

Property Tax Allocation and Apportionment

April 2024



Agenda

- Overview
(Courtesy of Santa Barbara County and Orange County)
- Major Milestones
- Tax Rate Areas
- Assessed Valuation
- Property Tax Revenue Allocation and Apportionment
- How Property Tax Allocations are Calculated
- AB8 Tax Apportionment
- The Timing of Distributions

Overview

- Properties are assessed and property taxes are collected and distributed at the county level to local governments.
- Property tax revenue has become a major source of revenue for local government and in many cases the largest source of revenue.
- There are numerous duties related to property tax mandated to the county auditor-controllers including the allocation and apportionment of property taxes to county taxing jurisdictions.

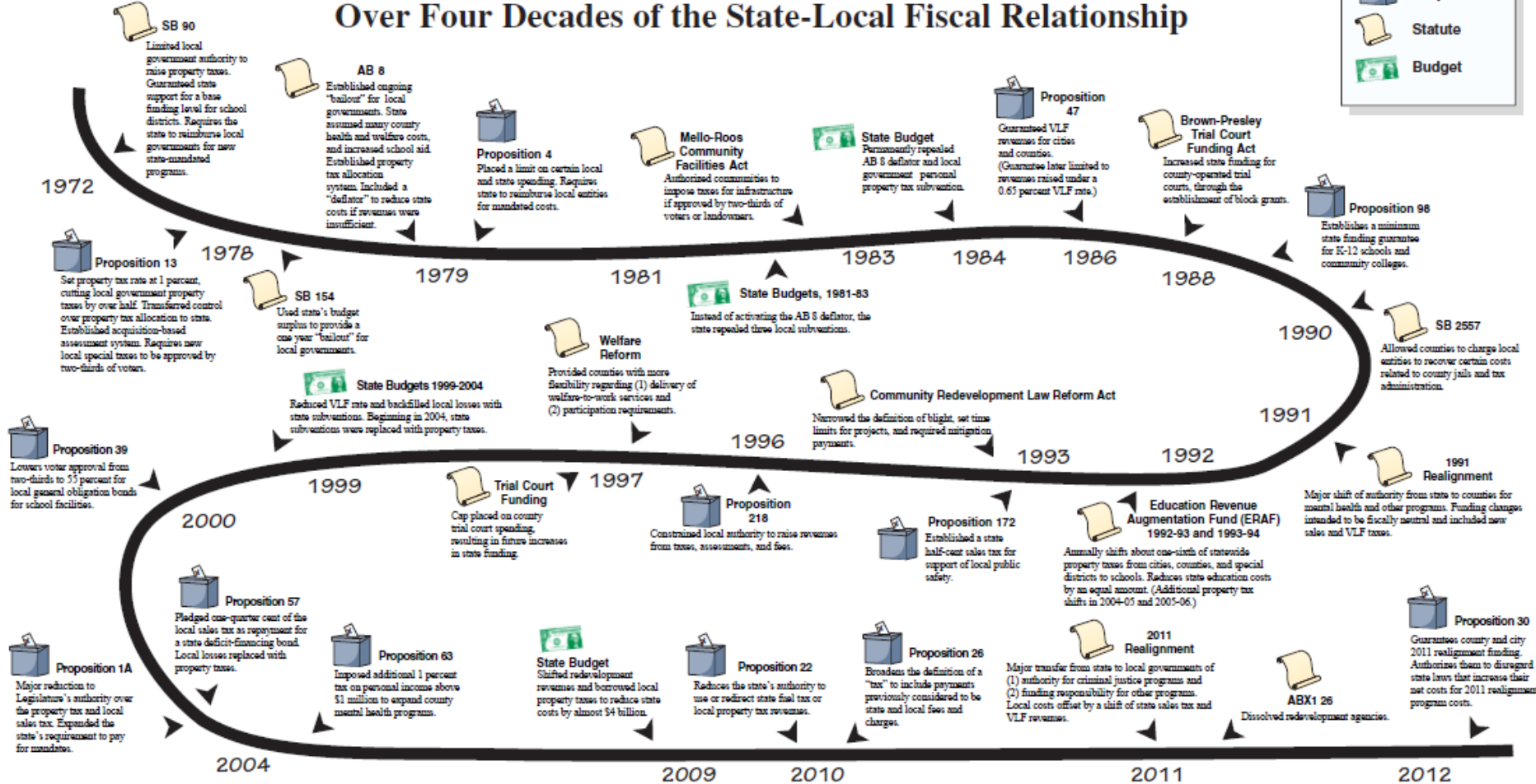
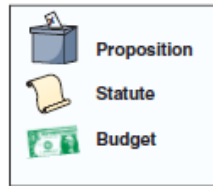
- The current methodology for allocating and apportioning property tax revenues stems from the state's response to the effects of Proposition 13.
- Numerous statutes were enacted to implement Proposition 13.
- Two key statutes which provide the basis by which county auditor-controllers allocate and apportion property tax are **SB 154** and **AB 8**.

