MARIPOSA COUNTY
BOARD OF SUPERVISORS

AGENDA
ACTION FORM

DATE: March 2, 2010
AGENDA ITEM NO. CA-111

DEPARTMENT: Board of Supervisors

BY: Kevin Cann
PHONE: 966-3222

RECOMMENDED ACTION AND JUSTIFICATION:
Ratify the signature of the Chairman of the Board of Supervisors on a letter supporting the Governor's signature on Senate Bill 85 – Cogdill. Senate Bill 85 will correct an inadequacy related to property taxes that stemmed from the passage of Proposition 13 and subsequent legislation that restructured the allocation of property taxes (please see attached for additional information). Mariposa County and five other counties were affected by a "negative bailout" and Senate Bill 85 corrects that situation and provides additional property tax revenue to the affected counties.

This bill is currently on the Governor's desk awaiting his signature and time was of the essence to convey the County's support for this bill.

BACKGROUND AND HISTORY OF BOARD ACTIONS:
The Board has historically supported legislation that provides additional revenue to the County.

ALTERNATIVES AND CONSEQUENCES OF NEGATIVE ACTION:
Do not ratify the signature of the Chairman. Direct staff to send a letter redacting the Board of Supervisors support for Senate Bill 85. This redaction may have a negative impact and the bill may not receive the Governor's signature. Mariposa County will continue to be adversely effected by the "negative bailout."

Financial Impact? ( ) Yes (X) No Current FY Cost: $ Annual Recurring Cost: $
Budgeted In Current FY? ( ) Yes ( ) No ( ) Partially Funded

Amount in Budget:	$	List Attachments, number pages consecutively
Additional Funding Needed:	$	Letter in Support of SB 85
Source:		Senate Bill 85
Internal Transfer	____	Property Tax Shifts to Counties.
Unanticipated Revenue	____ 4/5's vote	
Transfer Between Funds	____ 4/5's vote	
Contingency	____ 4/5's vote	
( ) General ( ) Other		

CLERK'S USE ONLY:
Res. No.: 10-98 Ord. No. ____
Vote – Ayes: 5 Noes: ____
Absent: ____
(✓) Approved
( ) Minute Order Attached ( ) No Action Necessary

The foregoing instrument is a correct copy of the original on file in this office.
Date: ____________
Attest: MARGIE WILLIAMS, Clerk of the Board
County of Mariposa, State of California
By: ______________________
Deputy

COUNTY ADMINISTRATIVE OFFICER:
✓ Requested Action Recommended
____ No Opinion
Comments:

CAO: RJB

Mariposa County
Board of Supervisors

District 1 .... BRAD ABORN
District 2 .... LYLE TURPIN
District 3 .... JANET BIBBY
District 4 .... KEVIN CANN
District 5 .... JIM ALLEN

RICHARD J. BENSON
County Administrative Officer

MARGIE WILLIAMS
Clerk of the Board

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February 22, 2010

The Honorable Arnold Schwarzenegger
Governor, State of California
State Capitol, First Floor
Sacramento, California 95814

RE: Senate Bill 85 – Cogdill – Request for Signature

Dear Governor Schwarzenegger:

The Mariposa County Board of Supervisors urges your signature on Senate Bill 85. Senate Bill 85 is authored by Senator Dave Cogdill and will correct a decades-old inadequacy for several counties with respect to their local property taxes.

Stemming from the passage of Proposition 13 in 1978 and subsequent legislation, the method for retaining and sharing proceeds from local property taxes has created a unique situation for Alpine, Lassen, Mariposa, Plumas, Stanislaus, and Trinity Counties. In essence, these county's share of property tax proceeds were negatively impacted as they were required to shift a significant portion of their proceeds to other local entities (commonly referred to as the "negative bailout"). Complicating matters is that the formula used in this method is in perpetuity and continues to grow at the detriment of each county.

For several years, the Legislature has considered options to address the "negative bailout" situation for some or all of the six counties. Unfortunately, those efforts have not secured passage and rectified what Mariposa County believes was an unintended consequence of the actions taken by the Legislature shortly after the passage of Proposition 13. Senate Bill 85 corrects, in future years, this long standing property tax allocation formula by placing a cap – based on coming fiscal years – on the amount shifted that would otherwise be retained by the affected counties.

For these reasons, the Mariposa County Board of Supervisors respectfully requests your signature on Senate Bill 85. Thank your for your time and consideration.

Sincerely,

KEVIN CANN
Chairman

cc: State Senator Cogdill
Assembly Member Berryhill
Regional Council of Rural Counties
California State Association of Counties

CHAPTER ________

An act to add Sections 96.11 and 97.81 to the Revenue and Taxation Code, relating to local government finance.

LEGISLATIVE COUNSEL'S DIGEST

SB 85, Cogdill. Local government finance.

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 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, for purposes of property tax revenue allocations for the 2011–12 and 2012–13 fiscal years, require the county auditor for a county for which a negative sum was calculated pursuant to a specified former statute, in reducing the amount of property tax revenue otherwise allocated to the county by an amount attributable to that negative sum, to apply a reduction amount equal to the reduction amount determined for specified fiscal years.

This bill would also, for the 2011–12 fiscal year and for each fiscal year thereafter, require the auditor of a qualified county, as defined, to increase the total amount of ad valorem property tax revenue otherwise required to be allocated to that county by the county equity amount, as defined, and to commensurately reduce the total amount of ad valorem property tax revenue otherwise required to be allocated to school entities in the county, as specified.

