CALIFORNIA LEGISLATURE—2009–10 REGULAR SESSION

ASSEMBLY BILL   No. 1849

Introduced by Assembly Member Norby

February 12, 2010

An act to amend Section 96.15 of the Revenue and Taxation Code, relating to local government finance. *An act to amend Section 42238 of the Education Code, and to add Section 97.81 to the Revenue and Taxation Code, relating to local government finance.*

LEGISLATIVE COUNSEL'S DIGEST

AB 1849, as amended, Norby. Local government finance.: *cities: school districts: exchange revenue.*

Existing *property tax* law generally 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 also requires a county auditor to make certain property tax revenue allocations to qualifying cities, as defined, in accordance with a specified Tax Equity Allocation (TEA) formula and to make corresponding reductions in the amount of property tax revenue that is allocated to the county. Existing law also requires the county auditor, in the case in which a qualifying city becomes the successor agency to a special district as a result of a merger with that district as described in a specified statute, to additionally allocate to that successor qualifying city that amount of property tax revenue that otherwise would have

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been allocated to that special district pursuant to general allocation requirements.

This bill would make a technical, nonsubstantive change to the provision pertaining to property tax revenue allocations to a qualifying city that merges with a special district, *for the 2011–12 fiscal year and for each fiscal year thereafter, authorize a city to elect to exchange amounts of its general funds equal to the city exchange amount, as defined, for the ad valorem property tax revenues of the school districts located within that city. This bill would require the auditor of the county in which a city that makes this election is located to perform specified duties with respect to the allocation of ad valorem property tax revenues and transfers from the city's general fund to school districts of the city exchange amount. This bill would also require a city that makes this election to report specified information to the auditor in order to assist the auditor in determining the city exchange amount for purposes of making the allocations and transfers specified above. By imposing new duties upon county auditors, this bill would impose a state-mandated local program.*

Existing law requires the county superintendent of schools to determine a revenue limit for each school district in the county and requires the amount apportioned to each school district to not include the sum of specified amounts.

This bill would include within the sum not apportioned to each school district amounts, if any, received by each school district from a city's general fund as a result of the exchange of revenues described above.

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.   Section 42238 of the Education Code is amended*
2   *to read:*

1   42238. (a) For the 1984–85 fiscal year and each fiscal year
2 thereafter, the county superintendent of schools shall determine a
3 revenue limit for each school district in the county pursuant to this
4 section.
5   (b) The base revenue limit for a fiscal year shall be determined
6 by adding to the base revenue limit for the prior fiscal year the
7 following amounts:
8   (1) The inflation adjustment specified in Section 42238.1.
9   (2) For the 1995–96 fiscal year, the equalization adjustment
10 specified in Section 42238.4.
11   (3) For the 1996–97 fiscal year, the equalization adjustments
12 specified in Sections 42238.41, 42238.42, and 42238.43.
13   (4) For the 1985–86 fiscal year, the amount received per unit
14 of average daily attendance in the 1984–85 fiscal year pursuant to
15 Section 42238.7.
16   (5) For the 1985–86, 1986–87, and 1987–88 fiscal years, the
17 amount per unit of average daily attendance received in the prior
18 fiscal year pursuant to Section 42238.8.
19   (6) For the 2004–05 fiscal year, the equalization adjustment
20 specified in Section 42238.44.
21   (7) For the 2006–07 fiscal year, the equalization adjustment
22 specified in Section 42238.48.
23   (8) For the 2011–12 fiscal year, the equalization adjustment
24 specified in Section 42238.49.
25   (c) (1) (A) For the 2010–11 fiscal year, the Superintendent
26 shall compute an add-on for each school district by adding the
27 inflation adjustment specified in Section 42238.1 to the adjustment
28 specified in Section 42238.485.
29   (B) For the 2011–12 fiscal year and each fiscal year thereafter,
30 the Superintendent shall compute an add-on for each school district
31 by adding the inflation adjustment specified in Section 42238.1 to
32 the amount computed pursuant to this paragraph for the prior fiscal
33 year.
34   (2) Commencing with the 2010–11 fiscal year, the
35 Superintendent shall compute an add-on for each school district
36 by dividing each school district's fiscal year average daily
37 attendance computed pursuant to Section 42238.5 by the total
38 adjustments in funding for each district made for the 2007–08
39 fiscal year pursuant to Section 42238.22 as it read on January 1,
40 2009.

