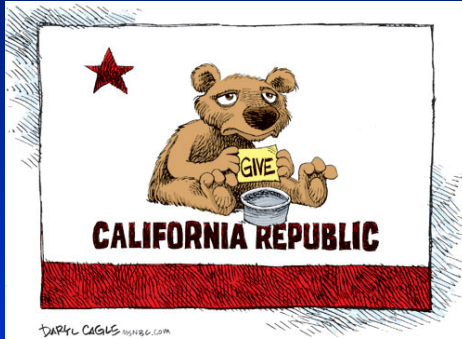


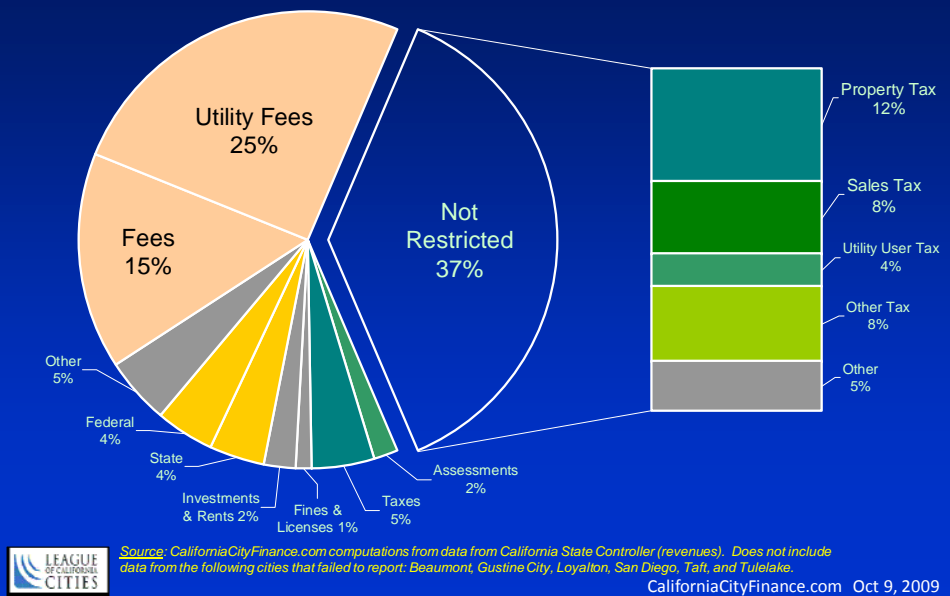
# California's Economic Crisis Effects on City Finances



**NLC FAIR**  
Fall Meeting  
October 9, 2009

**Michael Coleman**  
Fiscal Policy Advisor, League of California Cities  
530.758.3952 coleman@muni1.com  
www.californiacityfinance.com

## California City Revenues



# The infamous ... California Property Tax

- 1% rate cap\*
- growth in taxable value limited to 2% except on resale
- 👉 No local control of:
  - the 1% rate
  - the allocation of revenues among local agencies

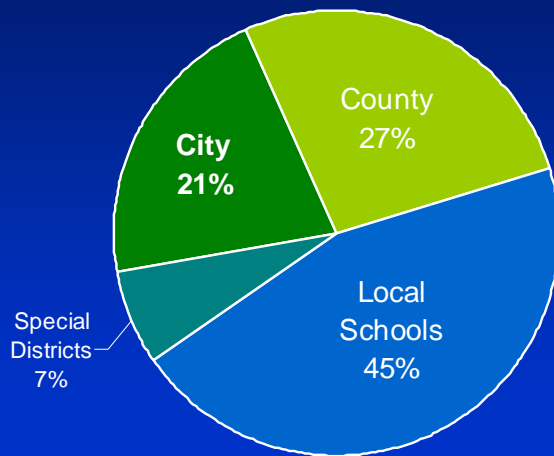
... *not even local voters*



\* *except for voter approved debt service*

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## Where Your Property Tax Goes Typical California city resident



