

## Property Tax Allocation Overview

### Pre-Proposition 13:

- ✓ Local government agencies set tax rates which were applied against assessed value of properties within their jurisdictional boundaries
  - ✓ \$10.3 billion collected State-wide on 1977-78.
  - ✓ 2.67% State-wide average rate
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### Proposition 13 (June, 1978):

- ✓ Assessment roll reverted to 1975-76 values.
  - ✓ Tax rate capped at 1%, excluding voter-approved indebtedness.
  - ✓ Annual roll growth limited to lesser of California CPI or 2%; Exceptions: Property sales/turnover and additions, improvements.
  - ✓ Property tax receipts dropped by approximately \$7 billion in the first year.
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### Post-Proposition 13 - SB 154 (1978-79):

- ✓ Property taxes pooled on a county-wide basis and distributed to local agencies based upon their proportionate share of pre-Proposition 13 property tax receipts (3-year average for non-school agencies).
  - ✓ "Bailout" funds allocated from State surplus: \$2.5 billion to schools and \$1.9 billion to other local agencies.
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### Post-Proposition 13 - AB 8 (1979-80):

- ✓ SB 154's 1978-79 property tax receipts became "base" for local agencies.
- ✓ State increased 1978-79 base of non-school agencies by shifting portion of schools' base to them and backfilling schools with State general funds (Special Districts received a base increase equivalent to about 95% of "Bailout" funds).

- ✓ Local agencies received their share of local incremental growth in property taxes (based upon Tax Rate Areas), producing a “hybrid” allocation process.
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Post-Proposition 13 - AB 8 (1980-81 and beyond):

- ✓ Generally, each local agency receives the same level of property tax receipts it did in the previous year, plus growth or decline from changes in assessed value of properties within its jurisdictional boundaries. It should be emphasized that the District does not receive any of the property taxes that are attributable to the cities it serves.
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Tax Rate Areas (TRA's):

A TRA is a small geographical area within a county that contains properties that are all served by a unique combination of local governments. Property taxes are allocated by:

1. Allocating the same amount of property taxes to each agency as it received in the prior year.
  2. Allocating a share of the growth (or loss) in the TRA's total revenue, based upon each agency's incremental factor.
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Other Complicating Factors:

- ✓ Educational Revenue Augmentation Fund (ERAF)
- ✓ Proposition 8 (November 1978): Decline-in-Value Properties