



County of Santa Cruz

BOARD OF SUPERVISORS

701 OCEAN STREET, SUITE 500, SANTA CRUZ, CA 95060-4069
 (831) 454-2200 FAX: (831) 454-3262 TDD: (831) 454-2123

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 SECOND DISTRICT

MARDI WORMHOUDT
 THIRD DISTRICT

TONY CAMPOS
 FOURTH DISTRICT

JEFF ALMQUIST
 FIFTH DISTRICT

AGENDA: 5/18/99

May 5, 1999

BOARD OF SUPERVISORS
 County of Santa Cruz
 701 Ocean Street
 Santa Cruz, CA 95060

RE: LEGISLATION SUPPORTING THE RETURN OF ERAF FUNDS

Dear Members of the Board:

As Board members are aware, since 1992 local control has been diminished by the transfer to the State of over \$100 million in Santa Cruz County property tax funds that were available to finance County services and are now used for State programs. In an effort to have property taxes restored to local jurisdictions, for a number of years our Board has included the return of Educational Revenue Augmentation Funds (ERAF) as a major item of importance in the County's Legislative Program.

Various pieces of legislation are currently moving through the State Legislature in an effort to return property tax revenues shifted to ERAF. Of particular note are ACA 17 and AB 1194, both introduced by Assembly Member Bill Leonard, and both of which are supported by the California State Association of Counties.

ACA 17 would reduce the amount of property tax revenues shifted to ERAF, beginning in fiscal year 2000-01, according to a specified schedule over seven years, until no funds are shifted. Assuming that the current base amount shifted to ERAF is nearly \$2.8 billion for counties in the current fiscal year (1998-99), and that the statewide growth for 1999-00 is 5 percent, the proposed schedule of relief would provide counties with \$291.7 million beginning in 2000-01.

BOARD OF SUPERVISORS
May 5, 1999
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Assembly Bill 1194 would reduce the amount of property tax revenues shifted to the ERAF, beginning in fiscal year 1999-00, according to a specified schedule over seven years, until no funds are shifted.

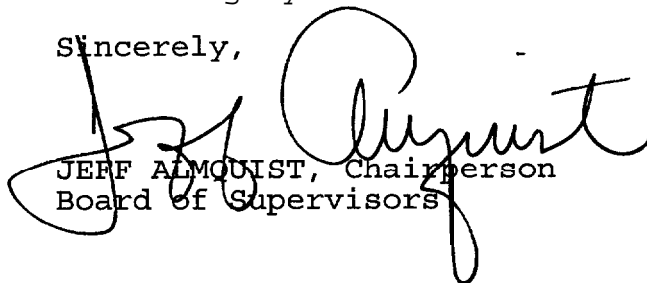
The following chart identifies the differences in the time line of the return of ERAF funds between these two pieces of legislation. As you will note, because ACA 17 would need to be placed on the ballot, it would result in a delay of the start of the return schedule until fiscal year 2000-01 and of course would require voter approval.

Number of Years	Fiscal Year	ACA 17	AB 1194
1	1999-00		90%
2	2000-01	90%	75%
3	2001-02	75%	60%
4	2002-03	60%	45%
5	2003-04	45%	30%
6	2004-05	30%	15%
7	2005-06	15%	0%
8	2006-07	0%	

I think that both of these pieces of legislation warrant Board support in an effort to have these property taxes restored for use by local jurisdictions. Accordingly, I recommend that the Board of Supervisors take the following actions:

1. Adopt the attached resolutions supporting ACA 17 and AB 1194.
2. Direct the Clerk of the Board to distribute the resolutions as indicated.
3. Direct the County Administrative Officer to place the Bills in our legislative tracking system.

Sincerely,



JEFF ALMQUIST, Chairperson
Board of Supervisors

JA:ted
Attachments

cc: Assembly Member Bill Leonard
County Administrative Office

1658C6

BEFORE THE BOARD OF SUPERVISORS
OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

RESOLUTION NO.

