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An act to add Section 95.5 to the Revenue and Taxation Code, relating to taxation.



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THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 95.5 is added to the Revenue and Taxation Code, to read:

95.5. (a) The Legislature finds and declares all of the following:

(1) In recognition of the fact that over 50 percent of annual property tax revenues accrue to K-14 schools and county offices of education, and thereby help to offset the state's General Fund obligation to those entities, the state has a vested financial interest in ensuring that county assessors have the resources necessary to fairly and efficiently administer the county property tax rolls. Fair and efficient administration includes, but is not limited to, the expeditious enrollment of properties that are newly constructed or that change ownership, the timely levying of supplemental assessments when ownership changes occur, the timely reassessment of property to reflect market values, and the defense of assessed valuations that county assessors believe have been improperly appealed.

(2) It is the intent of the Legislature to establish a three-year pilot program limited to nine competitively selected county assessors' offices to quantify the benefit of providing county assessors with state grants to improve their ability to discharge these, and related essential duties.

(3) The success of the pilot program shall be determined based on whether the assessment activities funded with pilot program funds in each county have enhanced countywide equalization by properly valuing property, and have thereby generated property tax revenues for K-14 schools and county offices of education in an amount that is not less than the total amount of General Fund revenues expended to fund the pilot program in each participating county.



(b) For the 2014–15 fiscal year to the 2016–17 fiscal year, inclusive, there is hereby created the State-County Assessors' Partnership Agreement Program, to be administered by the Department of Finance.

(1) Program funding shall be subject to appropriation in the annual Budget Act. The Program shall be inoperative in any fiscal year in which an appropriation is not provided.

(2) Each participating county shall annually match, on a dollar-for-dollar basis, the Program funds apportioned to their county assessor's office.

(3) Program funds provided to participating county assessors shall be used to supplement, and not supplant, existing funding. For purposes of this paragraph, base staffing and funding levels shall be calculated as of June 30, 2014, unless otherwise authorized by the Department of Finance.

(c) All counties shall be eligible to apply to participate in the Program. However, the Department of Finance shall limit Program participation as follows:

(1) (A) No more than two Program participants shall be selected from counties of the first or second class, inclusive, as defined in Sections 28022 and 28023 of the Government Code.

(B) Each county selected from within the classes specified in subparagraph (A) shall be eligible to receive at least 25 percent of the amount annually appropriated for the Program, not to exceed one million eight hundred seventy-five thousand dollars (\$1,875,000).

(C) If the number of approved Program participants is not sufficient to meet the number of participants allowed under subparagraph (A), the number of Program



participants under subparagraph (A) of paragraph (2) may be increased by the remaining number of participants from this paragraph. The remaining funds will be added to the funds available within subparagraph (B) of paragraph (2) so that the total Program funds will be available for distribution equally among the participants in paragraph (2).

(2) (A) No more than four Program participants shall be selected from counties of the third to 12th classes, inclusive, as defined in Sections 28024 to 28033, inclusive, of the Government Code.

(B) Each county selected from within the classes specified in subparagraph (A) shall be eligible to receive at least 11 percent of the amount annually appropriated for the Program, not to exceed eight hundred twenty-five thousand dollars (\$825,000).

(C) If the number of approved Program participants is not sufficient to meet the number of participants allowed under subparagraph (A), the number of Program participants under subparagraph (A) of paragraph (3) may be increased by the remaining number of participants from this paragraph. The remaining funds will be added to the funds available within subparagraph (B) of paragraph (3) so that the total Program funds set aside will be available for distribution equally among the participants in paragraph (3).

(3) (A) No more than three Program participants shall be selected from counties of the 13th to 58th classes, inclusive, as defined in Sections 28034 to 28079, inclusive, of the Government Code.



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(B) Each county selected from within the classes specified in subparagraph (A) shall be eligible to receive at least 2 percent of the amount annually appropriated for the Program, not to exceed one hundred fifty thousand dollars (\$150,000).

(4) County populations for purposes of this subdivision shall be determined based on the most recent January estimate by the population research unit of the Department of Finance.

(d) County assessors' offices that elect to apply to participate in the Program shall do all the following on or before September 15, 2014:

(1) Transmit to the Department of Finance a resolution of the county board of supervisors that states the county agrees to provide the assessor's office with matching funds, on a dollar-for-dollar basis, in each year that the assessor's office participates in the Program.

(2) Submit to the Department of Finance an application, in the form and manner specified by Department of Finance. The Department of Finance may reject applications not received by the specified date. At a minimum, the application shall include the following:

(A) The staff the county assessor proposes to fund using Program funds and matching county funds.

