- 13 apportionment, allocation, and processing and defending appeals.
- 14 (B) The combination of limitations on county revenue authority,
- 15 increasing county financial obligations, and the shift of county
- 16 property taxes to schools has created a financial disincentive for
- 17 counties to adequately fund property tax administration. This
- 18 disincentive is most clearly evidenced by the fact that counties,
- 19 on average, receive less than 25 percent of statewide property tax
- 20 revenues while some counties are obligated to pay more than an
- 21 average of 70 percent of the costs of administration.

1 (C) The original State-County Property Tax Loan Program
2 implemented in 1995 was in recognition of the state’s financial
3 interest, and the success of that program and the subsequent
4 State-County Property Tax Administration Grant Program
5 implemented in 2001 has demonstrated the appropriateness of an
6 ongoing commitment of state funds to reduce the burden of
7 property tax administration on county finances.

8 (D) The respective roles of the county assessor, county
9 auditor-controller, county tax collector, county treasurer, the clerk
10 of the board of supervisors, and ~~assessment appeals boards~~ *the*
11 *county board of equalization* in fulfillment of the responsibilities
12 of the system of property tax assessment are critical to the success
13 of the objectives of this section.

14 (2) Based upon these findings and declarations, it is the intent
15 of the Legislature to establish a new property tax administration
16 funding program to be known as the State-County Property
17 Assessment and Revenue for Education Funding Program (PARE)
18 that will continue and build upon the success of the prior
19 State-County Property Tax Administration Loan and Grant
20 Programs.

21 (b) (1) Notwithstanding any other law, for the 2007–08 fiscal
22 year and for each fiscal year thereafter to the 2012–13 fiscal year,
23 inclusive, any county board of supervisors may, upon the
24 recommendation of the assessor, adopt a resolution to participate
25 in the PARE program established by this section. If this resolution
26 is adopted for a fiscal year, a copy of the resolution shall be sent
27 to the department on or before September 15 of the fiscal year in
28 which the county participates in the PARE program. The
29 department shall, upon approval, transmit a copy of the resolution
30 to the county auditor-controller, the county assessor, and the
31 Controller on or before December 15.

32 (2) Prior to the assessor’s recommendation for participation in
33 the PARE program, the assessor shall consult with the county tax
34 collector, the county auditor-controller, the ~~county assessment~~
35 ~~appeals board~~ *clerk of the county board of equalization*, and any
36 other county agency directly involved in property tax
37 administration, to develop an identifiable plan and performance
38 measures relating to, or resulting from, the assessor’s completion
39 of qualified actions described in subparagraph (B) of paragraph

40 (3) for the use of these funds during the period specified in the

1 resolution by the board of supervisors. During this consultation,
2 the county tax collector, the county auditor-controller, the clerk
3 of the board of supervisors, the assessment appeals board, and any
4 other county agency directly involved in the system of property
5 tax administration may provide to the assessor performance
6 measures and any verifiable information that quantifies the
7 additional operating impacts on these property tax-related
8 departments as a result of the assessor's proposed plan. These
9 performance measures and verifiable information provided to the
10 assessor, if not included in the assessor's proposed plan, shall be
11 attached to the plan established during the consultation. Changes
12 or modifications to a county's PARE program plan after an
13 agreement has already been entered into shall be made in
14 consultation in the manner described in this paragraph. Any
15 participating county agency or department directly involved in
16 property tax administration, other than the county assessor,
17 receiving any portion of PARE funding for property tax
18 administration requires the recommendation of the county assessor
19 and adherence to the performance target goals and plan of the
20 participating county under the PARE program.

21 (3) The resolution to participate in this program shall include
22 both of the following:

23 (A) A detailed listing of the proposed uses by the county of the
24 moneys received under this section. Those uses shall include, but
25 are not required to be limited to, the activities described in clauses
26 (i) to (iv), inclusive, of subparagraph (B).

27 (B) Certified results of the county's completion of all of the
28 following from the assessment roll from the assessment year that
29 immediately preceded the fiscal year in which the county requests
30 funding, including backlogs from another prior assessment year:

31 (i) The percentage of change in ownership assessments identified
32 for enrollment that were enrolled.

33 (ii) The percentage of new construction assessments identified
34 for enrollment that were enrolled.

35 (iii) The percentage of mandatory audits required under Section
36 469 that were completed and enrolled.

37 (iv) The percentage of required assessments determined under
38 subdivision (a) of Section 51 that were enrolled with an increase,
39 a decrease, or no change in assessed value.

