

AMENDED IN ASSEMBLY APRIL 30, 2012

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 2210

Introduced by Assembly Member Smyth

February 23, 2012

An act to amend ~~Section 99 of the Revenue and Taxation Code Section 27421 of the Government Code~~, relating to local government finance.

LEGISLATIVE COUNSEL'S DIGEST

AB 2210, as amended, Smyth. ~~Local agencies: jurisdictional changes: allocation of property tax revenues. County assessors: notification.~~

Existing law provides formulas for the computation of the allocation of property tax revenues among local agencies when various jurisdictional changes occur, as provided. Existing law requires, upon the filing of a specified application or resolution for a jurisdictional change, the executive officer to give notice of the filing to the assessor and auditor of each county within which the territory subject to the jurisdictional change is located. Existing law requires the auditor to estimate the amount of property tax revenue generated within the territory and to notify the governing body of each local agency whose service area or service responsibility will be altered by the amount of, and allocation factors with respect to, property tax revenue that is subject to a negotiated exchange. *requires a county assessor, upon the request of the governing body of the jurisdiction where the assessor performs the duty of assessing taxes, to furnish an estimate of the assessed valuation of property within the jurisdiction for the succeeding fiscal year.*

~~This bill would make a clarifying change to the auditor’s notification requirement described above. This bill would also make other technical, nonsubstantive changes to the provisions described above.~~

This bill would require the assessor, in cooperation with the tax collector, to estimate whether property valuations have decreased by 3% or more and, if so, require the assessor to issue a written report to the governing body within 30 days. This bill would require the assessor to notify entities affected by the decrease in property valuation. By increasing the duties of local officials, 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: ~~no~~-yes.
 State-mandated local program: ~~no~~-yes.

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

- 1 SECTION 1. *The Legislature finds and declares the following:*
- 2 (a) *County governments are primarily responsible for local*
- 3 *property tax assessments, but the state retains a vested interest in*
- 4 *promoting equitable property tax assessments due to the public*
- 5 *policy and financial implications inherent with the assessment*
- 6 *process.*
- 7 (b) *It is incumbent upon the state to ensure that public policy*
- 8 *supports a transparent and impartial assessment process to*
- 9 *minimize impacts on taxpayers.*
- 10 (c) *Fluctuations in property tax revenue have direct financial*
- 11 *consequences for the state’s general fund due to the state’s*
- 12 *obligation to guarantee minimum funding for schools, which the*
- 13 *state must make up the difference when revenues fall short.*
- 14 (d) *Unanticipated and significant drops in projected property*
- 15 *tax revenue not only impact the state and counties, but local*
- 16 *municipalities within each county.*

1 (e) *It is imperative for all levels of government to have*
2 *appropriate information about unanticipated declines in revenue*
3 *in a timely manner that allows for appropriate responses.*

4 *SEC. 2. Section 27421 of the Government Code is amended to*
5 *read:*

6 27421. (a) *The county assessor in each county who is*
7 *designated to perform the duty of assessing property for a local*
8 *taxing jurisdiction shall, upon request of the governing body of*
9 *such jurisdiction, excluding a school district, furnish not later than*
10 *May 15th of each year an estimate of the assessed valuation of*
11 *property within such the jurisdiction for the succeeding fiscal year.*
12 ~~Such~~ *The request shall be made on or before February 20th of each*
13 *year. The estimate required herein shall contain estimates of the*
14 *total of each of the items contained on the assessment roll as well*
15 *as the estimated total valuation.*

16 (b) *Within 30 days of receiving the request by the governing*
17 *body of the jurisdiction, the assessor, in cooperation with the tax*
18 *collector, shall estimate whether property valuations have*
19 *decreased by 3 percent or more. If property valuations have*
20 *decreased by 3 percent or more the assessor shall issue a written*
21 *report notifying the governing body before the end of the 30 days.*

22 (c) *Within 15 days of notifying the governing body, the assessor*
23 *shall notify the Department of Finance, the board of supervisors*
24 *of the county, the governing board of cities, affected school*
25 *districts, and any other entity affected by the decrease in property*
26 *valuation.*

