

June 1, 2020

The Honorable Toni Atkins
Senate President pro Tempore
California State Senate
State Capitol Building, Room 205
Sacramento, CA 95814

The Honorable Anthony Rendon
Speaker of the Assembly
California State Assembly
State Capitol Building, Room 219
Sacramento, CA 95814

Dear President pro Tempore Atkins and Speaker Rendon:

On behalf of the Cities Association of Santa Clara County, I write in opposition to the Administration's proposal to retroactively shift property taxes from counties, cities, and special districts, apply civil penalties to audited, good-faith actions of county officials, and install the Department of Finance as the oversight body over a single piece of the complicated process of allocating property taxes. These proposed actions are in response to disagreements between the State and five counties related to the calculation of Excess Educational Revenue Augmentation Fund (ERAF). The Cities Association urges you to reject the proposal to allow discussions between the parties to continue.

All property tax revenue remains within the county in which it was collected to be used exclusively by local governments. A portion of property tax revenue is allocated to ERAF to support local school districts. When the amount contributed to ERAF is more than the minimum cost of funding local schools, excess funds, known as Excess ERAF, are returned to counties, cities, and special districts. The County of Santa Clara is one of five Excess ERAF counties in the state.

The proposed actions would result in considerable financial consequences to the affected counties, as well as their cities. The fifteen cities in Santa Clara County stand to lose a combined amount of \$26.5 million in annual, ongoing funds. Our cities are already experiencing reduced sales tax and transient occupancy tax revenues due to the COVID-19 pandemic. More lost revenue would further harm our already precarious financial situations and likely lead to deeper cuts in core city services.

We recognize that there can be disagreements about how various complicated statutes relate to each other. But the proposed actions would unilaterally and retroactively reallocate local property taxes and unfairly penalize counties for actions that have already been audited and found to be proper. We urge you to reject the proposal and allow the Controller, counties, and school officials to continue to work on the development of guidance that would ensure the appropriate allocation of property taxes going forward.

We appreciate your consideration of our position on this important matter.