- 1 (c) For the 2007–08 fiscal year and for each fiscal year thereafter
2 to the 2012–13 fiscal year, inclusive, all of the following apply:
- 3 (1) The department shall determine the PARE amount for a
4 participating county for the fiscal year in the following manner:
- 5 (A) The department shall determine the product of the following
6 two amounts:
- 7 (i) The quotient derived from the following fraction:
- 8 (I) The numerator is the total amount of property tax revenue
9 allocated to all K–14 schools and county offices of education in
10 the county, as reported by the State Board of Equalization for the
11 most recent prior fiscal year.
- 12 (II) The denominator is the total amount of property tax revenue
13 allocated to all K–14 schools and county offices of education in
14 all counties statewide, as reported by the State Board of
15 Equalization for the most recent prior fiscal year.
- 16 (ii) The gross statewide PARE amount appropriated in the
17 Budget Act for that fiscal year.
- 18 (B) For the 2007–08 fiscal year and for each fiscal year
19 thereafter to the 2012–13 fiscal year, inclusive, all of the following
20 apply:
- 21 (i) If a county completed at least 98 percent of the cumulative
22 total of qualified actions during the assessment year that
23 immediately preceded the fiscal year in which funding is requested
24 in a resolution described in subdivision (b), the county PARE
25 amount for that county for that fiscal year is the amount determined
26 by the department under subparagraph (A).
- 27 (ii) If a county completed at least 96 percent, but less than or
28 equal to 97.9 percent, of the cumulative total of qualified actions
29 during the assessment year that immediately preceded the fiscal
30 year in which funding is requested in a resolution described in
31 subdivision (b), the department shall determine the county PARE
32 amount for that county for that fiscal year as 90 percent of the
33 amount determined by the department under subparagraph (A).
- 34 (iii) If a county completed at least 94 percent, but less than or
35 equal to 95.9 percent, of the cumulative total of qualified actions
36 during the assessment year that immediately preceded the fiscal
37 year in which funding is requested in a resolution described in
38 subdivision (b), the department shall determine the county PARE
39 amount for that county for that fiscal year as 80 percent of the
40 amount determined by the department under subparagraph (A).

1 (iv) If a county completed at least 92 percent, but less than or
2 equal to 93.9 percent, of the cumulative total of qualified actions
3 during the assessment year that immediately preceded the fiscal
4 year in which funding is requested in a resolution described in
5 subdivision (b), the department shall determine the county PARE
6 amount for that county for that fiscal year as 70 percent of the
7 amount determined by the department under subparagraph (A).

8 (v) If a county completed at least 90 percent, but less than or
9 equal to 91.9 percent, of the cumulative total of qualified actions
10 during the assessment year that immediately preceded the fiscal
11 year in which funding is requested in a resolution described in
12 subdivision (b), the department shall determine the county PARE
13 amount for that county for that fiscal year as 60 percent of the
14 amount determined by the department under subparagraph (A).

15 (vi) If a county completed less than 90 percent of the cumulative
16 total of qualified actions during the assessment year that
17 immediately preceded the fiscal year in which funding is requested
18 in a resolution described in subdivision (b), the department shall
19 determine the county PARE amount for that county for that fiscal
20 year as zero.

21 (2) The Controller shall allocate the net statewide PARE amount
22 to applicable counties in the amounts determined under paragraph
23 (1) within 30 days of notification by the Director of Finance that
24 PARE funding for that county has been approved.

25 (3) On or before December 15, the department shall notify the
26 assessor and the board of supervisors of each county for which a
27 county PARE amount was determined under paragraph (1) of the
28 county PARE amount, if any, for that fiscal year.

29 (4) A county for which funding is reduced under subparagraph
30 (B) of paragraph (1) is not prohibited from receiving full funding
31 under this section in subsequent fiscal years.

32 (5) Notwithstanding subparagraph (B) of paragraph (1), all of
33 the following apply:

34 (A) The director may waive the application of the reductions
35 described in subparagraph (B) of paragraph (1) on a
36 county-by-county basis in any fiscal year for good cause presented
37 by the participating county assessor. If the director waives the
38 application of these reductions for a fiscal year, the director shall,
39 on or before December 15 of that fiscal year, notify in writing the

1 county board of supervisors and the county assessor of the
2 applicable county of this waiver.

3 (B) If a county experiences an increase of more than 10 percent,
4 from the prior assessment year, in the number of change in
5 ownership assessments and new construction assessments required
6 to be enrolled, the county will not have its funding reduced under
7 subparagraph (B) of paragraph (1).

8 (6) Performance results of qualified actions and the expenditure
9 of PARE funds by a county are subject to independent certification
10 or audit at any time by either the state or the county to ensure that
11 these results are accurate.

12 (d) (1) Each county receiving moneys under this section shall
13 establish a separate interest bearing fund in the county treasury
14 for the deposit of these moneys. Moneys deposited in this fund
15 and the interest earned thereon shall be used only for the purposes
16 set forth in the county resolution and any prior year property tax
17 administrative cost program agreements, unless those purposes
18 are changed in writing. Changes to the plan regarding the purposes
19 for the use of PARE funding shall be accomplished after the
20 assessor consults with other affected departments as described in
21 paragraph (2) of subdivision (b).