27 *SEC. 3. If the Commission on State Mandates determines that*
28 *this act contains costs mandated by the state, reimbursement to*
29 *local agencies and school districts for those costs shall be made*
30 *pursuant to Part 7 (commencing with Section 17500) of Division*
31 *4 of Title 2 of the Government Code.*

32 ~~SECTION 1. Section 99 of the Revenue and Taxation Code is~~
33 ~~amended to read:~~

34 ~~99. (a) For the purposes of the computations required by this~~
35 ~~chapter:~~

36 ~~(1) In the case of a jurisdictional change, other than a city~~
37 ~~incorporation or a formation of a district as defined in Section~~
38 ~~2215, the auditor shall adjust the allocation of property tax revenue~~
39 ~~determined pursuant to Section 96 or 96.1, or the annual tax~~
40 ~~increment determined pursuant to Section 96.5, for local agencies~~

1 whose service area or service responsibility would be altered by
2 the jurisdictional change, as determined pursuant to subdivision
3 (b) or (c):

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

13 (3) In the case of a formation of a district as defined in Section
14 2215, the auditor shall assign the allocation of property tax
15 revenues determined pursuant to Section 56810 of the Government
16 Code to the district and shall make the adjustment as determined
17 by Section 56810 of the Government Code in the allocation of
18 property tax revenue determined pursuant to Section 96 or 96.1
19 for each local agency whose service area or service responsibilities
20 would be altered by the formation.

21 (b) Upon the filing of an application or a resolution pursuant to
22 the Cortese-Knox-Hertzberg Local Government Reorganization
23 Act of 2000 (Division 3 (commencing with Section 56000) of Title
24 5 of the Government Code), but prior to the issuance of a certificate
25 of filing, the executive officer shall give notice of the filing to the
26 assessor and auditor of each county within which the territory
27 subject to the jurisdictional change is located. This notice shall
28 specify each local agency whose service area or responsibility will
29 be altered by the jurisdictional change.

30 (1) (A) The county assessor shall provide to the county auditor,
31 within 30 days of the notice of filing, a report which identifies the
32 assessed valuations for the territory subject to the jurisdictional
33 change and the tax rate area or areas in which the territory exists.

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

37 (2) The auditor shall estimate what proportion of the property
38 tax revenue determined pursuant to paragraph (1) is attributable
39 to each local agency pursuant to Sections 96.1 and 96.5.

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

7 ~~(4) Upon receipt of the estimates pursuant to paragraph (3), the~~
8 ~~local agencies shall commence negotiations to determine the~~
9 ~~amount of property tax revenues to be exchanged between and~~
10 ~~among the local agencies. Except as otherwise provided, this~~
11 ~~negotiation period shall not exceed 60 days. If a local agency~~
12 ~~involved in these negotiations notifies the other local agencies, the~~
13 ~~county auditor, and the local agency formation commission in~~
14 ~~writing of its desire to extend the negotiating period, the negotiating~~
15 ~~period shall be 90 days.~~

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

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

34 ~~(6) Notwithstanding any other provision of law, the executive~~
35 ~~officer shall not issue a certificate of filing pursuant to Section~~
36 ~~56658 of the Government Code until the local agencies included~~
37 ~~in the property tax revenue exchange negotiation, within the~~
38 ~~negotiation period, present resolutions adopted by each such county~~
39 ~~and city whereby each county and city agrees to accept the~~
40 ~~exchange of property tax revenues.~~

1 ~~(7) In the event that the commission modifies the proposal or~~
2 ~~its resolution of determination, any local agency whose service~~
3 ~~area or service responsibility would be altered by the proposed~~
4 ~~jurisdictional change may request, and the executive officer shall~~
5 ~~grant, 30 days for the affected agencies, pursuant to paragraph (4),~~
6 ~~to renegotiate an exchange of property tax revenues.~~
7 ~~Notwithstanding the time period specified in paragraph (4), if the~~
8 ~~resolutions required pursuant to paragraph (6) are not presented~~
9 ~~to the executive officer within the 30-day period, all proceedings~~
10 ~~of the jurisdictional change shall automatically be terminated.~~

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

17 ~~(A) Negotiations completed within the applicable period or~~
18 ~~periods as prescribed by this subdivision.~~