- **SB 154** prescribed that a local government's share of the property tax be based on the share of the property tax going to that local government before Proposition 13.
 - This share was determined by averaging the jurisdiction's property tax revenue for the three fiscal years from 1975 to 1978 for local agencies excluding schools.
 - The School's percentage was based on a one-year average.
- Statewide, these relative shares have been frozen since that time. For each jurisdiction in a county, its proportionate share of the countywide 1% property tax revenue was determined, establishing a base year revenue.

- **AB 8** prescribed the methodology for the changes resulting from the change in assessed values, and the transfer of property tax revenue from one entity to another in the event of jurisdictional changes.
- AB 8 ensured that in any fiscal year, a local government will receive property tax revenue equal to what it received in the prior fiscal year (called "base") plus its share (whether positive or negative) of growth in revenue due to growth in assessed value within its boundaries (called increment).
- AB 8 stipulated that the property tax proceeds on value growth (whether due to change in ownership, new construction, or the 2 percent inflation factor) accrue only to those jurisdictions where the increase took place.

- **Annual Tax Increment (ATI)** factors were created to enable county auditor-controllers to allocate increment within specified geographical areas called “tax rate areas”. A “tax rate area”, or TRA, is a geographical area composed of a unique combination of taxing jurisdictions.
- These factors remain constant for most counties (including San Diego County) and only change for jurisdictional changes. A jurisdictional change occurs when a taxing entity’s boundaries change through annexations, detachments and incorporations.

