

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 23, 2010
POSITION: Oppose

BILL NUMBER: AB 308
AUTHOR: P. Cook

BILL SUMMARY: Property Tax Revenue allocations:

Under current law, the Board of Equalization (BOE) assesses utility property as a unit, instead of assessing the individual value of separate properties owned by the utility. Under the countywide allocation method, BOE allocates the unitary assessed value of utility property among the counties based on the amount of taxable property within each county.

County auditor-controllers generally allocate the property tax revenues from unitary properties using a formula based on the amount of unitary revenues received by the county's taxing jurisdictions in 1987-88. For years after 1987-88, each taxing jurisdiction receives up to 102% of its prior-year unitary property tax revenues. Every taxing jurisdiction in the state receives a proportionate share of these revenues, regardless of whether or not any utility property is located in its boundaries.

Existing law provides an exception to the above property tax allocation methodology for certain electricity generating facilities that are owned by unregulated private companies. Under this exception, the property tax revenues from these facilities are distributed only to the taxing jurisdictions in which the qualified facilities are located.

This bill, an urgency measure, would require the property tax revenues from the Southern California Edison-owned Mountainview powerplant to be allocated entirely to the San Bernardino County tax rate area in which the Inland Valley Development Agency (IVDA) is located. Since this powerplant is owned by a regulated company, the bill would be providing an exception to current property tax allocation procedures.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the May 11, 2009 version deleted all provisions of the bill.

FISCAL SUMMARY

This bill would result in an estimated additional \$4.5 million per year in property tax revenue for the Inland Valley Development Agency, a share of which would be redirected from K-14 school districts. Based on current property tax distributions, we estimate approximately 36 percent, or \$1.6 million of the redirected sums would normally flow to K-14 schools.

Insofar as some K-14 school districts would receive less revenue that they would receive under the provisions of current law, the state General fund would be required to backfill the difference in years when Test One of Proposition 98 is not in effect.

This bill would require the San Bernardino county auditor-controller's office to adopt a different method of property tax allocation for these property tax revenues. This could give rise to a claim of state mandate which, if it were to be sustained by the Commission on State Mandates (COSM), could have a presently unquantifiable state General Fund impact.

Analyst/Principal (0762) C. Hill	Date	Program Budget Manager Mark Hill	Date
-------------------------------------	------	-------------------------------------	------

Department Deputy Director	Date
----------------------------	------

Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

P. Cook

June 23, 2010

AB 308

COMMENTS

Finance opposes this bill for the following reasons:

- The property tax allocation formulas contained in existing law were enacted in a statewide compromise negotiated among power plant operators and their surrounding special districts. An exception to existing law redirecting additional property tax revenues to the IVDA, to the detriment of other San Bernardino County taxing jurisdictions, would establish an undesirable precedent for subsequent exemptions elsewhere and is contrary to previous agreements.
- This bill would result in some K-14 school districts receiving less property tax revenue than they would receive under current law. This would increase the state's Proposition 98 General Fund obligation in non-Test One years.
- Provisions of this bill could give rise to a claim of state mandate which, if sustained by COSM, could have a presently unquantifiable state General Fund impact.

P. Cook

June 23, 2010

AB 308

ANALYSIS

A. Programmatic Analysis

Under current law, the BOE assesses utility property as a unit, instead of assessing the individual value of separate properties owned by the utility. Under the countywide allocation method, BOE allocates the unitary assessed value of utility property among the counties based on the amount of taxable property within each county.

County auditor-controllers allocate the property tax revenues from unitary properties using a formula based on the amount of unitary revenues received by the county's taxing jurisdictions in 1987-88. For years after 1987-88, each taxing jurisdiction receives up to 102% of its prior year unitary property tax revenues. Every taxing jurisdiction in the state receives a proportionate share of these revenues, regardless of whether or not any utility property is located in its boundaries.

Existing law provides two exceptions to this distribution methodology, as follows:

- Chapter 57, Statutes of 2002 (AB 81, Migden) required that property tax revenues from electrical facilities owned by unregulated private companies be distributed on a situs basis. This means the revenues from these facilities are distributed only to those taxing entities in which these electrical facilities are located.
- Chapter 872, Statutes of 2006 (SB 1317, Torlakson), enacted by 2/3's vote of the Legislature as required by Proposition 1A (2004), stipulated that property tax revenues from electrical facilities capable of generating at least 50,000 watts, and which are owned by regulated public utilities would be distributed as follows:
 - Counties, K-14 schools, and non-enterprise special districts would receive the same percentage of these property tax revenues as they received (or were qualified to receive) in the previous year under the 1987-88 formulas.
 - The cities in which the qualifying electrical facilities are located would receive 90 percent of the remaining property tax revenues.
 - The city or water districts that provide water service to the qualifying electrical facilities would receive the remaining 10 percent of the property tax revenues.
 - The other entities that would previously have received a share of the property tax revenues (namely cities and enterprise special districts) would now receive none of these revenues.

Located in San Bernardino County is the Mountainview powerplant. The powerplant is capable of generating at least 50,000 watts, and is located in the boundaries of the Inland Valley Development Agency (IVDA), which is a redevelopment agency. Until March 2010, Mountainview was owned by an unregulated private company, which meant that a significant portion of the property tax revenues derived from the powerplant went to the IVDA. Since Mountainview was recently purchased by a regulated public utility (Southern California Edison), and can generate 50,000 watts, the property tax revenues it generates will now be distributed according to SB 1317. This means IVDA will have significantly less property tax revenue to fund its redevelopment activities.

P. Cook

June 23, 2010

AB 308

This bill, an urgency measure, would require property tax revenues from the Mountainview powerplant to be distributed according to the AB 81 rules, as opposed to the SB 1317 rules. This will result in less property tax revenues for K-14 schools and special districts.

B. Fiscal Analysis

This bill would result in an estimated additional \$4.5 million per year in property tax revenue for the Inland Valley Development Agency, a share of which would be redirected from K-14 school districts. Based on current property tax distributions, we estimate approximately 36 percent, or \$1.6 million of the redirected sums would normally flow to K-14 schools.

Insofar as some K-14 school districts would receive less revenue that they would receive under the provisions of current law, the state General fund would be required to backfill the difference in years when Test One of Proposition 98 is not in effect.

This bill would require the San Bernardino county auditor-controller's office to adopt a different method of property tax allocation for these property tax revenues. This could give rise to a claim of state mandate which, if it were to be sustained by the Commission on State Mandates (COSM), could have a presently unquantifiable state General Fund impact.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP	2010-2011		2011-2012		2012-2013		
	RV	98	FC	FC	FC	FC			
0001/Major Rev	SO	Yes	-----	See Fiscal Summary	-----			0001	