On the motion of Supervisor
duly seconded by Supervisor
the following resolution is adopted

RESOLUTION SUPPORTING THE PASSAGE OF ACA 17

WHEREAS, ACA 17 has been introduced by Assembly Member Bill Leonard into the California State Legislature; and

WHEREAS, since 1992 local control has been diminished by the transfer to the State of over \$100 million in Santa Cruz County property tax funds that were available to finance County services and are now used for State programs; and

WHEREAS, the Santa Cruz County Board of Supervisors has consistently supported the return of Educational Revenue Augmentation Funds (ERAF) as a major item of importance in the annual County Legislative Program; and

WHEREAS, ACA 17 would reduce the amount of property tax revenues shifted to ERAF, beginning in fiscal year 2000-01, according to an established schedule over seven years, until no funds are shifted; and

WHEREAS, assuming that the current base amount shifted to ERAF is nearly \$2.8 billion for counties in the current fiscal year (1998-99), and that the statewide growth for 1999-00 is 5 percent, the proposed schedule of relief would provide counties with \$291.7 million beginning in 2000-01; and

WHEREAS, ACA 17 would be of critical benefit to the residents of Santa Cruz County and to the residents of the State of California.

PASSED AND ADOPTED by the Board of Supervisors of the County of Santa Cruz, State of California, this _____ day of _____, 1999, by the following vote:

AYES: SUPERVISORS
NOES: SUPERVISORS
ABSENT: SUPERVISORS

JEFF ALMQUIST, Chairperson
Board of Supervisors

ATTEST: _____
Clerk of said Board

RESOLUTION SUPPORTING THE PASSAGE OF ACA 17
Page 2

Approved as to form:



County Counsel

DISTRIBUTION: Governor Gray Davis
Senator Bruce McPherson
Assembly Member Bill Leonard
Assembly Member Fred Keeley
Assembly Member Peter Frusetta
California State **Association** of Counties
County Administrative Office
County Counsel

1658C6

BEFORE THE BOARD OF SUPERVISORS
OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

RESOLUTION NO.

On the motion of Supervisor
duly seconded by Supervisor
the following resolution is adopted

RESOLUTION SUPPORTING THE PASSAGE OF ASSEMBLY BILL 1194

WHEREAS, Assembly Bill 1194 has been introduced by Assembly Member Bill Leonard into the California State Legislature; and

WHEREAS, since 1992 local control has been diminished by the transfer to the State of over \$100 million in Santa Cruz County property tax funds that were available to finance County services and are now used for State programs; and

WHEREAS, the Santa Cruz County Board of Supervisors has consistently supported the return of Educational Revenue Augmentation Funds (ERAF) as a major item of importance in the annual County Legislative Program; and

WHEREAS, Assembly Bill 1194 would reduce the amount of property tax revenues shifted to the ERAF, beginning in fiscal year 1999-00, according to a specified schedule over seven years, until no funds are shifted; and

WHEREAS, Assembly Bill 1194 would be of critical benefit to the residents of Santa Cruz County and to the residents of the State of California.

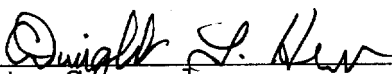
PASSED AND ADOPTED by the Board of Supervisors of the County of Santa Cruz, State of California, this _____ day of _____, 1999, by the following vote:

AYES: SUPERVISORS
NOES: SUPERVISORS
ABSENT: SUPERVISORS

JEFF ALMQUIST, Chairperson
Board of Supervisors

ATTEST: _____
Clerk of said Board

Approved as to form:



County Counsel

RESOLUTION SUPPORTING THE PASSAGE OF ASSEMBLY BILL 1194
Page 2

DISTRIBUTION: Governor Gray Davis
Senator Bruce McPherson
Assembly Member Bill Leonard
Assembly Member Fred Keeley
Assembly Member Peter Frusetta
California State Association of Counties
County Administrative Office
County Counsel