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

21 ~~For purposes of this paragraph, a qualified annexation of~~
22 ~~unincorporated territory means an annexation, as so described, for~~
23 ~~which an application or a resolution was filed on or after January~~
24 ~~1, 1998, and on or before January 1, 2015.~~

25 ~~(9) No later than the date on which the certificate of completion~~
26 ~~of the jurisdictional change is recorded with the county recorder,~~
27 ~~the executive officer shall notify the auditor or auditors of the~~
28 ~~exchange of property tax revenues and the auditor or auditors shall~~
29 ~~make the appropriate adjustments as provided in subdivision (a).~~

30 ~~(e) Whenever a jurisdictional change is not required to be~~
31 ~~reviewed and approved by a local agency formation commission,~~
32 ~~the local agencies whose service area or service responsibilities~~
33 ~~would be altered by the proposed change, shall give notice to the~~
34 ~~State Board of Equalization and the assessor and auditor of each~~
35 ~~county within which the territory subject to the jurisdictional~~
36 ~~change is located. This notice shall specify each local agency~~
37 ~~whose service area or responsibility will be altered by the~~
38 ~~jurisdictional change and request the auditor and assessor to make~~
39 ~~the determinations required pursuant to paragraphs (1) and (2) of~~
40 ~~subdivision (b). Upon notification by the auditor of the amount~~

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

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

28 (e) (1) An exchange of property tax revenues that is required
29 by paragraph (8) of subdivision (b) to be determined pursuant to
30 this subdivision shall be determined in accordance with all of the
31 following:

32 (A) The city and the county shall mutually select a third-party
33 consultant to perform a comprehensive, independent fiscal analysis,
34 funded in equal portions by the city and the county, that specifies
35 estimates of all tax revenues that will be derived from the annexed
36 territory and the costs of city and county services with respect to
37 the annexed territory. The analysis shall be completed within a
38 period not to exceed 30 days, and shall be based upon the general
39 plan or adopted plans and policies of the annexing city and the
40 intended uses for the annexed territory. If, upon the completion of

1 the analysis period, no exchange of property tax revenues is agreed
2 upon by the city and the county, subparagraph (B) shall apply.

3 ~~(B) The city and the county shall mutually select a mediator,
4 funded in equal portions by those agencies, to perform mediation
5 for a period not to exceed 30 days. If, upon the completion of the
6 mediation period, no exchange of property tax revenues is agreed
7 upon by the city and the county, subparagraph (C) shall apply.~~

8 ~~(C) The city and the county shall mutually select an arbitrator,
9 funded in equal portions by those agencies, to conduct an advisory
10 arbitration with the city and the county for a period not to exceed
11 30 days. At the conclusion of this arbitration period, the city and
12 the county shall each present to the arbitrator its last and best offer
13 with respect to the exchange of property tax revenues. The
14 arbitrator shall select one of the offers and recommend that offer
15 to the governing bodies of the city and the county. If the governing
16 body of the city or the county rejects the recommended offer, it
17 shall do so during a public hearing, and shall, at the conclusion of
18 that hearing, make written findings of fact as to why the
19 recommended offer was not accepted.~~

20 ~~(2) Proceedings under this subdivision shall be concluded no
21 more than 150 days after the auditor provides the notification
22 pursuant to paragraph (3) of subdivision (b), unless one of the
23 periods specified in this subdivision is extended by the mutual
24 agreement of the city and the county. Notwithstanding any other
25 provision of law, except for those conditions that are necessary to
26 implement an exchange of property tax revenues determined
27 pursuant to this subdivision, the local agency formation
28 commission shall not impose any fiscal conditions upon a city's
29 qualified annexation of unincorporated territory that is subject to
30 this subdivision.~~

31 ~~(f) Except as otherwise provided in subdivision (g), for the
32 purpose of determining the amount of property tax to be allocated
33 in the 1979-80 fiscal year and each fiscal year thereafter for those
34 local agencies that were affected by a jurisdictional change which
35 was filed with the State Board of Equalization after January 1,
36 1978, but on or before January 1, 1979. The local agencies shall
37 determine by resolution the amount of property tax revenues to be
38 exchanged between and among the affected agencies and notify
39 the auditor of the determination.~~

