

# MARIN COUNTY

Reissued Audit Report

## APPORTIONMENT AND ALLOCATION OF PROPERTY TAX REVENUES

*July 1, 2016, through June 30, 2021*



MALIA M. COHEN  
California State Controller

May 2024



MALIA M. COHEN  
CALIFORNIA STATE CONTROLLER

May 2, 2024

Mina Martinovich, CPA, Director  
Marin County Department of Finance  
3501 Civic Center Drive  
San Rafael, CA 94903

Dear Ms. Martinovich:

The State Controller's Office audited Marin County's process for apportioning and allocating property tax revenues for the period of July 1, 2016, through June 30, 2021. We conducted the audit pursuant to the requirements of Government Code section 12468.

Our audit found that the county incorrectly calculated the excess Educational Revenue Augmentation Fund amount. This reissued audit report supersedes our previous audit report dated August 24, 2023, and reduces the finding amount by \$1,773,284, from \$4,535,424 to \$2,762,140. The finding amount was reduced because the county provided additional supporting documentation after the August 14, 2023 report was issued.

If you have any questions regarding this report, please contact Lisa Kurokawa, Chief, Compliance Audits Bureau, by telephone at (916) 327-3138.

Sincerely,

*Original signed by*

Kimberly A. Tarvin, CPA  
Chief, Division of Audits

KAT/ac

Copy: Sandra Kacharos, Assistant Director  
Marin County Department of Finance  
Dennis Rodoni, Chairperson  
Marin County Board of Supervisors  
Chris Hill, Principal Program Budget Analyst  
Local Government Unit  
California Department of Finance

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## Reissued Audit Report

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# Reissued Audit Report

## Summary

The State Controller's Office (SCO) audited Marin County's process for apportioning and allocating property tax revenues to determine whether the county complied with California statutes for the period of July 1, 2016, through June 30, 2021.

Our audit found that the county incorrectly calculated the excess Educational Revenue Augmentation Fund (ERAF) amount.

## Background

After the passage of Proposition 13 in 1978, the California State Legislature (Legislature) enacted new methods for apportioning and allocating property tax revenues to local government agencies, school districts, and community college districts. The main objective was to provide these agencies and districts with a property tax base that would grow as assessed property values increased. The method has been further refined in subsequent laws passed by the Legislature.

One key law was Assembly Bill 8, Chapter 282, Statutes of 1979, which established the method of allocating property taxes for fiscal year (FY) 1979-80 and subsequent fiscal years. The methodology is commonly referred to as the "AB 8 process."

Property tax revenues are apportioned and allocated to local government agencies, school districts, and community college districts using prescribed formulas and methods defined in the Revenue and Taxation Code. In general, the amount of revenue that an agency or district receives is based on the amount received in the prior year plus a share of the property tax growth within its boundaries.

The AB 8 process involves several steps, including the transfer of revenues from school and community college districts to local government agencies and the development of the tax rate area (TRA) annual tax increment (ATI) apportionment factors, which determine the amount of property tax revenues to be allocated to each jurisdiction.

The total amount to be allocated to each jurisdiction is then divided by the total amount to be allocated to all entities to determine the AB 8 factor for each entity for the year. The AB 8 factors are computed each year for all entities using the revenue amounts established in the prior year. These amounts are adjusted for growth annually using ATI factors.

Subsequent legislation removed from the AB 8 process revenues generated by unitary and operating nonunitary properties, pipelines, regulated railway companies, and qualified electric properties. These revenues are now apportioned and allocated under separate processes.

Other legislation established an ERAF in each county. Most local government agencies are required to transfer a portion of their property tax revenues to the fund. The fund is subsequently apportioned and allocated to school and community college districts by the county auditor according

to instructions received from the county superintendent of schools or the chancellor of the California community colleges.

