

**ASSEMBLY BILL**

**No. 2658**

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**Introduced by Assembly Member Baugh**

February 25, 2000

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An act to amend Section 41204.1 of the Education Code, and to add Section 96.75 to the Revenue and Taxation Code, relating to local government finance, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 2658, as introduced, Baugh. Local government finance: property tax revenue allocation: school funding parameters.

Existing property tax law requires the county auditor, in each fiscal year, to allocate property tax revenues 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 reduces the amounts of ad valorem property tax revenues that would otherwise be annually allocated to the county, cities, and special districts pursuant to these general allocation provisions 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 in that county for allocation to school districts, community college districts, and the county office of education.

This bill would, for the 2000–01 fiscal year and each fiscal year thereafter, require any county that would otherwise allocate less than 42% of property tax revenues among school entities to instead, as provided by a specified formula, allocate 53.1% of property tax revenues among those entities. This bill would, for each of the same fiscal years, also specify that no county is required to allocate more than 61.3% of property tax revenues among school entities, and would require a county auditor, upon being so directed by the county board of supervisors, to apply a specified formula to allocate property tax revenues in accordance with this percentage limit. By imposing new duties upon local officials in the annual allocation of ad valorem property tax revenues, this bill would impose a state-mandated local program.

Existing law requires the Director of Finance to adjust one of the formulas used in computing the state’s constitutional obligation to fund school districts and community college districts to ensure that the modifications in property tax revenue allocation requirements made by a prior enactment do not have a net fiscal impact on school districts or community college districts, or upon the state’s funding obligation to those districts.

This bill would instead apply the adjustment requirement to modifications in property tax revenue allocation requirements that are made by “qualified provisions,” and would define “qualified provisions” to include both the prior enactment currently specified by the adjustment requirement and provisions proposed to be added by this bill.

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, including the creation of a State Mandates Claims Fund to pay the costs of mandates that do



not exceed \$1,000,000 statewide and other procedures for claims whose statewide costs exceed \$1,000,000.

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.

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

Vote: <sup>2</sup>/<sub>3</sub>. 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 41204.1 of the Education Code,  
2 as added by Section 1 of Chapter 1111 of the Statutes of  
3 1996, is amended to read:

4 41204.1. (a) (1) Pursuant to paragraph (2) of  
5 subdivision (b) of Section 41204, the Director of Finance  
6 shall annually adjust “the percentage of General Fund  
7 revenues appropriated for school districts and  
8 community college districts, respectively, in the 1986–87  
9 fiscal year” for purposes of applying paragraph (1) of  
10 subdivision (b) of Section 8 of Article XVI of the  
11 California Constitution, to reflect those property tax  
12 revenue allocation modifications, required by the  
13 amendments made to Chapter 6 (commencing with  
14 Section 95) of Part 0.5 of Division 1 of the Revenue and  
15 Taxation Code by ~~the act adding this section~~ *qualifying*  
16 *provisions, as defined in paragraph (2),* in a manner that  
17 ensures that those modifications will have no net fiscal  
18 impact upon the amounts that are otherwise required to  
19 be applied by the state for the support of school districts  
20 and community college districts pursuant to Section 8 of  
21 Article XVI of the California Constitution.

22 ~~(b)~~  
23 (2) *For purposes of this section, “qualifying*  
24 *provisions” means both of the following:*

25 (A) *The amendments made to Sections 97.2 and 97.3*  
26 *of the Revenue and Taxation Code by Chapter 1111 of the*  
27 *Statutes of 1996.*



1 (B) Section 96.75 of the Revenue and Taxation Code.

2 (b) Notwithstanding any other provision of law, for  
3 the 2000–01 fiscal year and each fiscal year thereafter, the  
4 percentage of “General Fund revenues appropriated for  
5 school districts and community college districts,  
6 respectively, in fiscal year 1986–87,” for purposes of  
7 paragraph (1) of subdivision (b) of Section 8 of Article  
8 XVI of the California Constitution, shall be deemed to be  
9 the percentage of General Fund revenues that would  
10 have been appropriated for those entities if the  
11 amendments made to Chapter 6 (commencing with  
12 Section 95) of Part 0.5 of Division 1 of the Revenue and  
13 Taxation Code during the 1991–92 Regular Session, the  
14 amendments made to that same chapter during the  
15 1993–94 Regular Session, and Section 96.75 of the  
16 Revenue and Taxation Code, had been operative for the  
17 1986–87 fiscal year.