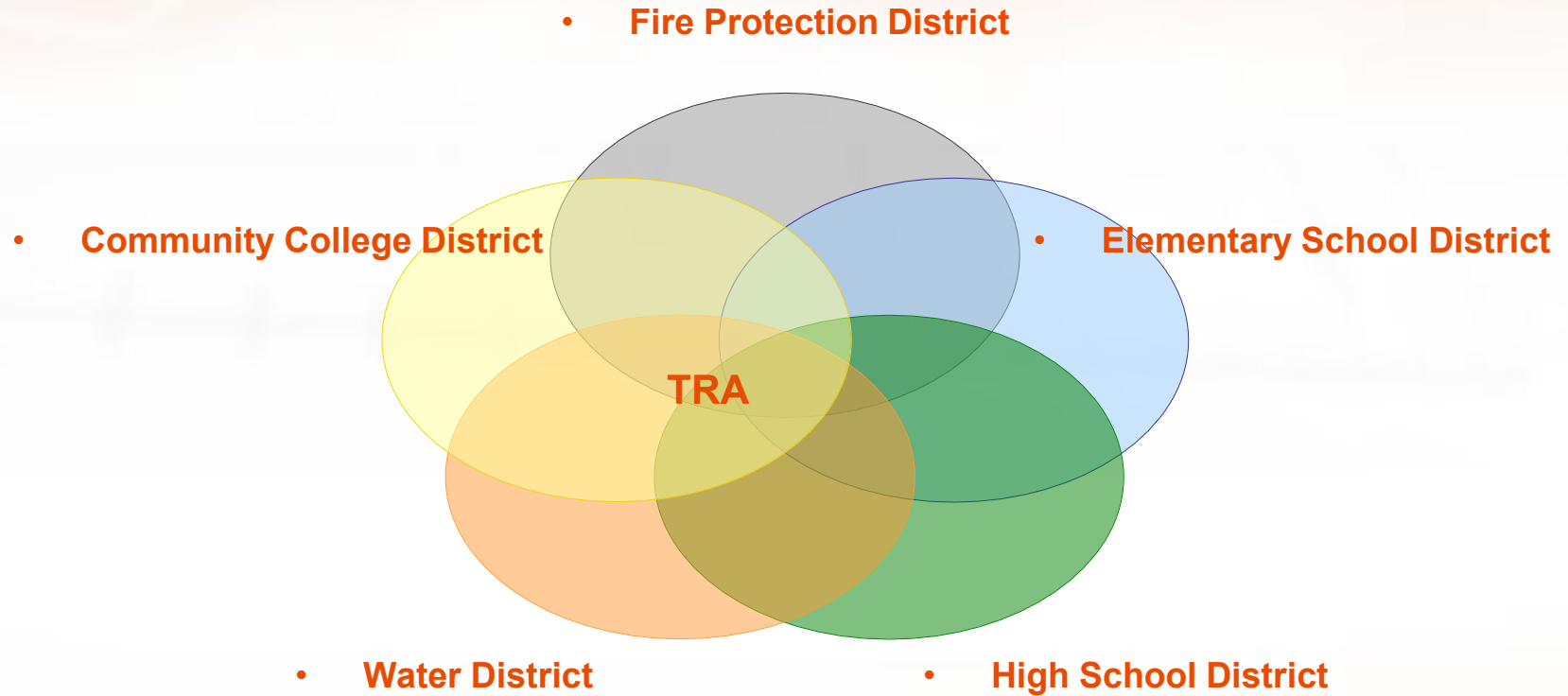
Major Milestones: Over Four Decades of the State-Local Fiscal Relationship



Tax Rate Areas

- Tax Rate Area (TRA) also called Tax Authority Group (TAG) in some states
 - A specific geographic area, all of which is within the jurisdiction of the same combination of local agencies and school districts for the current fiscal year
 - 5,156 TRAs in the County of San Diego in fiscal year 2023-24
 - 5,155 TRAs in the County of San Diego in fiscal year 2022-23
 - Each TRA or TAG is composed of the following jurisdictions:
 - County
 - City (incorporated territory)
 - School Districts (Elem and High or Unified, Comm College, Office of Ed)
 - Special Districts

Tax Rate Area



Assessed Valuation

- On or before July 1 of each year, the assessor certifies the assessment roll and delivers it to the auditor.

Revenue and Taxation Code Sections 616 & 617.

Section 616.

On or before July 1, annually, the assessor shall complete the local roll. He shall make and subscribe an affidavit on the roll substantially as follows: “I, _____, Assessor of _____ County, swear that between the lien date and July 1, 19____, I have made diligent inquiry and examination to ascertain all the property within the county subject to assessment by me, and that it has been assessed on the roll, according to the best of my judgment, information, and belief, at its value as required by law; and that I have faithfully complied with all the duties imposed on the assessor under the revenue laws; and that I have not imposed any unjust or double assessment through malice, ill will, or otherwise; nor allowed anyone to escape a just and equal assessment through favor, reward, or otherwise.” The failure to make or subscribe this affidavit, or any affidavit, does not affect the validity of the assessment. The assessor may require from any of his deputies an affidavit on the roll similar to his own.

Section 617.

As soon as the assessor completes the local roll, he shall deliver it to the auditor.

Assessed Valuation

- Annually, the State Board of Equalization transmits an estimate and final board values for all Unitary and Operating Non-Unitary property.

Revenue and Taxation Code Sections 755 & 756

Section 755.

(a) On or before July 15, the board shall transmit to each county auditor an estimate of the total unitary value and operating non-unitary value of state-assessed property in the county and of non-unitary state-assessed property in each revenue district in the county . . . The estimate shall be regarded as establishing the total assessed value of state-assessed property in the county and each revenue district in the county for the purpose of determining tax rates . . .

Section 756.

