

ASSEMBLY BILL

No. 1816

Introduced by Assembly Member Beall

February 21, 2012

An act to amend Section 98 of the Revenue and Taxation Code, relating to local government.

LEGISLATIVE COUNSEL'S DIGEST

AB 1816, as introduced, Beall. Tax equity allocation formula: County of Santa Clara.

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.

Existing property tax law requires the auditor of each county with qualifying cities, as defined, to make certain property tax revenue allocations to those cities in accordance with a specified Tax Equity Allocation (TEA) formula established in a specified statute and to make corresponding reductions in the amount of property tax revenue that is allocated to the county. Existing law requires the auditor of Santa Clara County, for the 2006–07 fiscal year and for each fiscal year thereafter, to reduce the amount of property tax revenue allocated to qualified cities in that county by the ERAF reimbursement amount, as defined, and to commensurately increase the amount of property tax revenue allocated to the county ERAF, as specified.

This bill would, instead, for the 2013–14 fiscal year and for each fiscal year thereafter, require the auditor of Santa Clara County to reduce the amount of property tax revenues that are required to be allocated from the qualified cities in that county to the county ERAF by a specified percentage of the ERAF reimbursement amount. This bill would prohibit the auditor of Santa Clara County from reducing the amounts allocated to the county ERAF in any fiscal year in which the amount of moneys required to be applied by the state for the support of school districts and community college districts is determined pursuant to Test 1 of Proposition 98.

This bill would make legislative findings and declarations as to the necessity of a special statute.

By imposing new duties in the allocation of ad valorem property tax revenues in the County of Santa Clara, 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.

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 98 of the Revenue and Taxation Code is
- 2 amended to read:

1 98. (a) In each county, other than the County of Ventura,
2 having within its boundaries a qualifying city, the computations
3 made pursuant to Section 96.1 or its predecessor section, for the
4 1989–90 fiscal year and each fiscal year thereafter, shall be
5 modified as follows:

6 With respect to tax rate areas within the boundaries of a
7 qualifying city, there shall be excluded from the aggregate amount
8 of “property tax revenue allocated pursuant to this chapter to local
9 agencies, other than for a qualifying city, in the prior fiscal year,”
10 an amount equal to the sum of the amounts calculated pursuant to
11 the TEA formula.

12 (b) (1) Except as otherwise provided in this section, each
13 qualifying city shall, for the 1989–90 fiscal year and each fiscal
14 year thereafter, be allocated by the auditor an amount determined
15 pursuant to the TEA formula.

16 (2) For each qualifying city, the auditor shall, for the 1989–90
17 fiscal year and each fiscal year thereafter, allocate the amount
18 determined pursuant to the TEA formula to all tax rate areas within
19 that city in proportion to each tax rate area’s share of the total
20 assessed value in the city for the applicable fiscal year, and the
21 amount so determined shall be subtracted from the county’s
22 proportionate share of property tax revenue for that fiscal year
23 within those tax rate areas.

24 (3) After making the allocations pursuant to paragraphs (1) and
25 (2), but before making the calculations pursuant to Section 96.5
26 or its predecessor section, the auditor shall, for all tax rate areas
27 in the qualifying city, calculate the proportionate share of property
28 tax revenue allocated pursuant to this section and Section 96.1, or
29 their predecessor sections, in the 1989–90 fiscal year and each
30 fiscal year thereafter to each jurisdiction in the tax rate area.

31 (4) In lieu of making the allocations of annual tax increment
32 pursuant to subdivision (e) of Section 96.5 or its predecessor
33 section, the auditor shall, for the 1989–90 fiscal year and each
34 fiscal year thereafter, allocate the amount of property tax revenue
35 determined pursuant to subdivision (d) of Section 96.5 or its
36 predecessor section to jurisdictions in the tax rate area using the
37 proportionate shares derived pursuant to paragraph (3).

38 (5) For purposes of the calculations made pursuant to Section
39 96.1 or its predecessor section, in the 1990–91 fiscal year and each
40 fiscal year thereafter, the amounts that would have been allocated

1 to qualifying cities pursuant to this subdivision shall be deemed
2 to be the “amount of property tax revenue allocated in the prior
3 fiscal year.”

4 (c) “TEA formula” means the Tax Equity Allocation formula,
5 and shall be calculated by the auditor for each qualifying city as
6 follows:

7 (1) For the 1988–89 fiscal year and each fiscal year thereafter,
8 the auditor shall determine the total amount of property tax revenue
9 to be allocated to all jurisdictions in all tax rate areas within the
10 qualifying city, before the allocation and payment of funds in that
11 fiscal year to a community redevelopment agency within the
12 qualifying city, as provided in subdivision (b) of Section 33670
13 of the Health and Safety Code.

