

Agenda Report

TO: City Council March 13, 2000

FROM: Cynthia J. Kurtz, City Manager

SUBJECT: Support for (1) Assembly Bill 1806 (Pacheco) – Local Fiscal Relief: Property Tax Revenue Allocation; (2) Senate Bill 1637 (Burton) – Property Tax Revenue Shifts: Limitation, (3) any legislation or State budget proposal that limits future tax shifts or restores property tax revenues to local governments

RECOMMENDATION

It is recommended that the City Council adopt the attached resolution and authorize the Mayor to send letters to the appropriate officials supporting the following legislation:

1. Assembly Bill 1806 (Pacheco) – Local Fiscal Relief: Property Tax Revenue Allocation;
2. Senate Bill 1637 (Burton) – Property Tax Revenue Shifts: Limitation;
3. Any other legislation or State budget proposal that protects the City from future tax shifts or restores property tax revenues to local governments.

BACKGROUND

In Fiscal Years 1993 and 1994, facing massive deficits in the state budget, the Legislature and Governor transferred \$3.6 billion of property tax revenue from cities, counties and special districts to the Educational Revenue Augmentation Fund (ERAF). This money was directed toward K–14 schools and allowed the state to reduce its general fund spending on education. These property tax shifts continue today and grow on average 4% to 5% each year. Since the shifts began, cities have lost over \$2.3 billion. Within 10–15 years, the property tax revenue taken by the state will double in value due to strong property tax growth and a healthy economy.

Discussion

The two Bills presented in this agenda report intend to limit the future shift of property tax to ERAF using slightly different methodologies. Both bills limit the amount of property taxes shifted from local governments at 1999-2000 levels. Any future increase in property tax value within the city would be retained by the city, without impacting school funding.

Bill Status

On January 31, 2000, Assembly Members Pacheco and Strickland introduced AB 1806 as a non-urgency statute. The bill was referred to the Assembly Committee on Local Government on February 3, 2000.

On February 22, 2000 Senator Burton introduced SB 1637 as an urgency statute. The bill was referred to the Senate Committee on Local Government on March 2, 2000 and may be acted upon on or after March 24, 2000.

FISCAL IMPACT

The value of the property tax shift Statewide is estimated by the Legislative Analysts Office to have increased by \$250 million this year alone. The City of Pasadena has lost a cumulative total of \$19.8 million since the first shift in Fiscal Year 1992-1993. The additional ERAF shift for the City is estimated to be \$2.8 million in Fiscal Year 2000. Both bills attempt to protect the City from future ERAF shifts and provide for the future receipt of a greater portion of property tax revenue.

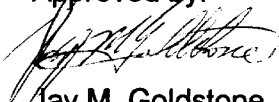
Respectfully submitted,


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