(B) The estimated value that the staff identified in subparagraph (A) will result in a change to the county property tax roll pursuant to work performed in accordance with subparagraph (A) of paragraph (1) of subdivision (f). This information shall be provided for each of the three fiscal years that the Program is authorized to operate. The application shall separately state each of the following:



(i) The dollar value changed on the county property tax roll by county assessor's office staff in the 2013–14 fiscal year through performance of the tasks described in subparagraph (A) of paragraph (1) of subdivision (f).

(ii) The estimated countywide backlog of newly constructed real property that has not yet been enrolled and the estimated rate at which the staff identified in subparagraph (A) will enroll that property.

(C) The estimated value that the staff identified in subparagraph (A) will result in a change to the county property tax roll pursuant to work performed in accordance with subparagraph (B) of paragraph (1) of subdivision (f). This information shall be provided for each of the three fiscal years that the Program is authorized to operate. The application shall separately state each of the following:

(i) The dollar value changed on the county property tax roll by county assessor's office staff in the 2013–14 fiscal year through performance of the tasks described in subparagraph (B) of paragraph (1) of subdivision (f).

(ii) The estimated countywide backlog of real property that has changed ownership and not yet been reassessed and the estimated dollar value of that real property.

(D) The estimated value that the staff identified in subparagraph (A) will result in a change to the county property tax roll pursuant to work performed in accordance with subparagraph (C) of paragraph (1) of subdivision (f). This information shall be provided for each of the three fiscal years that the Program is authorized to operate. The application shall separately state each of the following:



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(i) The dollar value changed on the county property tax roll by county assessor's office staff in the 2013–14 fiscal year through performance of the tasks described in subparagraph (C) of paragraph (1) of subdivision (f).

(ii) The estimated countywide backlog of supplemental assessments that have not been issued and the estimated dollar value of those assessments.

(E) The estimated value that the staff identified in subparagraph (A) will result in a change to the county property tax roll pursuant to work performed in accordance with subparagraph (D) of paragraph (1) of subdivision (f). This information shall be provided for each of the three fiscal years that the Program is authorized to operate. The application shall separately state each of the following:

(i) The dollar value changed on the county property tax roll by county assessor's office staff in the 2013–14 fiscal year through performance of the tasks described in subparagraph (D) of paragraph (1) of subdivision (f).

(ii) The estimated countywide backlog of real properties that have not been reassessed upon modification and the estimated dollar value that those modifications will add to the county property tax roll.

(F) The estimated value that the staff identified in subparagraph (A) will result in a change to the county property tax roll pursuant to work performed in accordance with subparagraph (E) of paragraph (1) of subdivision (f). This information shall be provided for each of the three fiscal years that the Program is authorized to operate. The application shall separately state each of the following:



(i) The dollar value changed on the county property tax roll by county assessor’s office staff in the 2013–14 fiscal year through performance of the tasks described in subparagraph (E) of paragraph (1) of subdivision (f).

(ii) The estimated countywide backlog of escaped assessments and the estimated dollar value of those assessments.

(G) The estimated value that the staff identified in subparagraph (A) will add to the county property tax roll pursuant to work performed in accordance with subparagraph (F) of paragraph (1) of subdivision (f). This information shall be provided for each of the three fiscal years that the Program is authorized to operate. The application shall separately state each of the following:

(i) The dollar value changed on the county property tax roll by county assessor’s office staff in the 2013–14 fiscal year through performance of the tasks described in subparagraph (F) of paragraph (1) of subdivision (f).

(ii) The estimated countywide backlog of properties that have not been reassessed to market value subsequent to having their assessed values reduced and the estimated dollar value of those reassessments.

(H) The estimated number of assessment appeals to which the staff identified in subparagraph (A) will respond in accordance with subparagraph (G) of paragraph (1) of subdivision (f). This information shall be provided for each of the three fiscal years that the Program is authorized to operate. The application shall separately state each of the following:



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(i) The dollar value retained on the county property tax roll by county assessor's office staff in the 2013–14 fiscal year through performance of the tasks described in subparagraph (G) of paragraph (1) of subdivision (f).

(ii) The number of assessment appeals to which the county assessor was unable to respond due to staffing shortages in the 2013–14 fiscal year, and the dollar amount by which the county property tax roll was consequently reduced.

(I) The estimated value that the staff identified in subparagraph (A) will result in a change to the county property tax roll pursuant to work performed in accordance with subparagraph (H) of paragraph (1) of subdivision (f). This information shall be provided for each of the three fiscal years that the Program is authorized to operate. The application shall separately state each of the following:

(i) The dollar value changed on the county property tax roll by county assessor's office staff in the 2013-14 fiscal year through performance of the tasks described in subparagraph (H) of paragraph (1) of subdivision (f).