*Typical homeowner  
in a full service city  
not in a redevelopment area.*

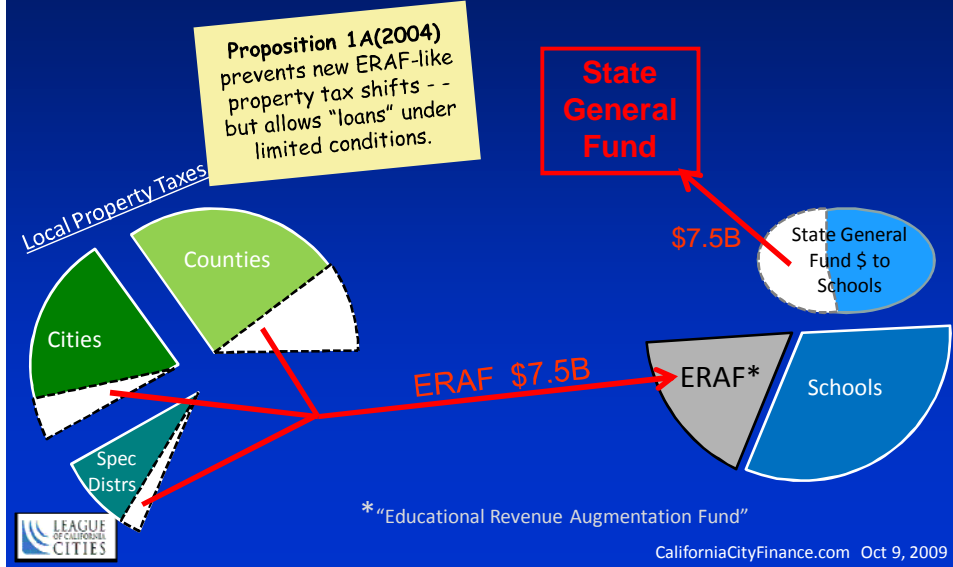
*Includes Property  
Tax in-lieu of VLF.*



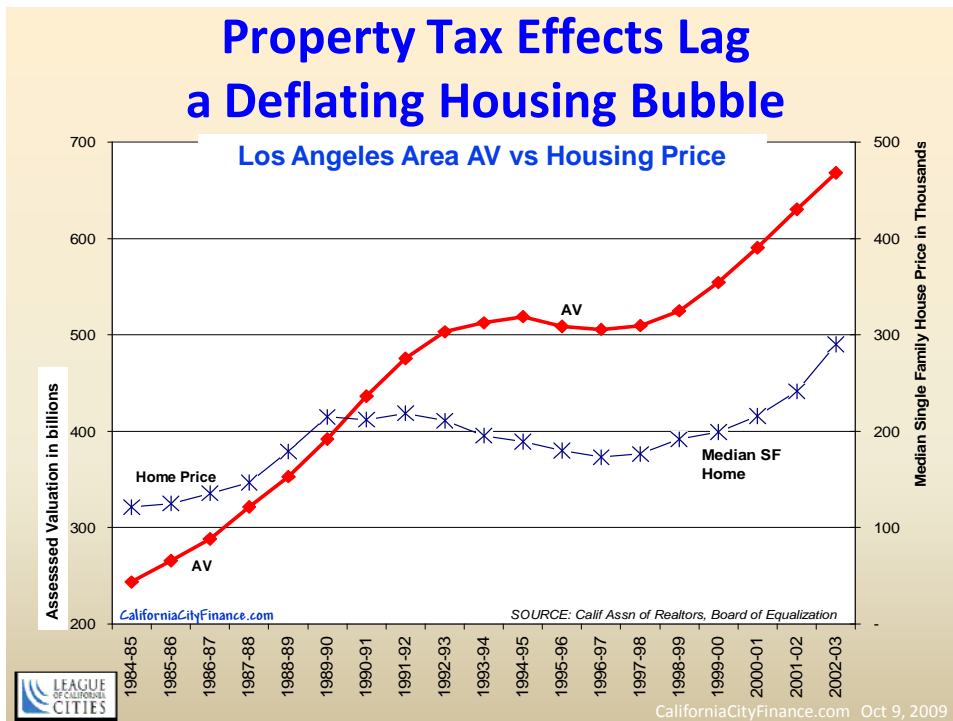
Source: CaliforniaCityFinance.com computations from Board of Equalization and State Controller data.

