

The Triple Flip, VLF SWAP, & ERAF III

Presentation by the
State Association of
County Auditors



Impacts of Local Government Agreement

- Triple Flip
- Vehicle License Fee Swap
- ERAF III
- Guaranteed Future Revenues if Proposition 1A Passes

What is...Triple Flip?

The “triple flip”...

- Reduces the local 1.0% Bradley-Burns sales tax rate by 0.25%.
- Replaces lost local sales tax revenues on a dollar-for-dollar basis from ERAF.
- Increases the state sales tax rate by 0.25% with new revenue dedicated to repaying state’s \$15 billion in Economic Recovery Bonds.

Details, details. – Triple Flip

- State Department of Finance notifies counties and cities of estimated FY 04-05 sales and use tax revenues (Total and 0.25%)**
- Receive $\frac{1}{2}$ of their annual estimate in January of 2005 and the balance in May, 2005**
- Proceeds deposited in “In-lieu of Sales and Use Tax” revenue account**
- “True up” (Settlement) occurs in following year**

Remaining Triple Flip Issues

- Cashflow
- Administrative Costs
- Revenue Sharing Agreements
- Cities with Less than 1% Bradley-Burns Rate
- Notification, Allocations, and Accruals

What is ...VLF Swap?

- The Swap is the exchange of discretionary VLF revenues for property taxes “in lieu of VLF” for cities and counties
- For FY 04-05, Replaces dollar for dollar the VLF discretionary revenues

Details.. Details – VLF Swap

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- **State Controller notifies counties and cities of estimated FY 04-05 sales and use tax revenues by September 15th.**
- **True-up to Actual amounts for FY 04-05 will occur in September, 2005**
- **For each year thereafter, the FY 04-05 will grow by each agencies growth in assessed value**
- **Proceeds deposited in the “in Lieu VLF revenue account**

Other VLF Swap Issues

- Cashflow
- Administrative Costs
- Jurisdictional Boundaries
- Notification, Allocations, and Accruals
- Cities may receive additional VLF from the .65% rate

What is ... ERAF III?

- It is a shift of local agencies revenue to provide the State of \$1.3 billion to balance the budget for FY 04-05 and FY 05-06 (“a contra swap”)
- It is only for 2 years
- It is a calculated (flat) amount
- Redevelopment: Will need to make a payment by May 1st, 2005 and 2006

Details, details.. ERAF III

- State Controller calculates each local agencies “contribution”
- Notification required by September 15th
- City calculation is comprised of 1/3 VLF, 1/3 sales tax, 1/3 Property Tax
- City can pay directly their “contribution to County Auditor by October 1st.
- No City will contribute more than 4% or less than 2% of FY01-02 Revenues.

ERAF III – Issues

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Summary

- State Association of County Auditors are developing uniform statewide guidelines
- Legislation may be required to clarify any remaining issues such as annexation, new incorporations, revenue sharing agreements, etc.etc.etc.
- If Proposition 65 passes and and Proposition IA fails, all the above is a fond memory
- Guidelines will be available through the League of California Cities

Where do we go from here?

- A subcommittee of the State Association of County Auditor-Controllers will draft guidelines for implementation for county auditors.
- CSAC and League Legislative staff will be working on clean-up language as necessary.

Questions

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