

Understanding the ERAF III Calculations

http://www.sco.ca.gov/ard/payments/mvlf/city_reductions.pdf

California Revenue and Taxation code Section 97.71(b) contains the formulas for property tax transfers from California cities in FY04-05 and FY 05-06, known commonly as “ERAF III.” These transfers to local Educational Revenue Augmentation funds reduce the amount of funding the state’s general fund will need to provide to schools under the Proposition 98 School Funding guarantee.¹ The total property tax transfer to ERAF and savings by the state general fund is \$350 million for cities in FY04-05 and \$350 million in FY05-06.

The formula for allocating the \$350 million of property tax transfer amounts among cities is

1. The share for the city and county of San Francisco is the amount San Francisco would pay if the entire \$350 million amount were allocated in proportion to city vehicle license fee revenues (using actual FY02-03 data).²
2. The remainder of the \$350 million is allocated among cities other than San Francisco:
 - one-third in proportion to city vehicle license fee revenues (using actual FY02-03 data),³
 - one-third in proportion to city property tax revenues (using FY02-03 data),⁴
 - one-third in proportion to city local Bradley Burns sales tax revenues (using FY02-03 data).⁵
3. The formula further limits the amount of each city’s transfer to no more than 4% of that city’s general revenues as reported in the FY01-02 California State Controller’s city report, and provides that each city transfer be a minimum of 2% of that city’s general revenues as reported in the FY01-02 California State Controller’s city report. The effects of these limits are to be spread proportionally among all other cities.⁶

The official calculations of the property transfers were made by the California State Controller’s Office and may be found on-line at http://www.sco.ca.gov/ard/payments/mvlf/city_reductions.pdf entitled “*State Controller's Office Division of Accounting and Reporting, Reductions to Amounts Allocated Under Revenue and Taxation Code Section 97.70 In Accordance With Revenue and Taxation Code Section 97.71(b)(1) and (2).*” This table lists each California city alphabetically by county. The far right column contains the final calculated amount for each city. Other columns in the report are:

Column Three: MVLF 2002-03 81.25%

This column contains the FY02-03 City Vehicle License fee revenues for all cities and the city and county of San Francisco. The data in this column is used to determine the total ERAF III property tax transfer for San Francisco. It’s also used to determine 1/3 of the ERAF III amounts for other cities.

Column Four: R&T 97.71(b)(1) San Francisco

This column contains the ERAF III property tax transfer for San Francisco calculated based on the VLF figures in Column Three.

¹ Provisions of Proposition 98, as amended by Proposition 111 in 1980 are found in California Constitution Article XVI Sections 8.0 and 8.5 and California Education Code Sections 14022 et seq., 33126, 25256, 41200 et seq. and 41300.1.

² Revenue and Taxation Code Sec 97.71(b)(1)

³ Revenue and Taxation Code Sec 97.71(b)(2)(A)(i)

⁴ Revenue and Taxation Code Sec 97.71(b)(2)(A)(ii)

⁵ Revenue and Taxation Code Sec 97.71(b)(2)(A)(iii)

⁶ Revenue and Taxation Code Sec 97.71(b)(2)(B)

Column Five: R&T 97.71(b)(2)(i) Cities

This column contains the calculations of one-third of the remainder of the \$350 million (net of the San Francisco amount in Column four) spread among cities other than San Francisco calculated based on the VLF figures in Column Three.

Column Six: Sales Tax 2002-03 Sec 7204, Table 21A

This column contains the FY02-03 City Bradley Burns Uniform Local Sales and Use Tax revenues for all cities (other than the city and county of San Francisco). The data in this column is used to determine 1/3 of the ERAF III amounts based on sales tax revenues.

Column Seven: R&T 97.71(b)(2)(ii) Cities

This column contains the calculations of one-third of the remainder of the \$350 million (net of the San Francisco amount in Column four) spread among cities other than San Francisco, calculated based on the sales tax figures in Column Six.

Column Eight: Property Taxes Allocated

This column contains the FY02-03 City Secured and Unsecured Property Tax revenues for all cities (other than the city and county of San Francisco). The data in this column is used to determine 1/3 of the ERAF III amounts based on property tax revenues.

Column Nine: R&T 97.71(b)(2)(iii) Cities

This column contains the calculations of one-third of the remainder of the \$350 million (net of the San Francisco amount in Column four) spread among cities other than San Francisco, calculated based on the property tax figures in Column Eight.

Column Ten: Sum of (i)(ii)(iii)

This is the sum of the one-third amounts in columns five, seven and nine for each city, prior to applying the "4% cap" and "2% floor."

Column Eleven: General Revenues

This column contains the FY01-02 general revenues for all cities. The data in this column is used to determine the 2% floor and 4% cap for each city (other than the city and county of San Francisco).

Column Twelve: 2% of Revenues

The 2% floor amount for each city based on the data in Column Eleven.

Column Thirteen: 4% of Revenues

The 4% cap amount for each city based on the data in Column Eleven.

Column Fourteen: Reduction Amounts

The final calculated reduction amount for each city.

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