



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 4/8/2019

Agenda Placement: 7B

Napa County Legislative Subcommittee Board Agenda Letter

TO: Napa County Legislative Subcommittee
FROM: Mary Booher for Minh Tran - County Executive Officer
County Executive Office
REPORT BY: Molly Rattigan, Deputy County Executive Officer - 253-4112
SUBJECT: SB 15-ERAF Funds

RECOMMENDATION

County Executive Officer requests discussion and possible direction on SB 15 (Portantino), a bill that would require the county auditor of a county in which a redevelopment successor agency exists, to decrease the amount of county Education Revenue Augmentation Fund (ERAF) and to allocate a commensurate amount to the successor agencies to be used for specified purposes.

EXECUTIVE SUMMARY

SB 15 would require the county auditor, beginning in Fiscal Year 2020-2021 and thereafter, to decrease the amount of property tax revenue that is otherwise required to be allocated to the ERAF fund to redevelopment successor agencies that are located within the county. This bill would require the successor agencies to use these funds for specified purposes, including to increase the availability of affordable housing.

The Assistant Auditor-Controller will be present at the Legislative Subcommittee meeting to discuss the potential impacts to Napa County. Staff is seeking discussion and recommends authorization for County staff to approach the author's office to discuss concerns. If a reasonable compromise cannot be reached and the bill continues to move forward, staff would recommend an oppose position.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

Existing property tax requires the county auditor, in each fiscal year, to allocate property tax revenue to local jurisdictions in accordance with specified formulas and procedures, and generally provides that each jurisdiction shall be allocated an amount equal to the total of the amount of revenue allocated to that jurisdiction in the prior fiscal year, subject to certain modification, and that jurisdiction's portion of the annual tax increment. Existing property tax law also requires that the revenues not allocated to the county, cities, and special districts be transferred to the Educational Revenue Augmentation Fund (ERAF) in that county for allocation to school districts, community college districts, and the county office of education.

Until they were dissolved in 2011, California redevelopment agencies used property tax increment financing to pay for economic development projects. Generally, the city or county formed a financing district to issue bonds and use the bond proceeds to pay project costs. To repay the bonds, the district captured increased property tax revenues--sometimes directly tied to the increased values of redeveloped properties. Since the dissolution of redevelopment, property tax increment has redirected funds back to the contributing agencies. In 2017-18, cities, counties, and special districts deposited around \$9.6 billion into County ERAFs.

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The Napa County Auditor-Controller's Office has flagged this bill as problematic for Napa County as an "excess-ERAF" county and for other counties closing in on insufficient ERAF. The concern is that the bill attempts to reduce the ERAF funds by shifting to another purpose. For County's like Napa that often shift more funds into ERAF than required to fully fund K-14 educational funding requirements, this will reduce the amount of discretionary funds that are eligible to be returned to the County and cities, once 100% of the school funding requirement is met. Napa County has consistently received excess ERAF funds on an annual basis and has traditionally relied on these funds to meet capital needs--like setting aside to finance the construction of a jail facility, thus reducing the amount that may need to be financed in the future. Additionally, the Auditor-Controller's Office has flagged logistical issues with implementing this legislation.

The Assistant Auditor-Controller will be present at the Legislative Subcommittee meeting to discuss the potential impacts to Napa County. Staff is seeking discussion and recommends authorization for County staff to approach the author's office to discuss concerns. If a reasonable compromise cannot be reached and the bill continues to move forward, staff would recommend an oppose position.

California State Association of Counties-No Position
Rural County Representatives of California-No Position

SUPPORTING DOCUMENTS

A . SB 15

B . SB 15-Fact Sheet

Recommendation: Approve

Reviewed By: Molly Rattigan