(ii) The estimated amount resulting in change to the county property tax roll due to additional audits completed pursuant to Sections 469 and 470 of Revenue and Taxation Code and the estimated dollar value of those assessments.

(J) The estimated value that the staff identified in subparagraph (A) will result in a change to the county property tax roll pursuant to work performed in accordance with subparagraph (I) of paragraph (1) of subdivision (f). This information shall be provided for each of the three fiscal years that the Program is authorized to operate. The application shall separately state each of the following:



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(i) The dollar value changed on the county property tax roll by county assessor's staff in the 2013-14 fiscal year through performance of the tasks described in subparagraph (I) of paragraph (1) of subdivision (f).

(ii) The estimated amount resulting in a change to the county property tax roll due to discovering taxable property pursuant to Sections 405 and 531 of the Revenue and Taxation Code, the estimated dollar value of those assessments, and the estimated rate at which the staff identified in subparagraph (A) will issue those assessments.

(K) State the amount of Program funds and county matching funds that the county assessor proposes to expend for each of paragraphs (2) and (3) of subdivision (f).

(e) The Department of Finance shall review the applications, select the Program participants on the strength of those applications, and notify the participants of their selection no later than October 15, 2014. No later than October 22, 2014, and each October 22 thereafter while the Program is operative, the Department of Finance shall instruct the State Controller's Office to remit to each participating county the appropriate sum in accordance with subdivision (c).

(f) County assessors' offices shall use Program funds only for the following purposes, provided that the funds may be used for additional, related purposes upon the receipt of specific authorization from the Department of Finance:

(1) The payment of salaries and benefits to assessor's office staff hired or otherwise funded subsequent to the Department of Finance's approval of the assessor's Program participation application pursuant to subdivision (d), to assist with the following activities:

(A) Assessing and enrolling newly constructed real property.



(B) Reassessing real property that has changed ownership.

(C) Processing supplemental assessments for real property that has changed ownership.

(D) Reassessing existing real property that has been modified in a way that changes its current assessed value.

(E) Reassessing real and personal property that has escaped assessment, as defined in Section 531.

(F) Reassessing to current market value those real properties for which the county assessor previously reduced the assessed valuation pursuant to subdivision (b) of Section 2 of Article XIII A of the Constitution.

(G) Responding to real property assessment appeals pursuant to Part 3 (commencing with Section 1601) of Division 1.

(H) Conducting property tax audits pursuant to Sections 469 and 470 of the Revenue and Taxation Code.

(I) Discovering real and personal property not previously assessed.

(2) Procuring office space for staff hired pursuant to paragraph (1).

(3) Procuring office supplies and related items for staff hired pursuant to paragraph (1).

(4) Procuring information technology systems and software to assist with the activities specified in subparagraphs (A) to (G), inclusive, of paragraph (1) by increasing efficiencies and effectiveness of property tax administration, and allowing for appropriate utilization of Program receipts. For purposes of this paragraph, "information technology systems and software" shall exclude desktop computers, portable computers,



tablet computers, and mobile phones, unless specifically authorized by the Department of Finance.

(g) No later than April 15, 2015, and each subsequent April 15, that the Program is operative, each participating county assessor's office shall report the following information to the Department of Finance in the form and manner specified by the Department of Finance:

(1) The matching funds provided by the county in the fiscal year.

(2) A status report for completing the assessment activities using Program funds and county matching funds to meet the benchmarks specified in paragraph (2) of subdivision (a) in the next fiscal year.

(h) No later than September 15, 2015, and each subsequent September 15, that the Program is operative, each participating county assessor's office shall report the following information to the Department of Finance in the form and manner specified by the Department of Finance:

(1) (A) The matching funds provided by the county in the fiscal year.

(B) If the matching funds provided by the county are less than the amount determined for that year by the Department of Finance pursuant to paragraph (2) of subdivision (b), the Director of Finance shall immediately terminate the county's participation in the Program.

(2) The number of staff whose salaries and benefits were paid in full with Program grant funds and with county matching funds in the fiscal year.

(3) The number of properties assessed and enrolled in the fiscal year pursuant to subparagraph (A) of paragraph (1) of subdivision (f) by the staff identified in



paragraph (1) of subdivision (f), and the total assessed value of those properties. If applicable, the county assessor shall separately report the number of properties assessed and enrolled in the fiscal year using the information technology systems and software identified in paragraph (4) of subdivision (f) and the total assessed value of those properties.