By imposing new duties in the annual allocation of ad valorem property tax revenues, the 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 no reimbursement is required by this act for a specified reason.

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

SECTION 1. Section 96.11 is added to the Revenue and Taxation Code, to read:

96.11. Notwithstanding any other provision of this article, for purposes of property tax revenue allocations, the county auditor of a county for which a negative sum was calculated pursuant to subdivision (a) of former Section 97.75 as that section read on September 19, 1983, shall, in reducing the amount of property tax revenue that otherwise would be allocated to the county by an amount attributable to that negative sum, do all of the following:

(a) For the 2011–12 fiscal year, apply a reduction amount that is equal to the lesser of either of the following:

(1) The reduction amount that was determined for the 2010–11 fiscal year.

(2) The reduction amount that is determined for the 2011–12 fiscal year.

(b) For the 2012–13 fiscal year, apply a reduction amount that is equal to the lesser of either of the following:

(1) The reduction amount that was determined in subdivision (a) for the 2011–12 fiscal year.

(2) The reduction amount that is determined for the 2012–13 fiscal year.

(c) For the 2013–14 fiscal year and each fiscal year thereafter, apply a reduction amount that is determined on the basis of the reduction amount applied for the immediately preceding fiscal year.

SEC. 2. Section 97.81 is added to the Revenue and Taxation Code, to read:

97.81. (a) Notwithstanding any other provision of law, for the 2011–12 fiscal year and for each fiscal year thereafter, the auditor of a qualified county shall do both of the following:

(1) Increase the total amount of ad valorem property tax revenue that is otherwise required to be allocated to that county by the county equity amount.

(2) (A) Decrease the total amount of ad valorem property tax revenue that is otherwise required to be allocated to the county Educational Revenue Augmentation Fund by the county equity amount.

(B) If, for any fiscal year, there is not enough ad valorem property tax revenue that is otherwise required to be allocated to a county Educational Revenue Augmentation Fund for the auditor to complete the allocation reduction required by subparagraph (A), the auditor shall additionally reduce the total amount of ad valorem property tax revenue that is otherwise required to be allocated to all school districts in the county for that fiscal year by an amount equal to the difference between the county equity amount and the amount of ad valorem property tax revenue that is otherwise required to be allocated to the county Educational Revenue Augmentation Fund for that fiscal year. This reduction for each school district in the county shall be the percentage share of the total reduction that is equal to the proportion that the total amount of ad valorem property tax revenue that is otherwise required to be allocated to the school district bears to the total amount of ad valorem property tax revenue that is otherwise required to be allocated to all school districts in a county. For purposes of this subparagraph, "school districts" do not include any districts that are excess tax school entities, as defined in Section 95.

(C) Any reduction in the amount of ad valorem property tax revenues deposited in the county's Educational Revenue Augmentation Fund as a result of subparagraph (A) shall be applied exclusively to reduce the amounts that are allocated from that fund to school districts and county offices of education, and shall not be applied to reduce the amounts of ad valorem property tax revenues that are otherwise required to be allocated from that fund to community college districts.

(b) For purposes of this section:

(1) "Qualified county" means the county that, of all the counties in the state, was allocated the second lowest percentage of the sum of both of the following for the 2006–07 fiscal year:

(A) The countywide ad valorem property tax revenue.

(B) The less than countywide ad valorem property tax revenue.

(2) "County equity amount" means one hundred thousand dollars ($100,000) in the 2011–12 fiscal year, and two hundred thousand dollars ($200,000) in the 2012–13 fiscal year and each fiscal year thereafter.

(c) For the 2011–12 fiscal year and for each fiscal year thereafter, ad valorem property tax revenue allocations made pursuant to Sections 96.1 and 96.5 shall not incorporate the allocation adjustments made by 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.

Property Tax Shifts to Counties

Prior to voters' approval of Proposition 13 (1978), local governments set their own property tax rates. Proposition 13 capped the rate of ad valorem taxes on real property at 1%, cutting statewide property tax revenues by 57%, and required the Legislature to allocate the remaining property tax revenues.

The Legislature responded to the cut in property tax revenues by bailing out local governments with $858 million in block grants; $436 million went to the counties. The Legislature also cut counties' payments for health and welfare programs by $1 billion.

In 1979, the Legislature permanently restructured the allocation of property taxes. AB 8 shifted some of the schools' property tax revenues to local agencies and replaced the schools' losses with increased subventions from the State General Fund. The AB 8 formula shifted additional property taxes to counties in an amount equal to their 1978-79 block grants, plus a portion of Aid to Families with Dependent Children (AFDC) costs not covered by the state buyout, minus the new state grants for county health services. This three-part package was intended to provide proportionate bailout to all counties.

For six counties (Alpine, Lassen, Mariposa, Plumas, Stanislaus, and Trinity), the state grants for health services exceeded their 1978-79 block grants plus the adjustment for AFDC costs. Consequently, rather than shifting additional property tax revenue from schools to these counties, these counties shifted property tax revenue to schools. In these so called "negative bailout counties," property tax revenues were reduced rather than augmented to balance the relatively larger health and welfare payments.

In the 1990's, when the Legislature shifted $3.4 billion in property taxes to schools, many lawmakers justified the Educational Revenue Augmentation Fund (ERAF) shifts as a way to reclaim those state bailout payments. Every county took a fiscal hit, even the six counties that never received additional property tax revenues. Not only are these six counties making "negative bailout" payments, they lose money because of the ERAF shifts.

SB 85 caps the six counties' "negative bailout" payments near their current levels.

(Excerpt taken from the Senate Local Government Committee bill analysis.)