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# ERAF\*: How the State Manipulates Property Tax to it's own Gain

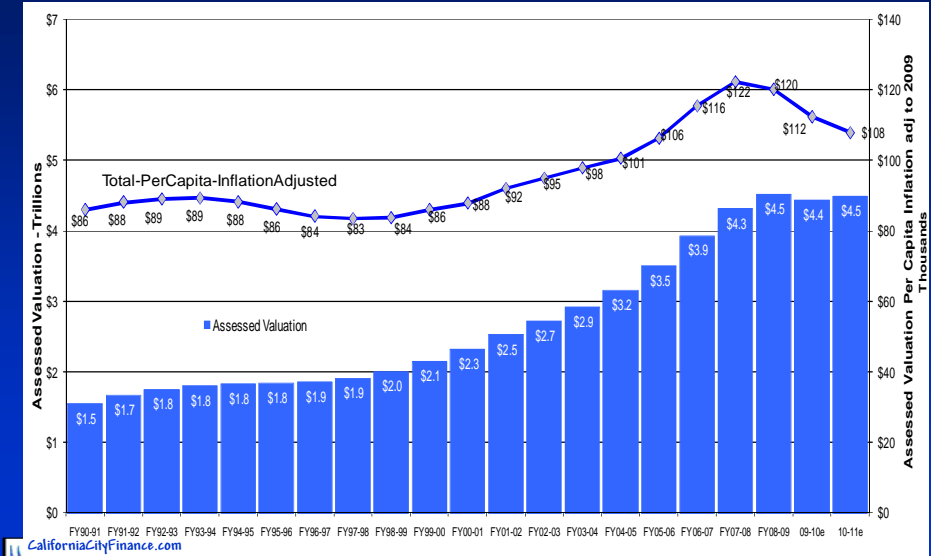


## Property Tax Effects Lag a Deflating Housing Bubble



# Assessed Valuation of Property

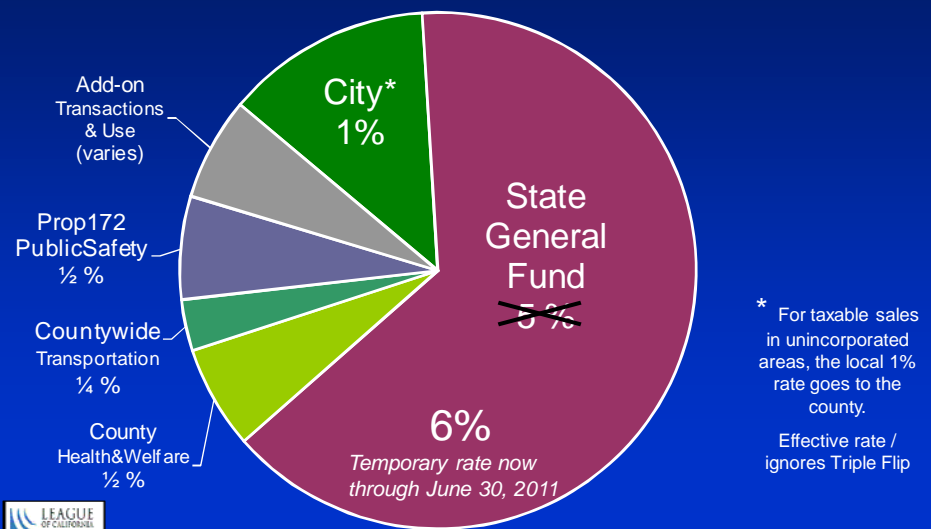
California Taxable values net of exemptions



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# Where Your Sales Tax Goes

in California



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The flawed ...

