

Agenda Report

TO: CITY COUNCIL

DATE: April 26, 1999

FROM: City Manager

SUBJECT: SUPPORT OF (1) ASSEMBLY BILL 24, LOCAL FISCAL RELIEF, PROPERTY TAX REVENUE ALLOCATION; (2) ASSEMBLY BILL 304, LOCAL GOVERNMENT FINANCE, PROPERTY TAX REVENUE ALLOCATION, LOCAL AGENCY RELIEF; (3) ASSEMBLY BILL 1194, LOCAL GOVERNMENT FINANCE, PROPERTY TAX, RELIEF; AND (4) ASSEMBLY BILL 1195, LOCAL GOVERNMENT FINANCE, PROPERTY TAX, RELIEF

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 24, Local Fiscal Relief, Property Tax Revenue Allocation;
2. Assembly Bill 304, Local Government Finance, Property Tax Revenue Allocation, Local Agency Relief;
3. Assembly Bill 1194, Local Government Finance, Property Tax, Relief; and
4. Assembly Bill 1195, Local Government Finance, Property Tax, Relief.

In addition, it is recommended that the City Council authorize the Mayor to send letters of support for any other legislation or State budget proposals that protect from future shifts or restore 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 a net \$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.

Bill Impact and Status

Although distinct in their methodologies, the four Assembly Bills presented in this agenda report all aim to restore property tax revenues to local governments and/or limit the future shift of property tax to ERAF. All four bills were heard April 14, 1999 in the Assembly Local Government Committee and combined into one bill, Assembly Bill 1195. A second hearing for this combined bill has yet to be scheduled.

MEETING OF 4/26/99

AGENDA ITEM NO. 7.B.4.

1. Assembly Bill 24 caps the shift of property taxes at this current year's level and allows all growth to be allocated to local jurisdiction. Assembly Bill 24 was introduced by Assembly Members Maddox, Bates and Runner on December 7, 1998.
2. Assembly Bill 304 includes phase-in return of property tax taken in the early 1990's to cities, counties and special districts. The bills phases-in the return of 10 percent per year over the next 10 years. Assembly Bill 304 was introduced as an urgency statute by Assembly Member Wildman on February 8, 1999.
3. Assembly Bill 1194 requires, beginning in fiscal year 2000, that each reduction and transfer amount calculated for a local agency in a county be annually reduced in accordance with an undetermined schedule. The revenues not allocated to the county's ERAF as a result of these reductions will instead be allocated among the local agencies in the county with a yet undetermined schedule. Assembly Bill 1194 was introduced as an urgency statute by Assembly Member Leonard on February 26, 1999.
4. Assembly Bill 1195 requires that each reduction and transfer amount calculated for a local agency in a county be capped at the transfer amount for fiscal year 1999. The bill also requires that the revenues not allocated to the county's ERAF as a result of these reductions be instead allocated among local agencies in the county with a yet undetermined schedule. Assembly Bill 1195 was introduced as an urgency statute by Assembly Members Longville and Rainey on February 26, 1999.

In addition to these proposed bills, the return of property tax shift revenue to cities and counties is expected to be discussed as part of the State Budget. Discussions in a subcommittee of the Budget Committee will begin the week of April 19, 1999.

FISCAL IMPACT

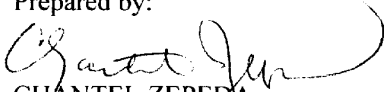
Beginning in fiscal year 1993, the City of Pasadena, like other neighboring cities, experienced the loss of Property Tax revenue due to the shift of these funds to the Educational Revenue Augmentation Fund (ERAF). Since the first shift, the City of Pasadena has lost a cumulative total of \$19.8 million (see table below). In fiscal year 1999, the ERAF shift loss to the City of Pasadena is estimated to be \$2.8 million and a similar amount for the subsequent fiscal year 2000. The City of Pasadena is projected to receive \$16.9 million in Property Tax revenue in the General Fund in fiscal year 1999. This amount comprises 15% of the General Fund and supports the provision of essential city services such as public safety, general street maintenance and parks and recreation programs. This bill attempts to safeguard the City from future ERAF shifts and ensure the future receipt of a greater portion of Property Tax revenue.

Fiscal Year	Property Tax Loss (ERAF Shift Amount)
FY 1993	\$2,965,447
FY 1994	\$1,566,880
FY 1995	\$3,862,621
FY 1996	\$2,966,726
FY 1997	\$2,698,024
FY 1998	\$2,880,520
FY 1999	\$2,840,038
CUMULATIVE TOTAL	\$19,780,256

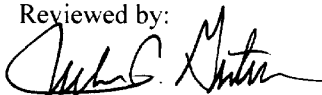
Respectfully submitted,


CYNTHIA J. KURTZ
City Manager

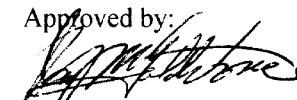
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