1   (d) The sum of the base revenue limit computed pursuant to
2 subdivision (b) and the add-on computed pursuant to subdivision
3 (c) shall be multiplied by the district average daily attendance
4 computed pursuant to Section 42238.5.
5   (e) For districts electing to compute units of average daily
6 attendance pursuant to paragraph (2) of subdivision (a) of Section
7 42238.5, the amount computed pursuant to Article 4 (commencing
8 with Section 42280) shall be added to the amount computed in
9 subdivision (c) or (d), as appropriate.
10   (f) For the 1984–85 fiscal year only, the county superintendent
11 shall reduce the total revenue limit computed in this section by the
12 amount of the decreased employer contributions to the Public
13 Employees' Retirement System resulting from enactment of
14 Chapter 330 of the Statutes of 1982, offset by any increase in those
15 contributions, as of the 1983–84 fiscal year, resulting from
16 subsequent changes in employer contribution rates.
17   (g) The reduction required by subdivision (f) shall be calculated
18 as follows:
19   (1) Determine the amount of employer contributions that would
20 have been made in the 1983–84 fiscal year if the applicable Public
21 Employees' Retirement System employer contribution rate in effect
22 immediately prior to the enactment of Chapter 330 of the Statutes
23 of 1982 was in effect during the 1983–84 fiscal year.
24   (2) Subtract from the amount determined in paragraph (1) the
25 greater of subparagraph (A) or (B):
26   (A) The amount of employer contributions that would have been
27 made in the 1983–84 fiscal year if the applicable Public
28 Employees' Retirement System employer contribution rate in effect
29 immediately after the enactment of Chapter 330 of the Statutes of
30 1982 was in effect during the 1983–84 fiscal year.
31   (B) The actual amount of employer contributions made to the
32 Public Employees' Retirement System in the 1983–84 fiscal year.
33   (3) For purposes of this subdivision, employer contributions to
34 the Public Employees' Retirement System for either of the
35 following shall be excluded from the calculation specified above:
36   (A) Positions supported totally by federal funds that were subject
37 to supplanting restrictions.
38   (B) Positions supported, to the extent of employer contributions
39 not exceeding twenty-five thousand dollars ($25,000) by a single
40 educational agency, from a revenue source determined on the basis

1 of equity to be properly excludable from the provisions of this
2 subdivision by the Superintendent with the approval of the Director
3 of Finance.
4 (4) For accounting purposes, the reduction made by this
5 subdivision may be reflected as an expenditure from appropriate
6 sources of revenue as directed by the Superintendent.
7 (h) The Superintendent shall apportion to each school district
8 the amount determined in this section less the sum of:
9 (1) The district's property tax revenue received pursuant to
10 Chapter 3 (commencing with Section 75) and Chapter 6
11 (commencing with Section 95) of Part 0.5 of Division 1 of the
12 Revenue and Taxation Code.
13 (2) The amount, if any, received pursuant to Part 18.5
14 (commencing with Section 38101) of Division 1 of the Revenue
15 and Taxation Code.
16 (3) The amount, if any, received pursuant to Chapter 3
17 (commencing with Section 16140) of Division 4 of Title 2 of the
18 Government Code.
19 (4) Prior years' taxes and taxes on the unsecured roll.
20 (5) Fifty percent of the amount received pursuant to Section
21 41603.
22 (6) The amount, if any, received pursuant to the Community
23 Redevelopment Law (Part 1 (commencing with Section 33000)
24 of Division 24 of the Health and Safety Code), except for any
25 amount received pursuant to Section 33401 or 33676 of the Health
26 and Safety Code that is used for land acquisition, facility
27 construction, reconstruction, or remodeling, or deferred
28 maintenance, except for any amount received pursuant to Section
29 33492.15 of, paragraph (4) of subdivision (a) of Section 33607.5
30 of, or Section 33607.7 of, the Health and Safety Code that is
31 allocated exclusively for educational facilities.
32 (7) For a unified school district, other than a unified school
33 district that has converted all of its schools to charter status
34 pursuant to Section 47606, the amount of statewide average
35 general-purpose funding per unit of average daily attendance
36 received by school districts for each of four grade level ranges, as
37 computed by the department pursuant to Section 47633, multiplied
38 by the average daily attendance, in corresponding grade level
39 ranges, of any pupils who attend charter schools funded pursuant
40 to Chapter 6 (commencing with Section 47630) of Part 26.8 of