18 (c) In no event shall the recalculations pursuant to  
19 subdivisions (a) and (b) result in a percentage that  
20 exceeds the “percentage of General Fund revenues  
21 appropriated for school districts and community college  
22 districts, respectively, in fiscal year 1986–87,” for purposes  
23 of paragraph (1) of subdivision (b) of Section 8 of Article  
24 XVI of the California Constitution prior to the  
25 amendments made to Chapter 6 (commencing with  
26 Section 95) of Part 0.5 of Division 1 of the Revenue and  
27 Taxation Code during the 1991–92 Regular Session.

28 (d) It is the intent of the Legislature ~~in enacting the~~  
29 ~~act adding this section~~ to ensure both of the following:

30 (1) That the changes required by the ~~act adding this~~  
31 ~~section~~ *qualifying provisions* in the allocations of ad  
32 valorem property tax revenues do not have a net fiscal  
33 impact upon school districts, as defined in accordance  
34 with Section 41302.5, or community college districts.

35 (2) That the changes required by the ~~act adding this~~  
36 ~~section~~ *qualifying provisions* in the allocations of ad  
37 valorem property tax revenues do not have a net fiscal  
38 impact upon the amounts of revenue otherwise required  
39 to be applied by the state for the support of school districts



1 and community college districts pursuant to Section 8 of  
2 Article XVI of the California Constitution.

3 SEC. 2. Section 41204.1 of the Education Code, as  
4 amended by Section 1 of Chapter 84 of the Statutes of  
5 1999, is amended to read:

6 41204.1. (a) (1) Pursuant to paragraph (2) of  
7 subdivision (b) of Section 41204, the Director of Finance  
8 shall annually adjust “the percentage of General Fund  
9 revenues appropriated for school districts and  
10 community college districts, respectively, in the 1986–87  
11 fiscal year” for purposes of applying paragraph (1) of  
12 subdivision (b) of Section 8 of Article XVI of the  
13 California Constitution, to reflect those property tax  
14 revenue allocation modifications, required by the  
15 amendments made to Chapter 6 (commencing with  
16 Section 95) of Part 0.5 of Division 1 of the Revenue and  
17 Taxation Code by the qualifying provisions, in a manner  
18 that ensures that those modifications will have no net  
19 fiscal impact upon the amounts that are otherwise  
20 required to be applied by the state for the support of  
21 school districts and community college districts pursuant  
22 to Section 8 of Article XVI of the California Constitution.

23 (2) For purposes of this section, “qualifying  
24 provisions” means all of the following:

25 (A) The amendments made to Chapter 6  
26 (commencing with Section 95) of Part 0.5 of Division 1 of  
27 the Revenue and Taxation Code during the 1991–92  
28 Regular Session and the 1993–94 Regular Session.

29 (B) The amendments made to Sections 97.2 and 97.3  
30 of the Revenue and Taxation Code by Chapter 1111 of the  
31 Statutes of 1996.

32 (C) ~~Section~~ *Sections 96.75 and 97.43* of the Revenue  
33 and Taxation Code.

34 (b) Notwithstanding any other provision of law, for  
35 the 2000–01 fiscal year and each fiscal year thereafter, the  
36 percentage of “General Fund revenues appropriated for  
37 school districts and community college districts,  
38 respectively, in fiscal year 1986–87,” for purposes of  
39 paragraph (1) of subdivision (b) of Section 8 of Article  
40 XVI of the California Constitution, shall be deemed to be



1 the percentage of General Fund revenues that would  
2 have been appropriated for those entities if the  
3 amendments made to Chapter 6 (commencing with  
4 Section 95) of Part 0.5 of Division 1 of the Revenue and  
5 Taxation Code during the 1991–92 Regular Session, the  
6 amendments made to that same chapter during the  
7 1993–94 Regular Session, and Sections 96.75 and 97.43 of  
8 the Revenue and Taxation Code, had been operative for  
9 the 1986–87 fiscal year.

10 (c) In no event shall the recalculations pursuant to  
11 subdivisions (a) and (b) result in a percentage that  
12 exceeds the “percentage of General Fund revenues  
13 appropriated for school districts and community college  
14 districts, respectively, in fiscal year 1986–87,” for purposes  
15 of paragraph (1) of subdivision (b) of Section 8 of Article  
16 XVI of the California Constitution prior to the  
17 amendments made to Chapter 6 (commencing with  
18 Section 95) of Part 0.5 of Division 1 of the Revenue and  
19 Taxation Code during the 1991–92 Regular Session.

20 (d) It is the intent of the Legislature to ensure both of  
21 the following:

22 (1) That the changes required by the qualifying  
23 provisions in the allocations of ad valorem property tax  
24 revenues do not have a net fiscal impact upon school  
25 districts, as defined in accordance with Section 41302.5, or  
26 community college districts.