(4) The number of properties reassessed in the fiscal year pursuant to subparagraph (B) of paragraph (1) of subdivision (f) by the staff identified in paragraph (1) of subdivision (f), and the total roll value of those reassessments. If applicable, the county assessor shall separately report the number of properties reassessed in the fiscal year using the information technology systems and software identified in paragraph (4) of subdivision (f) and the total roll value of those reassessments.

(5) The number of supplemental assessments enrolled in the fiscal year pursuant to subparagraph (C) of paragraph (1) of subdivision (f) by the staff identified in paragraph (1) of subdivision (f), and the total roll value of those supplemental assessments. If applicable, the county assessor shall separately report the number of supplemental assessments enrolled in the fiscal year using the information technology systems and software identified in paragraph (4) of subdivision (f) and the total roll value of those supplemental assessments.

(6) The number of properties reassessed in the fiscal year pursuant to subparagraph (D) of paragraph (1) of subdivision (f) by the staff identified in paragraph (1) of subdivision (f) and the total roll value of those reassessments. If applicable, the county assessor shall separately report the number of properties reassessed in the fiscal



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year using the information technology systems and software identified in paragraph (4) of subdivision (f) and the total roll value of those reassessments.

(7) The number of escaped assessments enrolled in the fiscal year pursuant to subparagraph (E) of paragraph (1) of subdivision (f) by the staff identified in paragraph (1) of subdivision (f), and the total roll value of those assessments. If applicable, the county assessor shall separately report the number of escaped assessments enrolled in the fiscal year using the information technology systems and software identified in paragraph (4) of subdivision (f) and the total roll value of those assessments.

(8) The number of properties reassessed in the fiscal year pursuant to subparagraph (F) of paragraph (1) of subdivision (f) by the staff identified in paragraph (1) of subdivision (f), and the total roll value of those reassessments. If applicable, the county assessor shall separately report the number of properties reassessed in the fiscal year using the information technology systems and software identified in paragraph (4) of subdivision (f) and the total roll value of those reassessments.

(9) The number of assessment appeals successfully responded to in the fiscal year pursuant to subparagraph (G) of paragraph (1) of subdivision (f) by the staff identified in paragraph (1) of subdivision (f) and the total value retained on the roll as a result. For purposes of this paragraph, "successfully responded to" means the assessment appeals board did not reduce the assessed value to that claimed by the appellant.

(10) The additional number of property tax audits completed in the fiscal year pursuant to subparagraph (H) of paragraph (1) of subdivision (f) by the staff identified in paragraph (1) of subdivision (f) and the total value retained on the roll as a result.



For purposes of this paragraph, additional audits refers to the number greater than the required volume of pool audits pursuant to Section 469 of the Revenue and Taxation Code .

(11) The number of properties discovered pursuant subparagraph (I) of paragraph (1) of subdivision (f) by the staff identified in paragraph (1) of subdivision (f) and the total value retained on the roll as a result.

(i) The Department of Finance shall annually review the information submitted pursuant to subdivision (g), and shall determine for each county whether the work performed using Program funds and county matching funds has met the benchmarks specified in paragraph (2) of subdivision (a). Subsequent to the provision of 30 days' notice to the Joint Legislative Budget Committee, the Director of Finance may terminate the participation of a county assessor's office in the Program under the following circumstances:

(1) If the Program activities of the assessor's office have not met the benchmarks specified in paragraph (2) of subdivision (a), and if the Director of Finance believes the assessor's office does not have a viable plan for performing additional assessment activities that will meet those benchmarks in the next fiscal year.

(2) If the Program funds were expended for purposes not authorized in subdivision (f), or as otherwise approved by the Department of Finance pursuant to that subdivision.

(3) If the Director of Finance believes that the county's participation is no longer in the best fiscal or policy interest of the state or of the affected taxing entities.

(j) Upon the request of the Department of Finance, participating county assessors' offices shall provide the Department of Finance with any supplemental information



necessary to substantiate the information contained in the report submitted pursuant to subdivision (g).

(k) No later than May 8, 2017, the Department of Finance shall provide the Joint Legislative Budget Committee with a report that, at a minimum, includes the following information for each county and for each fiscal year that the Program was in operation:

(1) The assessed value of properties enrolled pursuant to subparagraph (A) of paragraph (1) of subdivision (f), using Program funds and county matching funds. If applicable, the Department of Finance shall separately report the assessed value of properties enrolled using the information technology systems and software identified in paragraph (4) of subdivision (f).

(2) The increase in assessed value of properties reassessed pursuant to subparagraph (B) of paragraph (1) of subdivision (f), using Program funds and county matching funds. If applicable, the Department of Finance shall separately report the increase in assessed value of properties reassessed using the information technology systems and software identified in paragraph (4) of subdivision (f).