22 (2) Any moneys received by a county under this section and
23 any moneys in the fund described in paragraph (1) that are not
24 expended within the fiscal year for which they were originally
25 received shall be retained by the county in that fund. These moneys,
26 and all interest earned thereon, shall be used only for the purposes
27 set forth in the county resolution and any prior year property tax
28 administrative cost program agreements. Changes to the plan
29 regarding the purposes for the use of PARE funding shall be
30 accomplished after the assessor consults with other affected
31 departments as described in paragraph (2) of subdivision (b).

32 (3) The county auditor shall have administrative control of funds
33 provided to a county under this section, but the county assessor
34 shall direct the expenditure of these funds in accordance with the
35 resolution described in subparagraph (A) of paragraph (3) of
36 subdivision (b) and the county's annual budget for these funds that
37 are approved by the board of supervisors.

38 (e) Funds provided to a county under this section shall be used
39 to enhance the property tax administration system by providing
40 supplemental resources and shall not be used to supplant the current

1 level of funding. In order to participate in the PARE program set
2 forth in this section, a participating county shall maintain a base
3 staffing, including contract staff, and total funding level in the
4 county assessor's office, less the staff and funds provided under
5 this section, equal to the levels of the 2004–05 fiscal year in that
6 county's budget, less amounts received for that fiscal year under
7 Section 95.35. Any other county agency or department directly
8 involved in property tax administration that receives PARE funding
9 shall also maintain these staffing and funding levels for staff
10 directly involved in property tax administration in order to be
11 eligible for use of PARE funding.

12 (f) In any fiscal year in which the assessor of a county elects
13 not to participate in the PARE program or submits to the board of
14 supervisors a proposal that is less than the county PARE amount
15 determined for the county under subdivision (c), any other
16 department of that county that is responsible for the administration,
17 allocation, or adjudication of property tax, as described in Section
18 95.3, may submit to the board of supervisors an application for
19 the remainder of that amount. Any proposal submitted pursuant
20 to this subdivision shall include the information specified in
21 paragraph (2) of subdivision (b) and be subject to the performance
22 standard requirements set forth in subparagraph (B) of paragraph
23 (1) of subdivision (c).

24 (g) At the request of the department, the State Board of
25 Equalization shall assist the Department of Finance in evaluating
26 the use of funding provided under this section.

27 (h) Notwithstanding Section 95.3, any funds provided to a
28 county under this section shall not result in any reduction of those
29 county property tax administrative costs that are reimbursable
30 pursuant to Section 95.3.

31 (i) On or before December 31, 2012, the department shall
32 evaluate the effectiveness of the PARE program in assisting
33 counties to complete qualified actions, and shall report its findings
34 to the Legislature.

35 (j) For purposes of this section, the following terms have the
36 following meanings:

37 (1) "Assessment year" has the same meaning as specified in
38 Section 118.

39 (2) "Department" means the Department of Finance.

1 (3) “Qualified action” means an activity identified for enrollment
2 as described in clauses (i) to (iv), inclusive, of subparagraph (B)
3 of paragraph (3) of subdivision (b).

4 (4) “Gross statewide PARE amount” means the amount
5 appropriated in the Budget Act for the purposes of this section for
6 a fiscal year.

7 (5) “Net statewide PARE amount” means the total amount
8 determined by the department under paragraph (1) of subdivision
9 (c) for a fiscal year for allocation to counties.

10 (k) For the 2008–09 fiscal year and for each fiscal year thereafter
11 to the 2012–13 fiscal year, inclusive, the gross statewide PARE
12 amount for the prior fiscal year may be compounded annually by
13 an inflation factor equal to the annual percentage change, measured
14 from February to February, rounded to the nearest one-thousandth
15 of 1 percent, in the California Consumer Price Index for all items,
16 as determined by the California Department of Industrial Relations,
17 to the extent funding is provided in the annual Budget Act.

18 (l) It is the intent of the Legislature that the initiation of
19 participation, or changes to the plan to participate, in the PARE
20 program are not to occur without the recommendation of the county
21 assessor, which requires consultation with the other affected
22 departments, preparation and proposal of changes by the assessor,
23 and approval by the board of supervisors.

24 (m) This section is repealed on December 31, 2012.

25 ~~SEC. 2. This act is an urgency statute necessary for the~~
26 ~~immediate preservation of the public peace, health, or safety within~~
27 ~~the meaning of Article IV of the Constitution and shall go into~~
28 ~~immediate effect. The facts constituting the necessity are:~~

29 ~~In order to ensure that a new property tax administration funding~~
30 ~~program that will provide critical services for the citizens of~~
31 ~~California will continue and build upon the success of the prior~~
32 ~~State-County Property Tax Administration Loan and Grant~~
33 ~~Programs, it is necessary that this act take effect immediately.~~