14 (2) The auditor shall determine the total amount of funds
15 allocated in each fiscal year to a community redevelopment agency
16 in accordance with subdivision (b) of Section 33670 of the Health
17 and Safety Code.

18 (3) The auditor shall determine the total amount of funds paid
19 in each fiscal year by a community redevelopment agency within
20 the city to jurisdictions other than the city pursuant to subdivision
21 (b) of Section 33401 and Section 33676 of the Health and Safety
22 Code, and the cost to the redevelopment agency of any land or
23 facilities transferred and any amounts paid to jurisdictions other
24 than the city to assist in the construction or reconstruction of
25 facilities pursuant to an agreement entered into under Section
26 33401 or 33445.5 of the Health and Safety Code.

27 (4) The auditor shall subtract the amount determined in
28 paragraph (3) from the amount determined in paragraph (2).

29 (5) The auditor shall subtract the amount determined in
30 paragraph (4) from the amount determined in paragraph (1).

31 (6) The amount computed in paragraph (5) shall be multiplied
32 by the following percentages in order to determine the TEA
33 formula amount to be distributed to the qualifying city in each
34 fiscal year:

35 (A) For the first fiscal year in which the qualifying city receives
36 a distribution pursuant to this section, 1 percent of the amount
37 determined in paragraph (5).

38 (B) For the second fiscal year in which the qualifying city
39 receives a distribution pursuant to this section, 2 percent of the
40 amount determined in paragraph (5).

1 (C) For the third fiscal year in which the qualifying city receives
2 a distribution pursuant to this section, 3 percent of the amount
3 determined in paragraph (5).

4 (D) For the fourth fiscal year in which the qualifying city
5 receives a distribution pursuant to this section, 4 percent of the
6 amount determined in paragraph (5).

7 (E) For the fifth fiscal year in which the qualifying city receives
8 a distribution pursuant to this section, 5 percent of the amount
9 determined in paragraph (5).

10 (F) For the sixth fiscal year in which the qualifying city receives
11 a distribution pursuant to this section, 6 percent of the amount
12 determined in paragraph (5).

13 (G) For the seventh fiscal year and each fiscal year thereafter
14 in which the city receives a distribution pursuant to this section,
15 7 percent of the amount determined in paragraph (5).

16 (d) “Qualifying city” means any city, except a qualifying city
17 as defined in Section 98.1, that incorporated prior to June 5, 1987,
18 and had an amount of property tax revenue allocated to it pursuant
19 to subdivision (a) of Section 96.1 or its predecessor section in the
20 1988–89 fiscal year that is less than 7 percent of the amount of
21 property tax revenue computed as follows:

22 (1) The auditor shall determine the total amount of property tax
23 revenue allocated to the city in the 1988–89 fiscal year.

24 (2) The auditor shall subtract the amount in the 1988–89 fiscal
25 year determined in paragraph (3) of subdivision (c) from the
26 amount determined in paragraph (2) of subdivision (c).

27 (3) The auditor shall subtract the amount determined in
28 paragraph (2) from the amount of property tax revenue determined
29 in paragraph (1) of subdivision (c).

30 (4) The auditor shall divide the amount of property tax revenue
31 determined in paragraph (1) of this subdivision by the amount of
32 property tax revenue determined in paragraph (3) of this
33 subdivision.

34 (5) If the quotient determined in paragraph (4) of this subdivision
35 is less than 0.07, the city is a qualifying city. If the quotient
36 determined in that paragraph is equal to or greater than 0.07, the
37 city is not a qualifying city.

38 (e) The auditor may assess each qualifying city its proportional
39 share of the actual costs of making the calculations required by
40 this section, and may deduct that assessment from the amount

1 allocated pursuant to subdivision (b). For purposes of this
2 subdivision, a qualifying city’s proportional share of the auditor’s
3 actual costs shall not exceed the proportion it receives of the total
4 amounts excluded in the county pursuant to subdivision (a).

5 (f) Notwithstanding subdivision (b), in any fiscal year in which
6 a qualifying city is to receive a distribution pursuant to this section,
7 the auditor shall reduce the actual amount distributed to the
8 qualifying city by the sum of the following:

9 (1) The amount of property tax revenue that was exchanged
10 between the county and the qualifying city as a result of negotiation
11 pursuant to Section 99.03.