(3) The total value of the supplemental assessments levied pursuant to subparagraph (C) of paragraph (1) of subdivision (f), using Program funds and county matching funds. If applicable, the Department of Finance shall separately report the value of the supplemental assessments levied using the information technology systems and software identified in paragraph (4) of subdivision (f).

(4) The increase in assessed value of properties reassessed pursuant to subparagraph (D) of paragraph (1) of subdivision (f), using Program funds and county matching funds. If applicable, the Department of Finance shall separately report the





increase in assessed value of properties reassessed using the information technology systems and software identified in paragraph (4) of subdivision (f).

(5) The increase in assessed value associated with escaped assessments enrolled pursuant to subparagraph (E) of paragraph (1) of subdivision (f), using Program funds and county matching funds. If applicable, the Department of Finance shall separately report the increase in assessed value associated with escaped assessments enrolled using the information technology systems and software identified in paragraph (4) of subdivision (f).

(6) The increase in assessed value associated with properties reassessed pursuant to subparagraph (F) of paragraph (1) of subdivision (f), using Program funds and county matching funds. If applicable, the Department of Finance shall separately report the increase in assessed value associated with properties reassessed using the information technology systems and software identified in paragraph (4) of subdivision (f).

(7) The number of assessment appeals successfully responded to pursuant to subparagraph (G) of paragraph (1) of subdivision (f), using Program funds and county matching funds, and the amount of assessed value retained on the roll as a result. For purposes of this paragraph, "successfully responded to" means the assessment appeals board did not reduce the assessed value to that claimed by the appellant.

(8) The increase in assessed value associated with property tax audits pursuant to subparagraph (H) of paragraph (1) of subdivision (f), using Program funds and county matching funds. If applicable, the Department of Finance shall separately report the increase in assessed value associated with escaped assessments enrolled using the



information technology systems and software identified in paragraph (4) of subdivision (f).

(9) The increase in assessed value associated with the discovery of previously unassessed property pursuant to subparagraph (I) of paragraph (1) of subdivision (f), using Program funds and county matching funds. If applicable, the Department of Finance shall separately report the increase in assessed value associated with escaped assessments enrolled using the information technology systems and software identified in paragraph (4) of subdivision (f).

(10) An estimate of the countywide property tax revenue resulting from the assessed valuation increases identified pursuant to paragraphs (1) to (8), inclusive, and paragraphs (8) and (9).

(11) An estimate of the countywide property tax revenue that was retained as a result of the appeals workload identified in paragraph (7).

(12) An estimate of the amount of revenue identified in paragraphs (10) and (11) that accrued to the following entities:

- (A) K-12 school districts.
- (B) California Community College districts.
- (C) County Offices of Education.

(13) A determination as to whether the Program succeeded according to the criteria specified in paragraph (3) of subdivision (a), and a recommendation as to whether the Program should be continued in its current form, expanded to include additional county assessors' offices, or terminated in the 2017–18 fiscal year.



(k) The Legislature finds and declares there is a compelling public interest in allowing the Department of Finance to implement and administer the provisions of this section as expeditiously as possible, and to thereby accelerate countywide equalization efforts. The Department of Finance is therefore exempt from the provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) for the express purpose of carrying out the duties in this section.



## LEGISLATIVE COUNSEL'S DIGEST

Bill No.

as introduced, \_\_\_\_\_.

General Subject: Property tax: administrative costs.

Existing law established, until the end of the 2006–07 fiscal year, the State-County Property Tax Administration Grant Program under which a county that enacted a specified resolution and met certain conditions was authorized to receive from the state a grant, if funds were appropriated for this purpose, of a specified amount of money for property tax administration, as specified.

This bill would, for the 2014–15 fiscal year to the 2016–17 fiscal year, establish the State-County Assessor' Partnership Agreement Program, to be administered by the Department of Finance, under which counties selected by the Department of Finance, as specified, would receive funding for certain property tax administration purposes. Funding for the Program would be subject to appropriation in the annual budget, and would require the Program to be inoperative in any fiscal year in which an appropriation is not provided. This bill would require county assessors' offices that elect to participate



in the Program to transmit a resolution and an application, as specified, to the Department of Finance, and would require each participating county to annually match the Program funds apportioned to their county assessor's office. This bill would also require each participating county assessor's office to report specified information to the Department of Finance while the Program is operative. This bill would require the Department of Finance to submit a report that includes specified information for each fiscal year that the Program was in operation to the Joint Legislative Budget Committee.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.



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