

AMENDED IN SENATE APRIL 13, 1999

SENATE BILL

No. 165

Introduced by Senator Rainey
(Coauthor: Senator McPherson)
(Coauthors: Assembly Members Ackerman, Longville, and Maddox)

January 11, 1999

An act to amend Section 41204.1 of the Education Code, and to add Section 97.43 to the Revenue and Taxation Code, relating to local government finance, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 165, as amended, Rainey. Local government finance: property tax revenue allocation: local agency relief.

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 in that county for allocation to school districts, community college districts, and the county office of education.

This bill would modify these reduction and transfer requirements *by prohibiting the combined total of reduction and transfer amounts in a county for the 1999–2000 fiscal year from exceeding the corresponding combined total in that county for the 1998–99 fiscal year, and by requiring, commencing with the ~~1999–2000~~ 2000–01 fiscal year, by requiring* that each reduction and transfer amount calculated for a local agency in a county be annually reduced in accordance with ~~an unspecified~~ *a specified schedule, and. This bill would require* that the revenues not allocated to the county's Educational Revenue Augmentation Fund as a result of these reductions be instead allocated among the local agencies in the county, as provided. By imposing new duties in the annual allocation of ad valorem property tax revenues, this bill would impose a state-mandated local program.

This bill would also state the intent of the Legislature, and would require the Director of Finance to make certain adjustments, with respect to ensuring that the modifications required by this bill to property tax revenue allocations do not have a net fiscal impact on school districts or community college districts, or upon the state's obligation under the California Constitution to provide funding to those districts.

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 no reimbursement is required by this act for a specified reason.

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. The Legislature hereby finds and
2 declares that it is the intent of the Legislature in enacting
3 this act to do all of the following:

4 (a) Limit the amounts of property tax revenues that
5 are shifted from counties, cities, and special districts to
6 Educational Revenue Augmentation Funds to those
7 amounts that were so shifted in the 1998–99 fiscal year.

8 (b) Annually reduce the total amount of revenues that
9 are shifted to Educational Revenue Augmentation
10 Funds, ~~estimated to be three billion four hundred million~~
11 ~~dollars (\$3,400,000,000) each year,~~ by 10 percent per year
12 until the total amount of revenues that are so shifted is
13 reduced to zero.

14 (c) Ensure that those changes specified in this section
15 are made only after all calculations are made with respect
16 to those revenues that are to be allocated pursuant to
17 Section 8 of Article XVI of the California Constitution, in
18 order to ensure that schools, from the kindergarten level
19 to the community college level, inclusive, are fully
20 funded.

21 SEC. 2. Section 41204.1 of the Education Code is
22 amended to read:

23 41204.1. (a) (1) Pursuant to paragraph (2) of
24 subdivision (b) of Section 41204, the Director of Finance
25 shall annually adjust “the percentage of General Fund
26 revenues appropriated for school districts and
27 community college districts, respectively, in the 1986–87
28 fiscal year” for purposes of applying paragraph (1) of
29 subdivision (b) of Section 8 of Article XVI of the
30 California Constitution, to reflect those property tax
31 revenue allocation modifications, required by the
32 amendments made to Chapter 6 (commencing with
33 Section 95) of Part 0.5 of Division 1 of the Revenue and
34 Taxation Code by qualifying provisions, as defined in
35 paragraph (2), in a manner that ensures that those
36 modifications will have no net fiscal impact upon the
37 amounts that are otherwise required to be applied by the
38 state for the support of school districts and community



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

3 (2) For purposes of this section, “qualifying
4 provisions” means both of the following:

5 (A) The amendments made to Sections 97.2 and 97.3
6 of the Revenue and Taxation Code by Chapter 1111 of the
7 Statutes of 1996.

8 (B) Section 97.43 of the Revenue and Taxation Code.

9 (b) It is the intent of the Legislature to ensure both of
10 the following:

11 (1) That the changes required by the qualifying
12 provisions in the allocations of ad valorem property tax
13 revenues do not have a net fiscal impact upon school
14 districts, as defined in accordance with Section 41302.5, or
15 community college districts.

16 (2) That the changes required by the qualifying
17 provisions in the allocations of ad valorem property tax
18 revenues do not have a net fiscal impact upon the
19 amounts of revenue otherwise required to be applied by
20 the state for the support of school districts and
21 community college districts pursuant to Section 8 of
22 Article XVI of the California Constitution.

23 SEC. 3. Section 97.43 is added to the Revenue and
24 Taxation Code, to read:

25 97.43. (a) (1) Notwithstanding any other provision
26 of this article, for purposes of ad valorem property tax
27 revenue allocations for the 1999–2000 fiscal year ~~and in~~,
28 *the total amount of ad valorem property tax revenue*
29 *allocated to the county’s Educational Revenue*
30 *Augmentation Fund shall not exceed the total amount of*
31 *those revenues that was allocated to that fund for the*
32 *1998–99 fiscal year. For the 2000–01 fiscal year and each*
33 *fiscal year thereafter, the auditor shall allocate to the*
34 *county’s Educational Revenue Augmentation Fund only*
35 *that percentage specified in paragraph (2) of each*
36 *amount of ad valorem property tax revenue that is*
37 *required to be allocated to that fund rather than a local*
38 *agency as a result of the total reductions calculated for*
39 *that local agency pursuant to Sections 97.2 and 97.3.*



1 (2) For purposes of paragraph (1), the allocation
2 percentages are as follows:

3		
4	Fiscal Year	Percentage (%)
5	1999-2000	<u> </u>
6	 and each fiscal year thereafter	0

7		
8	<i>Fiscal Year</i>	<i>Percentage (%)</i>
9	2000-01	90
10	2001-02	80
11	2002-03	70
12	2003-04	60
13	2004-05	50
14	2005-06	40
15	2006-07	30
16	2007-08	20
17	2008-09	10
18	2009-10 and each fiscal year thereafter	0

19
20 (b) In the 1999–2000 fiscal year and each fiscal year
21 thereafter, any amount of ad valorem property tax
22 revenue that is not allocated to a county’s Educational
23 Revenue Augmentation Fund as a result of any limit or
24 reduction established in subdivision (a) shall instead be
25 allocated among the local agencies in the county in
26 accordance with each local agency’s proportionate share
27 of the total amount of ad valorem property tax revenues
28 that would be required to be allocated to the county’s
29 Educational Revenue Augmentation Fund in the absence
30 of this section.

31 SEC. 4. No reimbursement is required by this act
32 pursuant to Section 6 of Article XIII B of the California
33 Constitution because this act provides for offsetting
34 savings to local agencies or school districts that result in
35 no net costs to the local agencies or school districts, within
36 the meaning of Section 17556 of the Government Code.

37 ~~Notwithstanding Section 17580 of the Government~~
38 ~~Code, unless otherwise specified, the provisions of this act~~
39 ~~shall become operative on the same date that the act~~
40 ~~takes effect pursuant to the California Constitution.~~



1 SEC. 5. This act is an urgency statute necessary for the
 2 immediate preservation of the public peace, health, or
 3 safety within the meaning of Article IV of the
 4 Constitution and shall go into immediate effect. The facts
 5 constituting the necessity are:

6 In order to commence as soon as possible a program of
 7 fiscal relief that will allow local agencies to restore an
 8 adequate level of essential public services, it is necessary
 9 that this act take effect immediately.

10

11 CORRECTIONS

12 Text — Page 5.

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