

1 [Opposing California Department of Finance Proposal - Local Property Taxes and ERAF
2 Provisions in the Education Omnibus Trailer Bill]

3 **Resolution urging the California Legislature to reject the Department of Finance**
4 **proposal to shift Educational Revenue Augmentation Fund (ERAF) property tax**
5 **revenues away from the City and County of San Francisco and direct those funds to**
6 **charter schools in order to relieve the State’s General Fund Obligation to those charter**
7 **schools.**

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9 WHEREAS, In the early 1990s, in response to State fiscal challenges, the State
10 created a craftily misnamed “Educational Revenue Augmentation Fund” (ERAF) within each
11 county and the State funded ERAF by imposing a substantial shift of property taxes from
12 counties and cities to offset the State’s obligations to schools; and

13 WHEREAS, Despite its name, ERAF does not result in any additional funding for
14 schools or children because it actually offsets the State’s obligations for school funding by
15 instead using local property taxes the State takes from counties and cities; and

16 WHEREAS, ERAF now represents a multibillion-dollar annual shift of local property
17 taxes to benefit the State; and

18 WHEREAS, The way ERAF has always worked is that once it has fulfilled the State’s
19 school funding obligations, any remaining funds would be returned to the counties and cities
20 that funded ERAF through property taxes—these returned funds are referred to as “excess
21 ERAF,” although they are really returned funds originally taken from counties and cities; and

22 WHEREAS, Five Bay Area counties, including the City and County of San Francisco,
23 currently have “excess ERAF” funds that they use for critical discretionary purposes similar to
24 other local property taxes; and

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1 WHEREAS, The State Controller has always been the independently elected official
2 responsible for auditing local property tax calculations and distributions to determine ERAF
3 and excess ERAF, calculations upon which the five Bay Area counties have relied; and

4 WHEREAS, The State Department of Finance (DOF) is proposing amendments to the
5 Revenue and Taxation Code that would result in the five Bay Area counties permanently
6 losing hundreds of millions of dollars in “excess ERAF” from their General Funds; and

7 WHEREAS, The affected counties, including the City and County of San Francisco,
8 strongly dispute any errors, and believe the DOF’s proposal, which overturns the State
9 Controller’s confirmed guidance and case law violates the Constitutional prohibition on
10 redirecting county property taxes; and

11 WHEREAS, The City and County of San Francisco will lose an estimated \$43 million in
12 ongoing and increasing annual funding; and

13 WHEREAS, Approval of the trailer bill and DOF’s proposal would result in the affected
14 counties having to make devastating cuts to their General Funds since those counties already
15 face hundreds of millions of dollars in deficits due the economic downturn; and

16 WHEREAS, The immediate cuts that the City and County of San Francisco and other
17 affected counties would have to make to transfer these funds effective in the 2024-2025 State
18 Budget would mean the significant and immediate reduction or elimination of programs that
19 serve the most vulnerable of their residents; now, therefore, be it

20 RESOLVED, That the Board of Supervisors calls upon the State Legislature,
21 specifically including each member of the City and County of San Francisco’s Legislative
22 Delegation (Senator Scott Wiener, Assemblymember Matt Haney, and Assemblymember Phil
23 Ting) to reject the DOF’s unconstitutional shift of local property taxes away from the City and
24 County of San Francisco and to charter schools; and, be it

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1 FURTHER RESOLVED, That the Board of Supervisors directs the Clerk of the Board
2 to transmit a copy of this Resolution upon adoption to the Governor, the Assembly Speaker,
3 the Senate Pro Tempore, the City Lobbyist, and each member of the San Francisco
4 Legislative Delegation.

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