27 (2) That the changes required by the qualifying  
28 provisions in the allocations of ad valorem property tax  
29 revenues do not have a net fiscal impact upon the  
30 amounts of revenue otherwise required to be applied by  
31 the state for the support of school districts and  
32 community college districts pursuant to Section 8 of  
33 Article XVI of the California Constitution.

34 SEC. 3. Section 96.75 is added to the Revenue and  
35 Taxation Code, to read:

36 96.75. Notwithstanding any other provision of this  
37 chapter, for purposes of allocating ad valorem property  
38 tax revenues in each county for the 2000–01 fiscal year and  
39 each fiscal year thereafter, both of the following apply:



1 (a) If this chapter would otherwise require less than 42  
2 percent of property tax revenues allocated for the  
3 current fiscal year to be allocated to school entities, the  
4 auditor shall instead allocate among school entities 53.1  
5 percent of property tax revenues allocated for the  
6 current fiscal year, by modifying revenue allocations  
7 under this chapter for that same fiscal year as follows:

8 (1) Determine that minimum amount of property tax  
9 revenue that, if additionally allocated to school entities in  
10 the county, would result in 53.1 percent of property tax  
11 revenues being allocated among school entities.

12 (2) Additionally allocate that amount of property tax  
13 revenue determined as required by paragraph (1)  
14 among school entities in the county in accordance with  
15 each school entity's proportionate share of the total  
16 amount of property tax revenue otherwise required by  
17 this chapter to be allocated among school entities in the  
18 county.

19 (3) For each local agency in the county, calculate a  
20 ratio, the numerator of which is the total amount of  
21 property tax revenue otherwise required to be allocated  
22 to that local agency, and the denominator of which is the  
23 total amount of property tax revenue otherwise required  
24 to be allocated to all of the local agencies in the county.

25 (4) Multiply each ratio calculated for a local agency  
26 pursuant to paragraph (3) by the minimum additional  
27 amount determined pursuant to paragraph (1).

28 (5) Subtract the amount determined for each local  
29 agency pursuant to paragraph (4) from the total amount  
30 of property tax revenue otherwise required to be  
31 allocated to that local agency.

32 (b) No more than 61.3 percent of those property tax  
33 revenues allocated in accordance with this chapter for  
34 the current fiscal year is required to be allocated among  
35 school entities in the county. If the total amount of  
36 property tax revenues otherwise required by this chapter  
37 to be allocated for the current fiscal year among school  
38 entities in the county exceeds the amount of revenues  
39 attributable to this percentage, the auditor shall, upon  
40 being so directed by a resolution approved by a majority



1 of the entire membership of the county board of  
2 supervisors, modify property tax revenue allocations  
3 under this chapter for the current fiscal year as follows:

4 (1) Determine the amount by which the total amount  
5 of property tax revenues otherwise required to be  
6 allocated among school entities in the county exceeds the  
7 amount of property tax revenue attributable to the  
8 percentage specified by this paragraph.

9 (2) Additionally allocate that amount of property tax  
10 revenue determined in accordance with paragraph (1)  
11 among local agencies in the county in accordance with  
12 each local agency's proportionate share of the total  
13 amount of property tax revenue otherwise required by  
14 this chapter to be allocated among local agencies in the  
15 county.

16 (3) Calculate for each school entity a ratio, the  
17 numerator of which is the total amount of property tax  
18 revenue otherwise required to be allocated to that school  
19 entity, and the denominator of which is the total amount  
20 of property tax revenue otherwise required to be  
21 allocated to all school entities in the county.

22 (4) Multiply each ratio calculated for a school entity in  
23 accordance with paragraph (3) by the amount  
24 determined pursuant to paragraph (1).

25 (5) Subtract the amount determined for each school  
26 entity pursuant to paragraph (4) from the total amount  
27 of property tax revenue otherwise required by this  
28 chapter to be allocated to that school entity.

29 SEC. 4. Notwithstanding Section 17610 of the  
30 Government Code, if the Commission on State Mandates  
31 determines that this act contains costs mandated by the  
32 state, reimbursement to local agencies and school  
33 districts for those costs shall be made pursuant to Part 7  
34 (commencing with Section 17500) of Division 4 of Title  
35 2 of the Government Code. If the statewide cost of the  
36 claim for reimbursement does not exceed one million  
37 dollars (\$1,000,000), reimbursement shall be made from  
38 the State Mandates Claims Fund.

39 SEC. 5. This act is an urgency statute necessary for the  
40 immediate preservation of the public peace, health, or



1 safety within the meaning of Article IV of the  
2 Constitution and shall go into immediate effect. The facts  
3 constituting the necessity are:

4 In order to timely specify those equitable funding  
5 parameters that will restore balance and stability to the  
6 funding of essential local public services, it is necessary  
7 that this act take effect immediately.

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