(a) On or before July 31, the board shall transmit to each county auditor a roll showing the unitary and operating non-unitary assessments made by the board in the county and the non-operating non-unitary assessments made by the board in each city and revenue district in the county

- Operating non-unitary properties are assessed at the local TRA level and are included in the allocation of AB8 revenue

Assessed Valuation

- Effective August 20, the equalized roll is completed. Revenue and Taxation Code Section 2052

Section 2052.

The local roll as delivered to the auditor pursuant to Section 617, including any changes made by the county board during the month of July, together with the board roll as transmitted to the auditor pursuant to Section 756 and the estimate with any changes transmitted pursuant to Section 755, shall become the last equalized roll on August 20, and such rolls together shall continue to be the last equalized roll, except as otherwise provided in this chapter, (a) for the purpose of computing any debt limit for the issuance of bonds of any public entity that is based on a percentage of assessed valuation as shown on the last equalized assessment roll and (b) for all other purposes, until the assessment roll for the following year becomes the last equalized roll in accordance with the provisions of this section.

Property Tax Allocation and Apportionment

- Allocation is the process of calculating the district's share of property tax revenue.
- Apportionment is the process of distributing property tax revenue to taxing jurisdictions.

Revenue and Taxation Codes provide for the manner in which property taxes are allocated and apportioned.

AB 8 1% Factor

AB 8 provided procedures for an equitable allocation of 1% property taxes that would change in proportion with the increase or decrease of assessed values. The basic premise of AB 8 is to allocate to each taxing jurisdiction the amount it received in the prior year, plus a share of the change that has occurred in the current year within its boundaries.

- Examples of events that would result in changes to assessed valuation for a specific TRA:
 - Annexations or Detachments
 - Formation or Dissolution of Districts
 - City incorporations
 - Negotiated Agreements
 - Legislative changes (e.g. ERAF)

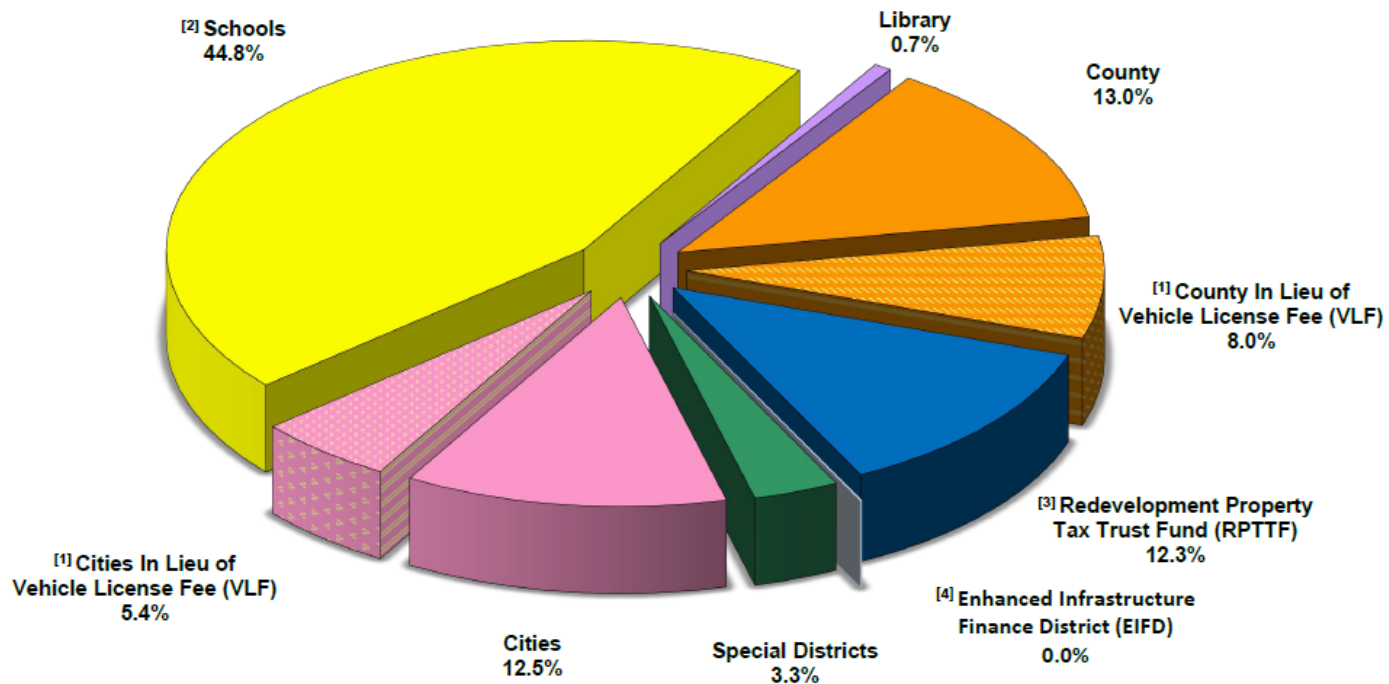
How are Tax Allocations Calculated?