Taxable property includes land, improvements, and other properties that are accounted for on the property tax rolls, which are primarily maintained by the county assessor. Tax rolls contain an entry for each parcel of land, including parcel number, owner's name, and value. The types of property tax rolls are:

- *Secured Roll*—Property that, in the opinion of the assessor, has sufficient value to guarantee payment of the tax levies and that, if the taxes are unpaid, the obligation can be satisfied by the sale of the property by the tax collector.
- *Unsecured Roll*—Property that, in the opinion of the assessor, does not have sufficient permanence or other intrinsic qualities to guarantee payment of taxes levied against it.
- *State-Assessed Roll*—Utility properties composed of unitary and operating nonunitary value assessed by the California State Board of Equalization.
- *Supplemental Roll*—Property that has been reassessed due to a change in ownership or the completion of new construction, where the resulting change in assessed value is not reflected in other tax rolls.

To mitigate problems associated with the apportionment and allocation of property tax revenues, Senate Bill 418, which requires the SCO to audit the counties' apportionment and allocation methods and report the results to the Legislature, was enacted in 1985.

Apportionment and allocation of property tax revenues can result in revenues to an agency or agencies being overstated, understated, or misstated. Misstated revenues occur when at least one taxing agency receives more revenue than it was entitled to, while at least one taxing agency receives less revenue than it was entitled to.

The agency that received less tax revenue than its statutory entitlement would have standing to require that adjustments be made by the county, either on a retroactive or prospective basis. The SCO does not have enforcement authority or standing to require the county to take corrective action with respect to misallocation of tax revenues, unless the misallocation resulted in overpaid state funds (e.g. funds intended for the ERAF, school districts, or community college districts). The SCO has authority to recover misallocations resulting in overpaid state funds pursuant to Government Code (GC) sections 12410, 12418, and 12419.5.

GC section 12410 provides the SCO with broad authority to "superintend the fiscal concerns of the state." GC section 12418 provides the SCO with the authority to "direct and superintend the collection of all money due the State, and institute suits in its name" against all debtors of the State. GC section 12419.5 provides the SCO with the authority to offset any amounts due the State against any amounts owed to the debtor by the State.

Revenue and Taxation Code (RTC) section 96.1(b) allows a reallocation of current audit findings and unresolved prior audit findings.

RTC section 96.1(c)(3) limits a cumulative reallocation or adjustment to one percent of the total amount levied at a one-percent rate of the current year's original secured tax roll. For reallocation to the ERAF, school districts, or community college districts, a reallocation must be completed in equal increments within the following three fiscal years, or as negotiated with the SCO.

## **Audit Authority**

We conducted this audit under the authority of GC section 12468, which requires the SCO to audit the apportionment and allocation of property tax revenues on a one-, three-, or five-year cycle, depending on the county's population. The audit results are reported annually to the Legislature along with any recommendations for corrective action.

## **Objective, Scope, and Methodology**

Our audit objective was to determine whether Marin County complied with Revenue and Taxation Code, Health and Safety Code, and Government Code requirements pertaining to the apportionment and allocation of property tax revenues.

A property tax bill contains the property tax levied at a one percent tax rate pursuant to the requirement of Proposition 13. A tax bill may also contain special taxes, debt service levies on voter-approved debt, fees, and assessments levied by the county or a city. The scope of our audit was the distribution of the one percent tax levy. Special taxes, debt service levies on voter-approved debt, fees, and assessments levied by the county or a city are beyond the scope of our audit and were not reviewed or audited.

The audit period was July 1, 2016, through June 30, 2021.

To achieve our objective, we performed the following procedures:

- We interviewed key personnel to gain an understanding of the county's process for apportioning and allocating property tax revenues.
- We reviewed the county's written procedures for apportioning and allocating property tax revenues.
- We reviewed documents supporting the transaction flow for apportioning and allocating property tax revenues.
- We assessed the reliability of data from the property tax system by interviewing county staff members knowledgeable about the system, tracing transactions through the system, and recalculating data produced by the system. We determined that the data was sufficiently reliable for purposes of this report.
- We judgmentally selected a non-statistical sample of five from approximately 84 taxing jurisdictions within the county for all fiscal years in the audit period.