1658C6

CAPITOL OFFICE:
STATE CAPITOL
SACRAMENTO, CA 95814
(916) 319-2063
FAX (916) 319-2163

California State Assembly

DISTRICT OFFICE:
10535 FOOTHILL BLVD., SUITE 276
RANCHO CUCAMONGA, CA 91730
(909) 466-4180
FAX (909) 466-4185

WEB-SITE ADDRESS:
www.assembly.ca.gov/leonard

BILL LEONARD
ASSEMBLYMEMBER, SIXTY-THIRD DISTRICT

April 28, 1999

Board of Supervisors Santa Cruz County
701 Ocean St.
Santa Cruz, CA 95060

Dear Board Members:

In an effort to increase funding to local governments, I have introduced ACA 17, which will eliminate the transfer of property tax revenue from local governments to the State through the Education Revenue Augmentation Fund (ERAF).

ACA 17 will reduce the property tax transfers by approximately \$370 million in the 2000-01 fiscal year, increasing by nearly \$570 million per year over the next six years, with an eventual annual return to local governments in excess of \$3.7 billion dollars.

Local governments need to keep more of the money generated through property taxes. I believe that those who run local governments know much better how to spend money from their own communities than do legislators in Sacramento. In the past, the little money that the state has sent back to local governments has come with too many strings attached.

Although the need for this legislation is overwhelming, it can not be successful without the support of government entities such as yours. To that end, I am requesting that you provide me a letter expressing your board's support of ACA 17. If I can be of any assistance in this matter, please contact me.

Thank you for your attention.

Sincerely,



BILL LEONARD

BL:clp

BILL NUMBER: ACA 17 INTRODUCED
 BILL TEXT

INTRODUCED BY Assembly Member Leonard
 (Coauthors: Assembly Members Baldwin, Bates, Briggs, Campbell,
 Cox, Dickerson, House, Leach, Margett, Robert Pacheco, Pescetti, and
 Runner)
 (Coauthors: Senators Johannessen, Knight, and **Rainey**)

MARCH 25, 1999

Assembly Constitutional Amendment No. 17--A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by adding Section 1.3 to Article XIII A thereof, relating to local government finance.

LEGISLATIVE COUNSEL'S DIGEST

ACA 17, as introduced, Leonard. Local government finance: property tax revenue allocation: local agency relief,
 Existing provisions of the California Constitution require that the revenues derived from the general ad **valorem** property tax be allocated to the local jurisdictions in each county in accordance with law. Existing statutory law implementing these provisions requires each 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 measure would modify these reduction and transfer provisions by requiring, commencing with the 2000-01 fiscal year, that each reduction and transfer amount calculated for a local agency in a county be annually reduced in accordance with a specified schedule, and 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. This measure would also specify that the amount of moneys required by a certain provision of the California Constitution to be applied by the state for the support of school districts and community college districts be determined in that amount that would be determined pursuant to that provision in the absence of this measure.

Vote: **2/3**. Appropriation: no. Fiscal committee: no.
 State-mandated local program: no.

Resolved by the Assembly, the Senate concurring, That the

Legislature of the State of California at its 1999-2000 Regular Session commencing on the seventh day of December 1998, two-thirds of the membership of each house concurring, hereby proposes to the people of the State of California that the Constitution of the State be amended by adding Section 1.3 to Article XIII A thereof, to read:

SEC. 1.3. (a) (1) Notwithstanding any other provision of law, for purposes of ad valorem property tax revenue allocations for the 2000-01 fiscal year and each fiscal year thereafter, a county auditor shall allocate to the county's Educational Revenue Augmentation Fund, or successor fund, only that percentage specified in paragraph (2) of each amount of ad valorem property tax revenue that otherwise would be required to be allocated to that fund, rather than to the county or a city or special district in the county, as a result of the total reductions calculated for that local agency pursuant to Sections 97.2 and 97.3 of the Revenue and Taxation Code, or any successor to those sections.