12 (2) (A) The amount of revenue not collected by the qualifying
13 city in the first fiscal year following the city’s reduction after
14 January 1, 1988, of the tax rate or tax base of any locally imposed
15 tax, except any tax that was imposed after January 1, 1988. In the
16 case of a tax that existed before January 1, 1988, this clause shall
17 apply only with respect to an amount attributable to a reduction
18 of the rate or base to a level lower than the rate or base applicable
19 on January 1, 1988. The amount so computed by the auditor shall
20 constitute a reduction in the amount of property tax revenue
21 distributed to the qualifying city pursuant to this section in each
22 succeeding fiscal year. That amount shall be aggregated with any
23 additional amount computed pursuant to this clause as the result
24 of the city’s reduction in any subsequent year of the tax rate or tax
25 base of the same or any other locally imposed general or special
26 tax.

27 (B) No reduction may be made pursuant to subparagraph (A)
28 in the case in which a local tax is reduced or eliminated as a result
29 of either a court decision or the approval or rejection of a ballot
30 measure by the voters.

31 (3) The amount of property tax revenue received pursuant to
32 this chapter in excess of the amount allocated for the 1986–87
33 fiscal year by all special districts that are governed by the city
34 council of the qualifying city or whose governing body is the same
35 as the city council of the qualifying city with respect to all tax rate
36 areas within the boundaries of the qualifying city.

37 Notwithstanding this paragraph:

38 (A) Commencing with the 1994–95 fiscal year, the auditor shall
39 not reduce the amount distributed to a qualifying city under this
40 section by reason of that city becoming the successor agency to a

1 special district, that is dissolved, merged with that city, or becomes
2 a subsidiary district of that city, on or after July 1, 1994.

3 (B) Commencing with the 1997–98 fiscal year, the auditor shall
4 not reduce the amount distributed to a qualifying city under this
5 section by reason of that city withdrawing from a county free
6 library system pursuant to Section 19116 of the Education Code.

7 (4) Any amount of property tax revenues that has been
8 exchanged pursuant to Section 56842 of the Government Code,
9 *as that section read on January 1, 1998*, between the City of
10 Rancho Mirage and a community services district, the formation
11 of which was initiated on or after March 6, 1997, pursuant to
12 Chapter 4 (commencing with Section 56800) of Part 3 of Division
13 3 of Title 5 of the Government Code.

14 (g) Notwithstanding any other provision of this section, in no
15 event may the auditor reduce the amount of ad valorem property
16 tax revenue otherwise allocated to a qualifying city pursuant to
17 this section on the basis of any additional ad valorem property tax
18 revenues received by that city pursuant to a services for revenue
19 agreement. For purposes of this subdivision, a “services for revenue
20 agreement” means any agreement between a qualifying city and
21 the county in which it is located, entered into by joint resolution
22 of that city and that county, under which additional service
23 responsibilities are exchanged in consideration for additional
24 property tax revenues.

25 (h) In any fiscal year in which a qualifying city is to receive a
26 distribution pursuant to this section, the auditor shall increase the
27 actual amount distributed to the qualifying city by the amount of
28 property tax revenue allocated to the qualifying city pursuant to
29 Section 19116 of the Education Code.

30 (i) If the auditor determines that the amount to be distributed to
31 a qualifying city pursuant to subdivision (b), as modified by
32 subdivisions (e), (f), and (g) would result in a qualifying city having
33 proceeds of taxes in excess of its appropriation limit, the auditor
34 shall reduce the amount, on a dollar-for-dollar basis, by the amount
35 that exceeds the city’s appropriations limit.

36 (j) The amount not distributed to the tax rate areas of a
37 qualifying city as a result of this section shall be distributed by the
38 auditor to the county.

39 (k) Notwithstanding any other provision of this section, no
40 qualifying city shall be distributed an amount pursuant to this

1 section that is less than the amount the city would have been
2 allocated without the application of the TEA formula.

3 (l) Notwithstanding any other provision of this section, the
4 auditor shall not distribute any amount determined pursuant to this
5 section to any qualifying city that has in the prior fiscal year used
6 any revenues or issued bonds for the construction, acquisition, or
7 development, of any facility which is defined in Section 103(b)(4),
8 103(b)(5), or 103(b)(6) of the Internal Revenue Code of 1954 prior
9 to the enactment of the Tax Reform Act of 1986-~~PL~~ (*Public Law*
10 99-514) and is no longer eligible for tax-exempt financing.

11 (m) (1) The amendments made to this section, and the repeal
12 of Section 98.04, ~~by the act that added this subdivision~~ *Chapter*
13 *342 of the Statutes of 2006* shall apply for the 2006–07 fiscal year
14 and each fiscal year thereafter.