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

20 ~~The provisions of this subdivision shall also apply to the~~
21 ~~allocation of property taxes for the 1980–81 fiscal year and each~~
22 ~~fiscal year thereafter for incorporations approved by the voters in~~
23 ~~June 1979.~~

24 ~~(h) For the purpose of the computations made pursuant to this~~
25 ~~section, in the case of a district formation that was filed pursuant~~
26 ~~to Sections 54900 to 54904, inclusive, of the Government Code~~
27 ~~after January 1, 1978, but before January 1, 1979, the amount of~~
28 ~~property tax to be allocated to the district for the 1979–80 fiscal~~
29 ~~year and each fiscal year thereafter shall be determined pursuant~~
30 ~~to Section 54790.3 of the Government Code.~~

31 ~~(i) For the purposes of the computations required by this chapter,~~
32 ~~in the case of a jurisdictional change, other than a change requiring~~
33 ~~an adjustment by the auditor pursuant to subdivision (a), the auditor~~
34 ~~shall adjust the allocation of property tax revenue determined~~
35 ~~pursuant to Section 96 or 96.1 or its predecessor section, or the~~
36 ~~annual tax increment determined pursuant to Section 96.5 or its~~
37 ~~predecessor section, for each local school district, community~~
38 ~~college district, or county superintendent of schools whose service~~
39 ~~area or service responsibility would be altered by the jurisdictional~~
40 ~~change, as determined as follows:~~

1 ~~(1) The governing body of each district, county superintendent~~
2 ~~of schools, or county whose service areas or service responsibilities~~
3 ~~would be altered by the change shall determine the amount of~~
4 ~~property tax revenues to be exchanged between and among the~~
5 ~~affected jurisdictions. This determination shall be adopted by each~~
6 ~~affected jurisdiction by resolution. For the purpose of negotiation,~~
7 ~~the county auditor shall furnish the parties and the county board~~
8 ~~of education with an estimate of the property tax revenue subject~~
9 ~~to negotiation.~~

10 ~~(2) In the event that the affected jurisdictions are unable to agree,~~
11 ~~within 60 days after the effective date of the jurisdictional change,~~
12 ~~and if all the jurisdictions are wholly within one county, the county~~
13 ~~board of education shall, by resolution, determine the amount of~~
14 ~~property tax revenue to be exchanged. If the jurisdictions are in~~
15 ~~more than one county, the State Board of Education shall, by~~
16 ~~resolution, within 60 days after the effective date of the~~
17 ~~jurisdictional change, determine the amount of property tax to be~~
18 ~~exchanged.~~

19 ~~(3) Upon adoption of any resolution pursuant to this subdivision,~~
20 ~~the adopting jurisdictions or State Board of Education shall notify~~
21 ~~the county auditor who shall make the appropriate adjustments as~~
22 ~~provided in subdivision (a).~~

23 ~~(j) For purposes of subdivision (i), the annexation by a~~
24 ~~community college district of territory within a county not~~
25 ~~previously served by a community college district is an alteration~~
26 ~~of service area. The community college district and the county~~
27 ~~shall negotiate the amount, if any, of property tax revenues to be~~
28 ~~exchanged. In these negotiations, there shall be taken into~~
29 ~~consideration the amount of revenue received from the timber~~
30 ~~yield tax and forest reserve receipts by the community college~~
31 ~~district in the area not previously served. In no event shall the~~
32 ~~property tax revenue to be exchanged exceed the amount of~~
33 ~~property tax revenue collected prior to the annexation for the~~
34 ~~purposes of paying tuition expenses of residents enrolled in the~~
35 ~~community college district, adjusted each year by the percentage~~
36 ~~change in population and the percentage change in the cost of~~
37 ~~living, or per capita personal income, whichever is lower, less the~~
38 ~~amount of revenue received by the community college district in~~
39 ~~the annexed area from the timber yield tax and forest reserve~~
40 ~~receipts.~~

1 ~~(k) At any time after a jurisdictional change is effective, any of~~
2 ~~the local agencies party to the agreement to exchange property tax~~
3 ~~revenue may renegotiate the agreement with respect to the current~~
4 ~~fiscal year or subsequent fiscal years, subject to approval by all~~
5 ~~local agencies affected by the renegotiation.~~

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