

# City of Palo Alto

*Office of the Mayor and City Council*

June 2, 2020

The Honorable Toni Atkins  
California State Senate  
State Capitol Building, Room 205  
Sacramento, CA 95814

The Honorable Anthony Rendon  
California State Assembly  
State Capitol Building, Room 219  
Sacramento, CA 95814

***Re: Reject the Governor's "Excess ERAF" proposal and allow counties to work with stakeholders***

Dear President Atkins and Speaker Rendon:

On behalf of the City of Palo Alto, I write in opposition to the Governor's Educational Revenue Augmentation Fund (ERAF) proposal to retroactively shift property taxes from local governments and apply penalties to the good-faith actions of county officials. These proposed actions are in response to disagreements between the State and five counties related to the calculation of the ERAF. The City of Palo Alto urges you to reject the proposal and to allow discussions between the parties to continue, unhampered by the threat of penalties and tax loss.

All property tax revenue remains within the county in which it was collected for exclusive use by local governments. A portion of property tax revenue is allocated to ERAF to support local school districts. When the amount contributed to ERAF is more than the minimum cost of funding local schools, excess funds, known as "Excess ERAF," are returned to local governments. The County of Santa Clara is one of five "Excess ERAF" counties in the state.

The Governor's proposed actions would result in considerable financial consequences to the affected counties, as well as their cities. The fifteen cities in Santa Clara County stand to lose a combined total of \$26.5 million in annual, ongoing funds. In Palo Alto alone, we have almost \$2 million at risk from Fiscal Year 2019-2020. As you know, we are experiencing reduced sales tax and transient occupancy tax revenues due to the COVID-19 pandemic; additional lost revenue would further harm our already precarious financial situation.

We recognize that there can be disagreements about how various complicated statutes relate to each other. But the proposed actions would unilaterally and retroactively reallocate local property taxes and unfairly penalize counties for actions that have already been audited and found to be proper. We urge you to reject the proposal and allow the Controller, counties, and school officials to continue to work on the development of guidance that would ensure the appropriate allocation of property taxes going forward.

We appreciate your consideration of our position on this important matter.

Sincerely,

DocuSigned by:  
  
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Adrian Fine  
Mayor, City of Palo Alto

Cc:

Senator Jerry Hill

Assemblyman Marc Berman

Palo Alto City Council

Santa Clara County Cities Association

Ed Shikada, Palo Alto City Manager