



AB-8

The formulas contained in AB 8 were designed to allocate property taxes in proportion to the share of property taxes received by a local entity prior to Proposition 13. In general, each local government that provided services within a community was awarded a share of total property taxes collected within that community. Over time, as assessed values grow, the amount of property taxes received by a local government also grows. However, the share of property taxes does not change. For example, if a county, city, special district, and will continue to receive 25 percent of taxes collected regardless of how much property taxes grow. These "AB 8 shares" were developed based on the historical share of property taxes received by local jurisdictions prior to Proposition 13. Local jurisdictions that had received a large share of property taxes prior to 1978 received a relatively large share of property taxes under AB 8. Thus, the variation in property tax receipts in effect at the time was continued.

Since 1979, there have been just two significant changes to the original property tax shares contained in AB 8: legislation designed to aid cities that receive no, or very low, property taxes and the ERAF property tax shifts of 1992-93 and 1993-94. Despite these changes, however, the state property tax allocation system developed in 1979 in response to Proposition 13 continues to be the basis for the property tax allocation among local governments.

Base Year

The key feature of AB 8 was the creation of a property tax base for each jurisdiction which would increase in proportion with the growth of assessed values. The "base" would also include adjustments for the 1978-79 FY "block grant" or "bail out" amounts received by counties, cities and special districts. In general, each jurisdiction receives the amount it received in the prior year plus its share for any growth in property tax within its boundaries.

The property tax revenue base for cities, counties and special districts was comprised of (1) the property tax revenue received in the 1978-79 FY and (2) adjusted State bailout amounts. The adjusted bailout amounts added to local districts were "shifted" from the school's property tax base on a proportionate basis.

After computing the base property tax amount for each jurisdiction, the next step was to allocate it to each tax rate area. For each jurisdiction a percentage factor was computed for each tax rate area. A percentage factor was computed by dividing the assessed value of each TRA by the total assessed value of the jurisdiction.

Annually each city, county, special district, and school fund is allocated an amount or revenue equal to the amount it received in the prior fiscal year plus a proportionate share of the change in property tax revenues arising from the change in assessed valuation (positive or negative) in the tax rate areas it occupies and has an allocation factor computed for it. Once the 1% annual tax ratio factor is used to develop the base revenue figure, it is not used annually, but rather the dollar change based on growth or decline in value within a tax rate area is computed per AB-8.

In the 1992-93 FY, the first of two ERAF (Educational Revenue Augmentation Fund) shifts from Cities, Counties, and Special Districts was legislated to begin to return the bailout amounts which were shifted from the schools in 1978-79 back to the schools. The amount shifted by a taxing agency to schools varies depending on taxing jurisdiction. Counties as a whole lost between 35 and 50% of their pre-ERAF tax revenue; while Cities lost between 9 and 40% depending on incorporation dates and actual relief received after Prop-13.

Each year the County sums the revenues to be received by each taxing jurisdiction (cities, county, library, flood control, schools, fire, etc.) based on the original base values within a tax rate area and the growth or decline in value which has occurred within that tax rate area over time since the approval of Prop 13. A city's secured, unsecured, and non-operating unitary revenues are totaled, offset by RDA tax increment in cities with redevelopment, and that potential jurisdiction's tax revenue is divided by the total of all tax revenues to be received in the county after accounting for Redevelopment Tax Increment.

The result of this division is the development of an apportionment factor. Once this factor is established each year, for a non-teeter city, the City receives that share of every tax bill paid in the county for secured, unsecured and non-operating unitary levies. This practice in non-teetered cities manages to keep all non-education non-teetered jurisdictions on the same footing with regards to delinquencies. Supplemental apportionments and redemption payments are also distributed in this pooled manner using the calculated apportionment factor. Teeter cities receive their supplemental allocations and tax payer refunds due to successful appeals based on their apportionment factor.

As secured receipts are received by the County, each taxing entity receives their apportionment share. The same is true for unsecured receipts. The effect of this apportionment is that if a City experiences growth in unsecured values in a particular tax year, however the county-wide unsecured values have declined between tax years, the City will receive less unsecured apportionments than their value would represent, but more secured apportionments with the total revenue equaling the original charge used to calculate the apportionment factor.