- SAMPLE ATI CALCULATION:

TRA 12236		2022-23 AV	2023-24 AV	2023-24 AV GROWTH		
		2,657,000,853	2,838,308,765	181,307,912		
FUND NUMBER/DESCRIPTION	ATI RATIO	2022-23 TAX BASE	2023-24 1% Growth	Tax Base Exchange	2023-24 TAX BASE	
1001-00 COUNTY GENERAL	0.13754743	3,746,820.68	249,384.39		3,996,205.07	
1220-00 COUNTY LIBRARY	0.02616104	701,667.40	47,432.04		749,099.44	
2935-XX CSA 135 REGIONAL RADIO	0.00000000	0.00	0.00		0.00	
3616-00 NORTH COUNTY CEMETERY	0.00000000	0.00	0.00		0.00	
4338-01 VISTA UNIFIED	0.42804114	11,383,064.01	776,072.45		12,159,136.46	
4440-01 PALOMAR COMMUNITY COLLEGE	0.06023771	1,646,671.72	109,215.73		1,755,887.45	
4535-XX COUNTY OFFICE OF EDUCATION	0.02691875	726,752.18	48,805.81		775,557.99	
5022-00 EDUCATIONAL REVENUE AUGMENTATION FUND	0.14680171	3,833,213.96	266,163.12		4,099,377.08	
6095-00 CITY OF VISTA	0.14820153	3,909,177.80	268,701.10		4,177,878.90	
6180-00 TRI CITY HOSPITAL DISTRICT	0.01886377	504,565.59	34,201.51		538,767.10	
6210-00 RESOURCE CONSERVATION DISTRICT	0.00009595	2,993.51	173.96		3,167.47	
6368-00 VISTA IRRIGATION	0.00374327	102,502.53	6,786.84		109,289.37	
6751-52 CWA VISTA IRRIGATION	0.00338770	91,242.06	6,142.17		97,384.23	
		1.00000000	26,648,671.44	1,813,079.12	0.00	28,461,750.56

