



RURAL COUNTY REPRESENTATIVES
OF CALIFORNIA

March 1, 2016

The Honorable Adrin Nazarian
Chair, Assembly Budget Subcommittee
No. 4 on State Administration
State Capitol, Room 4146
Sacramento, CA 95814

RE: Local Assistance (Budget Item 9210) – SUPPORT

Dear Assembly Member Nazarian:

On behalf of the Rural County Representatives of California (RCRC), I offer our support for the Governor's 2016-17 proposed State Budget to fund counties which are experiencing insufficient Educational Revenue Augmentation Fund (ERAF). RCRC is an association of thirty-five rural California counties and the RCRC Board of Directors is comprised of elected supervisors from each of those member counties.

In 2004, local agencies agreed to the provisions of the Flip and Swap, understanding that there was an ongoing commitment by the State to (1) ensure that local agencies would be reimbursed on a dollar-for-dollar basis for losses associated with the loss of the 1/4-cent local Bradley-Burns sales and use tax rate; and, (2) to provide local property tax revenues to replace the loss of Vehicle License Fee (VLF) revenues that resulted from the permanent reduction in VLF to 0.65 percent. Statutory provisions for both of these mechanisms explicitly prohibited county auditors from making any changes to the property tax allocations received by basic aid schools.

Alpine and Amador Counties continue to find themselves in a circumstance unforeseen by the State or local governments back in 2004, where all of the counties' local school entities have been certified as "basic aid" by the California Department of Education. Statutes directing county auditors as to how to provide reimbursement for the Flip and Swap prohibit the use of property taxes that would otherwise go to basic aid school entities for this purpose. As a result, there is no source of funding from which the county auditor may transfer funds to reimburse the counties of Alpine and Amador for revenue losses associated with the Flip and Swap.

Little did we know at that time that economic conditions and demographic changes would result in school entities in some communities becoming basic aid. The

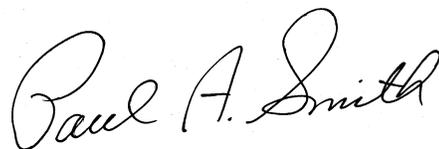
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The Honorable Adrin Nazarian
Local Assistance (Budget Item 9210)
March 1, 2016
Page 2

circumstance that the counties of Alpine and Amador find themselves in is an unintended consequence that was simply not contemplated during the negotiations in 2004. These communities - through no fault of their own - are now facing a significant fiscal challenge as a result. The Governor and the Department of Finance recognize the need to keep these local governments whole by providing Alpine County nearly \$200,000 for recent fiscal year shortfalls, as well as funding Amador County's loss from several years ago. We encourage the Legislature to concur.

If you should have any questions or concerns regarding RCRC's support of this item, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Paul A. Smith". The signature is written in a cursive, flowing style.

PAUL A. SMITH
Senior Legislative Advocate

cc: Members of the Assembly Budget Subcommittee No. 4 on State Administration
Members of the Alpine County Board of Supervisors
Members of the Amador County Board of Supervisors