



Orange County
Taxpayers Association

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The Honorable Arnold Schwarzenegger
State Capitol
Sacramento CA 95814

Dear Governor Schwarzenegger,

Please sign SB 1909 (Machado). It would empower a “qualified county” (one which retains less than 11% of its property tax revenue for general government operations) to retain additional property tax to raise its general government funding to 11%. Only the counties of Orange and Yolo are qualified.

Orange and Yolo became the state’s most generous “donor” counties by unintended consequence of a combination of historical events.

- The Serrano-Priest court decision (1971) requires that all schools in the state be funded equally, regardless of local property tax receipts. The state makes up funding shortfalls in counties that allocate less than the statewide average in property tax to schools. In effect, Orange and Yolo donate some of their sales, income, and other taxes (via the state) to schools that are under-funded by property taxes in “recipient” counties.
- AB 8 (1979), the state’s bailout of local governments after Proposition 13, doles money to counties in proportion to their 1979 allocations of property taxes between schools and general government. In 1979, Orange and Yolo spent more on schools, and less on general services, than other counties. To their subsequent disadvantage, AB 8 made the allocations permanent.

SB 1909 would not bring Orange and Yolo to parity with other counties, which retain (on average) 19% of property taxes for general government. At 11%, Orange and Yolo still would be tied for last place with two other counties. SB 1909 would increase Orange County’s property tax share by only \$4 million per year (in a budget of \$4.6 billion). Yolo would benefit proportionately. OCTax has nagged the legislature for a decade to fix the tax inequity between counties. SB 1909 would be welcome partial redress.

Reed L. Royalty
President

cc: The Honorable Mike Machado