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

Fiscal Year	Percentage (%)
2000-01	90
2001-02	75
2002-03	60
2003-04	45
2004-05	30
2005-06	15
2006-07 and each fiscal year thereafter	0

(b) In the 2000-01 fiscal year and each fiscal year thereafter, any amount of ad valorem property tax revenue that is not allocated to a county's Educational Revenue Augmentation Fund, or successor fund, as a result of a limit established in subdivision (a) shall instead be allocated among the county, and the cities and special districts in the county, in accordance with the proportionate share of each of those local agencies of the total amount of ad valorem property tax revenues that would be required to be allocated to that fund in the absence of this section.

(c) The amount of moneys required by Section 8 of Article XVI to be applied by the State for the support of school districts and community colleges shall be determined in accordance with that section in that amount that would be so determined in the absence of this section.



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Bill Info

AB 1194 Local government finance: property tax revenue a

Past Sessions

BILL NUMBER: AB 1194 INTRODUCED 02/26/99

Codes

Statutes

INTRODUCED BY Assembly Member Leonard

Constitution

FEBRUARY 26, 1999

An act to amend Section 4 1204.1 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

AB 1194, as introduced, Leonard. 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 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 modify these reduction and transfer requirements, by requiring, commencing with the 1999-2000 fiscal year, that each reduction and transfer amount calculated for a local agency in a county be annually reduced in accordance with a specified schedule, and 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.

Existing law requires the Director of Finance to make certain adjustments in one of the formulas used in computing the state's obligation under the California Constitution to provide funding for school districts and community college districts so as to ensure

that the modifications in property tax revenue allocation requirements that were 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 the 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.

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: 2/3. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

SECTION 1. Section 41204.1 of the Education Code is amended to read:

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

(2) For purposes of this section, "qualifying provisions" means both of the following:

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

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

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

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

(2) That the changes required by the ~~act adding this section~~ *qualifying provisions* in the allocations of ad valorem property tax revenues do not have a net

fiscal impact upon the amounts of revenue otherwise required to be applied by the state for the support of school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution.

SEC. 2. Section 97.43 is added to the Revenue and Taxation Code, to read:

97.43. (a) (1) Notwithstanding any other provision of this article, for purposes of ad valorem property tax revenue allocations for the 1999-2000 fiscal year and in each fiscal year thereafter, the auditor shall allocate to the county's Educational Revenue Augmentation Fund only that percentage specified in paragraph (2) of each amount of ad valorem property tax revenue that is required to be allocated to that fund rather than a local agency as a result of the total reductions calculated for that local agency pursuant to Sections 97.2 and 97.3.

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

Fiscal Year Percentage (%)

1999-2000 90

2000-01 75

2001-02 60

2002-03 45

2003-04 30

2004-05 15

2005-06 and each fiscal year thereafter 0

30

(b) In the 1999-2000 fiscal year and each fiscal year thereafter, any amount of ad valorem property tax revenue that is not allocated to a county's Educational Revenue Augmentation Fund as a result of any limit or reduction established in subdivision (a) shall instead be allocated among the local agencies in the county in accordance with each local agency's proportionate share of the total amount of ad valorem property tax revenues that would be required to be allocated to the county's Educational Revenue Augmentation Fund in the absence of this section.

SEC. 3. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because this act provides for offsetting savings to local agencies or school districts that result in no net costs to the local agencies or school districts, within the meaning of Section 17556 of the Government Code.

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

SEC. 4. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and

shall go into immediate effect. The facts constituting the necessity are:

In order to provide as soon as possible that measure of fiscal relief that will allow local agencies to begin to restore an adequate level of essential public services, it is necessary that this act take effect immediately.

____ CORRECTIONS Text -- Page 4.

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