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GROWTH MANAGEMENT ISSUE: FISCALIZATION OF LAND USE

The draft discussion paper issued by the Office of Planning and Research regarding the Governor's Growth Advisory Council recommendations fails to address the "fiscalization" of land use. Counties would continue to be disadvantaged because no reform is proposed for the current inequitable financing scheme.

Impacts of annexations/incorporations

Annexation and incorporation negotiations have become increasingly controversial, particularly in those counties which already suffer under severe fiscal constraints. In both cases, counties retain responsibility for providing countywide services, but end up with less general purpose revenue due to a reduction in property tax and sales tax.

Sales Tax Loss Due to Incorporation of Encinitas and Solano Beach:

Encinitas	$ 4.2 million
Solano Beach	1.2 million
Total	$ 5.4 million

Property Tax

With the limit on property tax imposed by Proposition 13, regardless of the cost or level of service provided to the property owner, local governments may make land use decisions to increase available revenues.

Cities } examples
Counties }

Redevelopment

Redevelopment continues to be one of local government's most potent local land use tools. These revenues do not have to be shared with other local agencies, but can be transferred thought negotiated "pass-through" agreements.

what type do we have?

The diversion of property tax revenues creates conflicts, particularly between cities (acting as redevelopment agencies) and counties. Counties lose needed property tax revenue to redevelopment agencies, but sill must respond to the increased service demands the projects generate.

During the five year period beginning FY 85-86, the County's share of property tax diverted to redevelopment agencies totals $46,727,778.

Reallocation of Sales Tax

Sales taxes have increasingly become a prized revenue source for cities and counties, making commercial development extremely attractive to both. Unlike property taxes which annual growth Proposition 13 limits, sales taxes can keep pace with inflation and better reflect rising service costs. Because currently sales tax is allocated based on where sales occur rather than on where the consumer lives, one community can capture sales tax revenues from another.

Sacramento County has developed a proposal which would correct what it considers

to be inequities in the current situs distribution method. The proposal would redistribute the local share on the sales tax based on a combination of population and situs, with sales tax growth allocated on a per capita basis.

Counties understood the Governor intended to request such a proposal, but OPR has made no mention it in their recommendations.

(County has 20% of population in unincorporated area; 4.8% of sales tax.)

Property Tax support for Schools

In San Diego County schools receive 50% of the property tax dollar, while the County receives 24%, compared to a statewide average of 37% and 33% respectively.