



Campbell
Cupertino
Gilroy
Los Altos
Los Altos Hills
Los Gatos
Milpitas
Monte Sereno
Morgan Hill
Mountain View
Palo Alto
San Jose
Santa Clara
Saratoga
Sunnyvale

May 10, 2012

Honorable Felipe Fuentes, Chair
Assembly Appropriations Committee
California State Assembly
State Capitol
P.O. Box 942849
Sacramento, CA 94249-0039

Re: Support for Assembly Bill 1816 (Beall) – Tax Equity Allocation

Dear Chair Fuentes,

On behalf of the Cities Association of Santa Clara County, I am writing you to express support for AB 1816 authored by Assembly Member Jim Beall, Jr. Passage of this bill will have a significant impact on the West Valley cities in Santa Clara County and will correct a longstanding inequity in property tax allocations to these cities.

When Proposition 13 passed in 1978, it decreased property taxes by assessing property taxes at their 1975 levels and restricted annual increases of assessed value of real property to an inflation factor, not to exceed 2% a year. As a result, cities with no or low property tax rates were locked-in at rates far below the average property tax rate for other cities.

AB 8, passed in 1979, backfilled the worst affects of Proposition 13 for local governments, including a provision to bring all “no-low tax” cities share of the property tax up to 7 %. Subsequent legislation sponsored by Assembly Member Vasconcellos, however, reduced the share of the AB 8 property tax distribution for the cities of Saratoga, Los Altos Hills, Cupertino, and Monte Sereno.

In 1978, legislation was enacted which limited the cities of Cupertino, Saratoga, Monte Sereno and Los Altos Hills to 55% of what other TEA cities in the state receive. In 2006, Assembly Bill 117 repealed the 55% limit, but the four cities were required to remit a higher ERAF rate to the State on these TEA funds so that the State budget would not be impacted. As a result, the City is still being apportioned less than seven percent of property taxes as set forth in the California revenue and taxation code. AB 1816 (Beall) has been introduced to phase out the higher ERAF rate requirements for the four cities. To lessen the effect on the State budget, while finally

bringing the cities into parity with other no/low property tax cities, AB 1816 proposes a 5-year phase-in period.

The Cities Association of Santa Clara County is a collaborative organization that represents the mutual interests of the diverse 15 cities of Santa Clara County. Each city appoints a city council member to the Board of Directors, which meets monthly. In its role as an advocate for the Santa Clara County cities, the Board of Directors addresses issues of mutual interest, promotes cooperation between the cities, and advocates for positive action to enhance the quality of life for the people of our county.

As a unified voice of the cities of Santa Clara County, the Cities Association recognizes that if adopted, AB 1816 would modify property tax allocations by treating Saratoga, Los Altos Hills, Cupertino, and Monte Sereno like all other "no-low tax" cities in the State. We urge you to support and vote yes for AB 1816 to correct the allocation of property taxes to the West Valley cities in Santa Clara County.

Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script that reads "Sam Liccardo".

Sam Liccardo
Council Member, Cities Association of Santa Clara County
Council Member, City of San Jose

CC: Cities Association of Santa Clara County Board of Directors
Amy Chan, Interim City Manager, City of Cupertino
Carl Cahill, Town Manager, Town of Los Altos Hills
Brian Loventhal, City Manager, City of Monte Sereno
Dave Anderson, City Manager, City of Saratoga
Assembly Member Jim Beall Jr., District 24, CA State Assembly