The actual number of taxing jurisdictions can vary from year to year due to jurisdictional changes. For testing purposes, we included the ERAF in our sample of taxing jurisdictions. We also tested a special district, a school district, a city, and the county. We selected only one of each type of local agency because when the apportionment and

allocation for one jurisdiction is incorrect, the error affects every other taxing jurisdiction. Then, we:

- Tested apportionment and allocation reports to verify computations used to develop property tax apportionment factors;
- Tested TRA reports to verify that the correct TRA factors were used in the computation of the ATI;
- Reviewed supplemental property tax administrative costs and fees to determine whether recovery costs associated with administering supplemental taxes were based on actual costs and did not exceed five percent of revenues collected, as prescribed in statute;
- Verified computations used to develop supplemental property tax apportionment factors;
- Verified unitary and operating nonunitary, unitary regulated railway, and qualified electric property computations used to develop apportionment factors;
- Reviewed redevelopment agency reports and verified computations used to develop the project base amount and the tax increment distributed to the redevelopment agency;
- Reviewed Redevelopment Property Tax Trust Fund deposits;
- Reviewed property tax administrative cost reports, and recomputed administrative costs associated with work performed for apportioning and allocating property tax revenues to local government agencies, school districts, and community college districts;
- Reviewed ERAF reports and verified computations used to determine the shift of property taxes from local government agencies to the ERAF and, subsequently, to school and community college districts (see the Finding);
- Verified Vehicle License Fee computations used to determine the amount transferred from the ERAF to counties and cities to compensate for the diversion of these revenues; and
- Reviewed California State Board of Equalization jurisdictional change filing logs and their impact on the tax apportionment and allocation system.

Errors found were not projected to the intended (total) population.

We did not audit the county's financial statements.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**Conclusion**

Our audit found that Marin County did not comply with California statutes for the apportionment and allocation of property tax revenues for the audit period. Specifically, we determined that the county incorrectly calculated the excess ERAF amount.

This instance of noncompliance is described in the Finding and Recommendation section of this audit report.

**Follow-up on Prior Audit Findings**

Our prior audit report, for the period of July 1, 2011, through June 30, 2016, issued on June 7, 2017, included no findings related to the apportionment and allocation of property tax revenues by Marin County.

**Views of Responsible Officials**

We issued a draft report on September 16, 2022. Marin County's representative responded by letter dated September 29, 2022, disagreeing with the audit results. The county's response is included as an attachment to this audit report. We issued our final audit report on August 14, 2023.

On October 13, 2023, the county requested an informal review of the audit finding. A meeting was held between the SCO and the county on December 7, 2023; on December 20, 2023, our Chief Legal Advisor to the State Controller informed the county that the finding would remain, but be reduced to \$2,762,140.

**Reason for Reissuance**

This audit report has been reissued to reduce the audit finding amount by \$1,773,284, from \$4,535,424 to \$2,762,140, as the county provided additional supporting documentation after the report was issued.

**Restricted Use**

This audit report is solely for the information and use of Marin County, the Legislature, the California Department of Finance, and the SCO; it is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit distribution of this audit report, which is a matter of public record and is available on the SCO website at [www.sco.ca.gov](http://www.sco.ca.gov).

*Original signed by*

Kimberly A. Tarvin, CPA  
Chief, Division of Audits

May 2, 2024



**Revised Schedule—  
Summary of Misallocations to the  
Educational Revenue Augmentation Fund  
July 1, 2016, through June 30, 2021**

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| <u>Fiscal Years<br/>Affected</u> | <u>Amount Due to<br/>the ERAF</u> |
|----------------------------------|-----------------------------------|
| FY 2019-20 and FY 2020-21        | <u>\$ 2,762,140</u>               |
| Total                            | <u><u>\$ 2,762,140</u></u>        |

# Revised Finding and Recommendation

## **REVISED FINDING— Excess Educational Revenue Augmentation Fund amount**

During our testing of Marin County’s excess ERAF calculations, we found that the county included residual revenues from former redevelopment agencies in its excess ERAF calculations for all fiscal years in the audit period. The county should have excluded those residual revenues from its excess ERAF calculation beginning with FY 2019-20.

The error contributed to an increase in excess ERAF, totaling \$2,762,140, for FY 2019-20 and FY 2020-21. The error occurred because the county incorrectly implemented Health and Safety Code (HSC) section 34188(d), RTC section 97.2(d)(4)(B), and RTC section 97.3(d)(4)(B), which provide the legal requirements for excess ERAF.