1 Division 4 for which the district is the sponsoring local educational
2 agency, as defined in Section 47632, and who reside in and would
3 otherwise have been eligible to attend a noncharter school of the
4 district.
5   *(8) The amount, if any, received pursuant to Section 97.81 of*
6 *the Revenue and Taxation Code.*
7   (i) A transfer of pupils of grades 7 and 8 between an elementary
8 school district and a high school district shall not result in the
9 receiving district receiving a revenue limit apportionment for those
10 pupils that exceeds 105 percent of the statewide average revenue
11 limit for the type and size of the receiving school district.
12   *SEC. 2. Section 97.81 is added to the Revenue and Taxation*
13 *Code, to read:*
14   *97.81. (a) (1) Notwithstanding any other law, for the 2011–12*
15 *fiscal year and each fiscal year thereafter, a city may elect to*
16 *exchange amounts of its general funds equal to the city exchange*
17 *amount specified in either paragraph (1) or (2) of subdivision (e),*
18 *for the ad valorem property tax revenues of the school districts*
19 *located within that city.*
20   *(2) A city that makes an election pursuant to paragraph (1)*
21 *shall be required to exchange revenues as provided by this section*
22 *in the fiscal year in which the election is made and in each of the*
23 *next four following fiscal years.*
24   *(b) If an election is made under subdivision (a), the auditor of*
25 *the county in which the city is located shall do both of the*
26 *following:*
27   *(1) For the first fiscal year for which a city elects to exchange*
28 *revenues pursuant to this section, the auditor shall do all of the*
29 *following:*
30   *(A) Increase the total amount of ad valorem property tax revenue*
31 *that is otherwise required to be allocated to the city that makes an*
32 *election pursuant to subdivision (a) by the city equity amount.*
33   *(B) (i) Decrease the total amount of ad valorem property tax*
34 *revenue that is otherwise required to be allocated to all school*
35 *districts located within the city that makes an election pursuant*
36 *to subdivision (a) by the city exchange amount.*
37   *(ii) This reduction for each school district shall be the*
38 *percentage share of the total reduction that is equal to the*
39 *proportion that the total amount of ad valorem tax revenue that*
40 *is otherwise required to be allocated to the school district bears*