ESTIMATED 1% PROPERTY TAX REVENUE ALLOCATION FY 2023-24

TOTAL REVENUE \$7,030,466,428



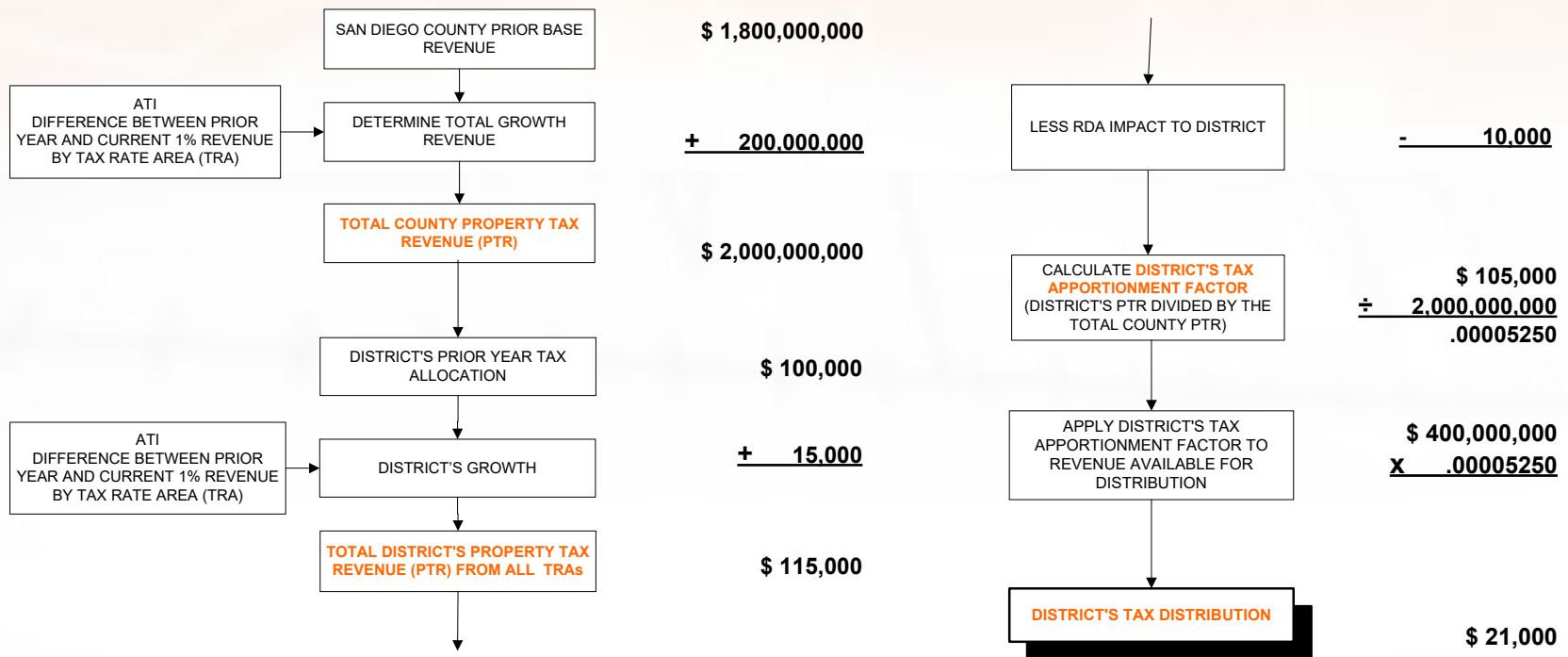
^[1] Represents the exchange of Property Tax for Cities and County Vehicle License Fees as authorized under Senate Bill 1096, chaptered August 5, 2004.

^[2] Revenue for Schools has been reduced by the ERAF deficit as authorized under Senate Bill 1096, chaptered August 5, 2004.

^[3] Effective February 1, 2012, Redevelopment Agencies were dissolved and related revenue is allocated to Redevelopment Successor Agencies, County, Schools, Cities, Special Districts, and the State Controller's Office as provided by Health & Safety Code, Division 24, Part 1.85.

^[4] EIFD revenue is less than 0.1% of the total revenue.

AB-8 TAX ALLOCATION PROCESS



ATI = Annual Tax Increment. ATI is calculated annually for each TRA.

The Timing of Distributions

- **12 Distributions in a year**
 - One monthly distribution August through July. It may be a day or two off each year depending on the calendar.
- **Distribution**
 - Distribution = Collections plus/minus Refunds and Adjustments
 - Jurisdiction funds are wired to Bank (Cities and some independent districts), or
 - Deposited in County Treasurer Pool/Oracle General Ledger (Schools and some independent districts)
- **Percentage Distributions in December**
 - These distributions include regular collection PLUS advanced funds to agencies. The goal is to distribute 40% of the jurisdiction's opening charge in December.
- **Teeter Buyout Distribution in June**
 - County advances the delinquent receivables of agencies participating in the Teeter Plan. When the receivable is paid by taxpayers, the County gets the portion of penalty payment.

- For additional information:
 - Auditor and Controller – Property Tax Services
 - Website: www.sdpts.com
 - Email: PTS.FGG@sdcounty.ca.gov
 - Telephone Number: (858) 694-2901
- Rebecca Greene, Manager, Property Tax Services Division
rebecca.greene@sdcounty.ca.gov