15 (2) For the 2006–07 fiscal year and for each fiscal year
16 thereafter, all of the following apply:

17 (A) The auditor of the County of Santa Clara shall do both of
18 the following:

19 (i) Reduce the total amount of ad valorem property tax revenue
20 otherwise required to be allocated to qualifying cities in that county
21 by the ERAF reimbursement amount. This reduction for each
22 qualifying city in the county for each fiscal year shall be the
23 percentage share, of the total reduction required by this clause for
24 all qualifying cities in the county for the 2006–07 fiscal year, that
25 is equal to the proportion that the total amount of additional ad
26 valorem property tax revenue that is required to be allocated to
27 the qualifying city as a result of the act that added this subdivision
28 bears to the total amount of additional ad valorem property tax
29 revenue that is required to be allocated to all qualifying cities in
30 the county as a result of the act that added this subdivision.

31 (ii) Increase the total amount of ad valorem property tax revenue
32 otherwise required to be allocated to the county Educational
33 Revenue Augmentation Fund by the ERAF reimbursement amount.

34 (B) For purposes of this subdivision, “ERAF reimbursement
35 amount” means an amount equal to the difference between the
36 following two amounts:

37 (i) The portion of the annual tax increment that would have been
38 allocated from the county to the county Educational Revenue
39 Augmentation Fund for the applicable fiscal year if the act that
40 added this subdivision had not been enacted.

1 (ii) The portion of the annual tax increment that is allocated
2 from the county to the county Educational Revenue Augmentation
3 Fund for the applicable fiscal year.

4 (n) Notwithstanding subdivision (m) and except as provided in
5 paragraph (2), for the 2013–14 fiscal year and for each fiscal year
6 thereafter, all of the following shall apply:

7 (1) The auditor of the County of Santa Clara shall do both of
8 the following:

9 (A) (i) Reduce the total amount of ad valorem property tax
10 revenue otherwise required to be allocated to qualifying cities in
11 that county by the percentage specified in clause (ii) of the ERAF
12 reimbursement amount. This reduction for each qualifying city in
13 the county for each fiscal year shall be the percentage share, of
14 the total reduction required by this clause for all qualifying cities
15 in the county for the 2013–14 fiscal year, that is equal to the
16 proportion that the total amount of additional ad valorem property
17 tax revenue that is required to be allocated to the qualifying city
18 as a result of the act that added this subdivision bears to the total
19 amount of additional ad valorem property tax revenue that is
20 required to be allocated to all qualifying cities in the county as a
21 result of the act that added this subdivision.

22 (ii) (I) For the first fiscal year in which qualifying cities receive
23 an allocation pursuant to this subdivision, 80 percent.

24 (II) For the second fiscal year in which qualifying cities receive
25 an allocation pursuant to this subdivision, 60 percent.

26 (III) For the third fiscal year in which qualifying cities receive
27 an allocation pursuant to this subdivision, 40 percent.

28 (IV) For the fourth fiscal year in which qualifying cities receive
29 an allocation pursuant to this subdivision, 20 percent.

30 (V) For the fifth fiscal year in which qualifying cities receive
31 an allocation pursuant to this subdivision, and for each fiscal year
32 thereafter in which a qualifying city receives an allocation pursuant
33 to this subdivision, zero percent.

34 (B) Increase the total amount of ad valorem property tax revenue
35 otherwise required to be allocated to the county Educational
36 Revenue Augmentation Fund by the percentage specified in clause
37 (ii) of subparagraph (A) of the ERAF reimbursement amount.

38 (2) The auditor of the County of Santa Clara shall not adjust
39 the ERAF reimbursement amount by the percentages specified in
40 clause (ii) of subparagraph (A) of paragraph (1) in any fiscal year

1 *in which the amount of moneys required to be applied by the state*
2 *for the support of school districts and community college districts*
3 *is determined pursuant to paragraph (1) of subdivision (b) of*
4 *Section 8 of Article XVI of the California Constitution.*

5 *(3) For purposes of this subdivision, “ERAF reimbursement*
6 *amount” has the same meaning as defined in subparagraph (B)*
7 *of paragraph (2) of subdivision (m).*

8 SEC. 2. The Legislature finds and declares that a special law
9 is necessary and that a general law cannot be made applicable
10 within the meaning of Section 16 of Article IV of the California
11 Constitution because of the unique fiscal pressures being
12 experienced by qualifying cities, as defined in Section 98 of the
13 Revenue and Taxation Code, in the County of Santa Clara.

14 SEC. 3. If the Commission on State Mandates determines that
15 this act contains costs mandated by the state, reimbursement to
16 local agencies and school districts for those costs shall be made
17 pursuant to Part 7 (commencing with Section 17500) of Division
18 4 of Title 2 of the Government Code.