1 *to the total amount of ad valorem property tax that is otherwise*
2 *required to be allocated to all school districts located within the*
3 *city that makes an election pursuant to subdivision (a).*
4 *(C) Transfer from the general fund of the city that makes an*
5 *election pursuant to subdivision (a) to all school districts located*
6 *within that city amounts equal to the total amount of the reduction*
7 *for each school district determined in clause (ii) of subparagraph*
8 *(B).*
9 *(2) For the fiscal year next following the fiscal year for which*
10 *revenues are first exchanged, and for each of the next three*
11 *following fiscal years, the auditor shall do both of the following:*
12 *(A) Incorporate the allocation adjustments made by*
13 *subparagraphs (A) and (B) of paragraph (1) of subdivision (b)*
14 *into the ad valorem property tax revenue apportionments made*
15 *pursuant to Sections 96.1 and 96.5.*
16 *(B) (i) Transfer from the general fund of the city that makes an*
17 *election pursuant to subdivision (a) to each school district located*
18 *within that city a proportionate share of the city exchange amount*
19 *received by that city during each fiscal year.*
20 *(ii) A school district's proportionate share of the city exchange*
21 *amount shall be equal to the proportion that the total amount of*
22 *ad valorem tax revenue that is otherwise required to be allocated*
23 *to the school district bears to the total amount of ad valorem*
24 *property tax that is otherwise required to be allocated to all school*
25 *districts located within the city that makes an election pursuant*
26 *to subdivision (a).*
27 *(iii) The transfer required by this subparagraph to all school*
28 *districts shall be made at the same time that ad valorem property*
29 *tax revenues are apportioned by the auditor. The electing city and*
30 *each school district shall cooperate with the auditor in*
31 *implementing this subparagraph.*
32 *(d) (1) A city that makes an election pursuant to subdivision*
33 *(a) shall, during each fiscal year that an exchange is required by*
34 *this section, report to the auditor of the county in which the city*
35 *is located, within 15 days of the receipt of tax revenues under the*
36 *Bradley-Burns Uniform Local Sales and Use Tax Law, both of the*
37 *following:*
38 *(A) The date on which the city received the tax revenues under*
39 *the Bradley-Burns Uniform Local Sales and Use Tax Law.*

1   *(B) The amount of tax revenues received by the city under the*
2   *Bradley-Burns Uniform Local Sales and Use Tax Law.*
3   *(2) The auditor shall use the information reported by the city*
4   *pursuant to this section to determine the city exchange amount for*
5   *purposes of making the allocations and transfers required by*
6   *subdivision (b).*
7   *(e) For purposes of this section, "city exchange amount" means,*
8   *with respect to a city that makes an election pursuant to subdivision*
9   *(a), on amounts of its general funds that, at the election of the city,*
10 *is equal to either of the following:*
11 *(1) One-half of the amount of tax revenues transmitted to the*
12 *city under the Bradley-Burns Uniform Local Sales and Use Tax*
13 *Law.*
14 *(2) The entire amount of tax revenues transmitted to the city*
15 *under the Bradley-Burns Uniform Local Sales and Use Tax Law.*
16 *SEC. 2. If the Commission on State Mandates determines that*
17 *this act contains costs mandated by the state, reimbursement to*
18 *local agencies and school districts for those costs shall be made*
19 *pursuant to Part 7 (commencing with Section 17500) of Division*
20 *4 of Title 2 of the Government Code.*
21 ~~SECTION 1. Section 96.15 of the Revenue and Taxation Code~~
22 ~~is amended to read:~~
23 ~~96.15. (a) Notwithstanding any other provision of this chapter,~~
24 ~~in the event a qualifying city as defined in subdivision (d) of~~
25 ~~Section 98 or subdivision (f) of Section 98.02 becomes the~~
26 ~~successor agency to a special district as a result of a merger~~
27 ~~described in Section 57087.3 of the Government Code, the auditor~~
28 ~~shall allocate to that qualifying city, in addition to any other amount~~
29 ~~of ad valorem property tax revenue required to be allocated to that~~
30 ~~city pursuant to this chapter, the amount of ad valorem property~~
31 ~~tax revenue that otherwise would be allocated to that district~~
32 ~~pursuant to this article.~~
33 ~~(b) It is the intent of the Legislature in enacting this section to~~
34 ~~confirm a county auditor's duty and authority, established by~~
35 ~~subdivision (d) of Section 57087.3 of the Government Code, to~~
36 ~~allocate to a qualifying city the ad valorem property tax revenue~~
37 ~~of a subsidiary district that has been merged with the city.~~

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