



March 20, 2013

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The Honorable Cheryl Brown  
California State Assembly  
State Capitol, Room 2196  
Sacramento, CA 95814

Re: **AB 741 (Brown) – Local government finance: tax equity allocation formula:  
qualifying cities  
As introduced February 21, 2013 – OPPOSE  
Awaiting hearing – Assembly Local Government Committee**

Dear Assembly Member Brown:

On behalf of the California State Association of Counties (CSAC), I write to express our strong opposition to your Assembly Bill 741, which proposes to shift property taxes from counties to cities via a new Tax Equity Allocation (TEA) formula that establishes minimum property tax shares for certain cities. Counties are extremely concerned about the consequences of AB 741 in light of counties' ongoing and significant service responsibilities to all Californians. Counties have taken on substantial new service responsibilities over the past few years and cannot consider the revenue transfer proposed by AB 741.

There are a variety of reasons as to why a low property tax share does not equal "inequity." The difference in service responsibility is the most significant factor in explaining the differences in property tax revenues between cities. Many cities are not "full service," meaning that they do not provide a full range of municipal services in their communities. Instead, these services, such as fire protection, are provided by special districts, which therefore receive a share of the property tax to fund these services. Non-full service cities are not financially responsible for providing these services, and therefore receive a smaller share of property taxes.

As to the effects of redevelopment dissolution, counties agree that obligations of former redevelopment agencies continue to have an impact on property tax receipts. Tax increment continues to be diverted away from the general funds of counties, special districts, and cities to pay redevelopment debt and administrative costs. Counties experience the financial impacts of those city council decisions just as much as the cities themselves.

However, allocation of residual property tax revenues do not represent a new source of funds, but rather the return of property taxes to the local agencies that originally contributed them. While the return will necessarily occur over many years, local taxing entities have the authority to direct property tax revenues to meet local priorities. Regrettably, some cities relied heavily on redevelopment revenues to fund general city

obligations; this, however, does not justify an ongoing redirection of county property tax revenues to offset those losses. City councils that made the decision to tie up 60, 70, or even 100 percent of their property tax growth in redevelopment over the course of decades have little room to complain now about not having access to those funds. As redevelopment debt is finally paid off, those cities will receive more general purpose revenues, not less, and their share of the taxes generated with their city limits will naturally rise.

Perhaps the most troubling aspect of AB 741 is that property tax revenues are proposed to be shifted to cities from counties to achieve “equity” – hardly a rational or equitable solution to cities’ fiscal woes. Counties have taken on considerable new responsibilities over the last few years, primarily new obligations associated with AB 109 and new funding requirements for many social services programs, in addition to our already full plate of duties. There is no evidence that counties have sufficient revenues of any type to fully achieve our extensive mandated obligations, even with the distribution of residual property taxes from former redevelopment agencies. Consequently, there is no reason to assert that counties should contribute anything to assist cities in reaching an arbitrary property tax share.

Counties welcome a dialogue with the state and with all local governments about how public services are provided, who provides them, and how they are funded. If cities wish to discuss equity with regards to the property tax system, CSAC suggests that they are mistaken to focus on only one aspect of a vastly larger discussion. Any such discussion should include all local revenues and service responsibilities to ensure that the broader context of service delivery to all Californians is considered.

AB 741 would result in a significant fiscal blow to counties – the very level of government the state relies upon to provide federally mandated services, in addition to countywide and municipal services such as elections, public safety, health care to those who cannot afford it, mental health services, and much more, to all Californians. Counties are strongly opposed. Should you have any questions about our position, please do not hesitate to contact me at 916/327-7500 ext. 515.

Sincerely,

*As signed*

Jean Kinney Hurst  
Legislative Representative

cc: Members and Consultants, Assembly Local Government Committee