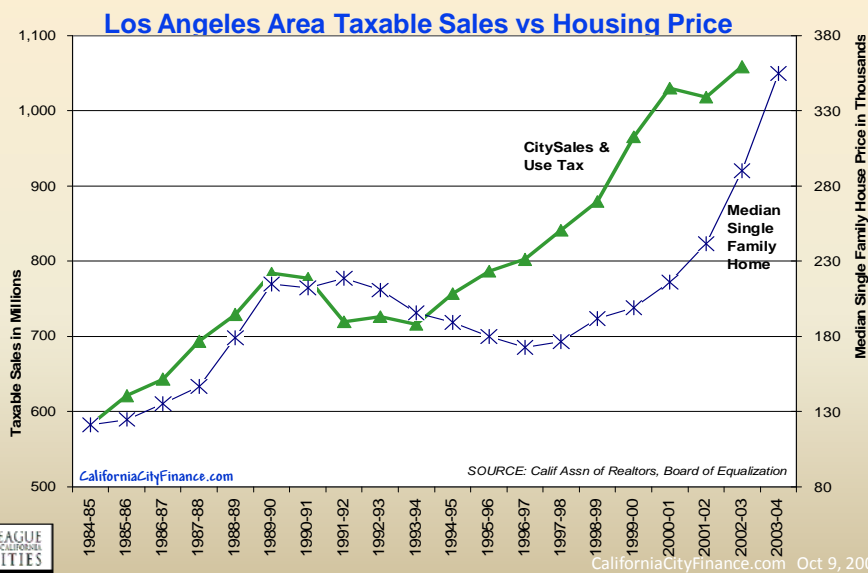
# California Sales & Use Tax

- Combined state & local rates apply to a uniform base of taxable sales ....  
sales tax base does NOT include services.
  - ☛ Taxable sales lagging population / inflation
- Situs allocation of entire local amount
  - =Motherhood & Apple pie to the League of Calif Cities
  - ☛ Large component of “fiscalization of land use” problem
  - ☛ Contributes to high volatility of revenues

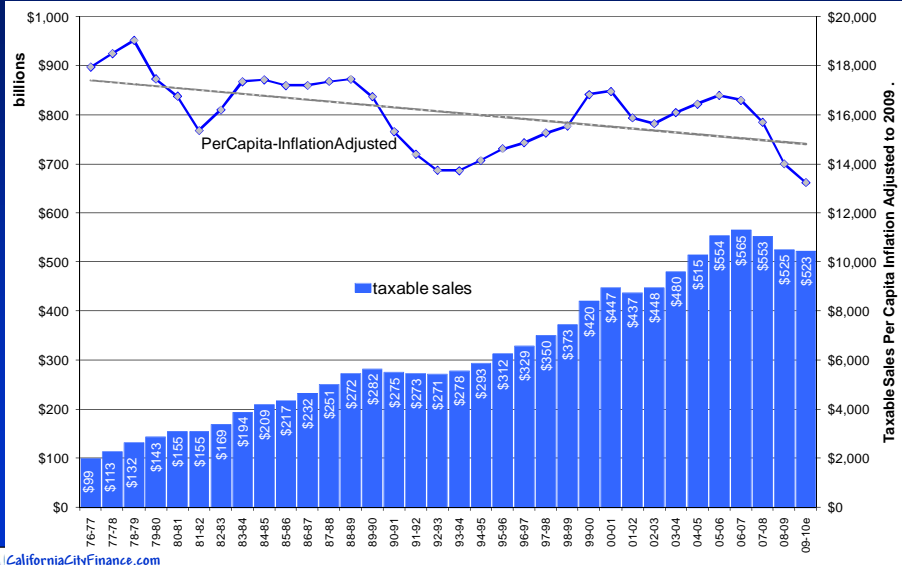


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## Sales Tax Effects in Concert with a Deflating Housing Bubble



# California Taxable Sales



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## City Funds at Risk of State Action

### State Subventions (General Fund)

- Law enforcement grants (\$xxm)

New  
0.15%  
VLF  
rate

### Redevelopment Agencies

- Property Tax shift

Unconstitutional?

### Special-Funded Subventions

- State \$ to cities & counties only -

- Prop. 172 Public Safety (\$180m+)
- Vehicle License Fee (\$150m+)

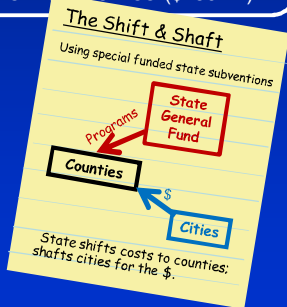
### Borrowable / Delayable

- Property Tax (\$2b cities/counties/spec. districts)
- Highway Users' Tax & Prop 42 Transportation Taxes (\$1.65b cities & counties)
- Mandate cost reimburs. (\$91m/yr cities/counties/special districts for pre FY04-05 costs)

- Highway Users' Tax (~\$1b)

Redirect to pay state GF debt

Unconstitutional



✓ = action taken by Legislature

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# Recommended Resources:



*Copies available through  
CaliforniaCityFinance.com*

## California Municipal Revenues & Finance:

The California Municipal Revenue Sources Handbook, 2008 edition by Michael Coleman. League of California Cities. 2008

Understanding the Basics of City and County Revenue Institute for Local Government. 2008\*

Cal Facts, California's Economy and Budget in Perspective – State and Local Finances. Legislative Analyst's Office 2006\*

A Primer on California City Finance by Michael Coleman. *Western City*. Mar 2005\*



\* available on-line at [CaliforniaCityFinance.com](http://CaliforniaCityFinance.com)

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