HSC section 34188(d) prohibits increasing allocations of excess, additional, or remaining funds to cities, counties, cities and counties, or special districts that would otherwise have received allocations pursuant to RTC sections 97.2(d)(4)(B)(i), 97.3(d)(4)(B)(i), or 98 et seq.

### Recommendation

We recommend that the county:

- Review HSC section 34188(d), RTC section 97.2(d)(4)(B), and RTC section 97.3(d)(4)(B);
- Exclude residual revenue from former redevelopment agencies from its excess ERAF calculations;
- Recalculate its excess ERAF for FY 2019-20 and FY 2020-21; and
- Make monetary adjustments to the ERAF.

### County’s Response

We respectfully disagree with the SCO’s proposed audit finding and object to its recommendations that the County recalculate its excess ERAF from FY 2019-20 through FY 2020-21; and make monetary adjustments to the ERAF in the amount of \$4,535,424. The County has carefully reviewed HSC section 34188(d), RTC section 97.2(d)(4)(B), and RTC section 97.3(d)(4)(B). The County believes it is in full compliance with each of these authorities.

. . . In February 2021, the SCO issued a formal notice to county officials concerning the calculation and allocation of excess ERAF revenues (“SCO Excess ERAF Guidance”). In July 2021, the SCO’s Chief Counsel provided confirmation to the County’s clarifying questions regarding the calculation and allocation of excess ERAF, whereby the SCO confirmed that the County was “in harmony” with the SCO Excess ERAF Guidance and its application of HSC [section] 34188. Accordingly, the County believes that not only is it in full compliance with each of the authorities listed above, but that it is also in full compliance with the additional supplementary guidance promulgated by the SCO. . . .

It is the County's strong position that residual property tax revenues do not (and cannot) contribute to an increase in excess ERAF. This is due to the fact that residual property tax revenues are not deposited into the ERAF to begin with, as RTC section 97.2(d)(2)(B) and the SCO Excess ERAF Guidance specifically directs Counties to exclude residual property tax revenues when calculating overall revenues deposited into ERAF.

If Counties were to exclude all residual revenues allocated to non-basic aid school districts for the purpose of calculating excess ERAF, the result would ultimately conflict with Article XIII, section 25.5 [of the California Constitution] by altering the pro-rata shares of the affected taxing entities. . . .

The SCO Excess ERAF Guidance directs counties to account for excess ERAF as follows:

- Determine the taxing entities that contributed to ERAF (e.g. cities, county, and special districts)
- Allocate Excess ERAF revenues among the affected taxing entities in proportion to the amounts of ad valorem property tax revenue otherwise required to be shifted from those local agencies to the county's ERAF for the relevant fiscal year. (i.e. pro-rata shares)

#### SCO Comment

We issued our final audit report on August 14, 2023.

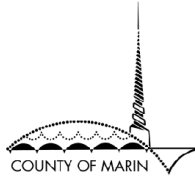
On September 14, 2023, the county provided additional documentation supporting that the original finding amount of \$4,535,424 included residual payments from former redevelopment agencies to basic-aid schools; and that the non-basic aid residual payments, totaling \$2,762,140 (\$1,278,490 for FY 2019-20 and \$1,483,650 for FY 2020-21), had not been excluded from the Excess ERAF calculation.

On October 13, 2023, the county requested an informal review of the audit finding; a meeting was held on December 7, 2023.

On December 20, 2023, our Chief Legal Advisor to the State Controller informed the county that the finding would remain, but be reduced to \$2,762,140.

**Attachment—  
County's Response to Draft Audit Report**

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## DEPARTMENT OF FINANCE

MINA MARTINOVICH  
INTERIM DIRECTOR OF FINANCE  
SANDRA KACHAROS, INTERIM ASSISTANT

September 29, 2022

Lisa Kurokawa, Chief  
State Controller's Office  
Division of Audits  
P.O. Box 942850  
Sacramento, CA 94250

Dear Ms. Kurokawa:

On September 26, 2022, the State Controller's Office (SCO) issued a draft "Marin County Audit Report - Apportionment and Allocation of Property Tax Revenues" covering the July 1, 2016 to June 30, 2021 period. The draft audit report contained one proposed finding. This letter provides a response to that proposed finding from the Marin County Department of Finance in its capacity as the County's Auditor-Controller.

### **Finding – Excess Educational Revenue Augmentation Fund**

#### **SCO Recommendation**

We recommend that the county:

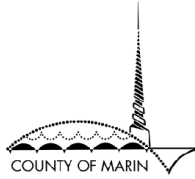
- Review HSC section 34188(d), RTC section 97.2(d)(4)(B), and RTC section 97.3(d)(4)(B);
- Exclude residual revenue from former RDAs from its excess ERAF calculations;
- Recalculate its excess ERAF from FY 2019-20 through FY 2020-21; and
- Make monetary adjustments to the ERAF

#### **County Response**

We respectfully disagree with the SCO's proposed audit finding and object to its recommendations that the County recalculate its excess ERAF from FY 2019-20 through FY 2020-21; and make monetary adjustments to the ERAF in the amount of \$4,535,424. The County has carefully reviewed HSC section 34188(d), RTC section [97.2\(d\)\(4\)\(B\)](#), and RTC section 97.3(d)(4)(B). The County believes it is in full compliance with each of these authorities.

It should further be noted that in February 2021, the SCO issued a formal notice to county officials concerning the calculation and allocation of excess ERAF revenues ("SCO Excess ERAF Guidance"). In July 2021, the SCO's Chief Counsel provided confirmation to the County's clarifying questions regarding the calculation and allocation of excess ERAF, whereby the SCO confirmed that the County was "in harmony" with the SCO Excess ERAF Guidance and its application of HSC 34188. Accordingly, the County believes that not only is it in full compliance with each of the authorities listed above, but that it is also in full compliance with the additional supplementary guidance promulgated by the SCO.

The County's understanding of the opinion held by the SCO Audit Division is that in order to comply with HSC 34188, the County should exclude the allocation of RDA residual property tax to ERAF, as well as



## DEPARTMENT OF FINANCE

MINA MARTINOVICH  
INTERIM DIRECTOR OF FINANCE  
SANDRA KACHAROS, INTERIM ASSISTANT

exclude all RDA residual property tax allocated to non-basic aid school districts from the County's excess ERAF calculation.

It is the County's strong position that residual property tax revenues do not (and cannot) contribute to an increase in excess ERAF. This is due to the fact that residual property tax revenues are not deposited into the ERAF to begin with, as RTC section 97.2(d)(2)(B) and the SCO Excess ERAF Guidance specifically direct Counties to exclude residual property tax revenues when calculating overall revenues deposited into ERAF. The County further notes that the SCO Excess ERAF Guidance does not direct Counties to exclude school residual property tax revenues from the excess ERAF calculation.

If Counties were to exclude all residual revenues allocated to non-basic aid school districts for the purpose of calculating excess ERAF, the result would ultimately conflict with [Article XIII, section 25.5](#) by altering the pro-rata shares of the affected taxing entities.

Furthermore, it is our clear observation that the net effect of implementing the adjustments proposed by the SCO Audit Division would neither increase or decrease school property tax revenues, nor would they change school funding levels set by the Local Control Funding Formula (LCFF). Instead, the net effect of the proposed adjustments would be a reduction in the State's payment obligation to cities and counties for Vehicle License Fees (VLF).

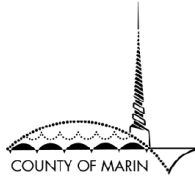
### Excess ERAF Contributions:

The SCO Excess ERAF Guidance directs counties to account for excess ERAF as follows:

- Determine the taxing entities that contributed to ERAF (e.g. cities, county, and special districts)
- Allocate Excess ERAF revenues among the affected taxing entities in proportion to the amounts of ad valorem property tax revenue otherwise required to be shifted from those local agencies to the county's ERAF for the relevant fiscal year. (i.e. pro-rata shares)

Since the inception of ERAF, the County of Marin's methodology has been to account for ERAF contributions at the *jurisdictional* level, while RDA residual revenues are allocated at the *tax rate area* (TRA) level using increment factors. Since there is no increment factor for ERAF at the TRA level, and the County is an "excess ERAF County," the County of Marin does not allocate any residual revenues to the ERAF (See Table 1 on the following page). Since the County does not allocate residual revenue to the ERAF, that residual cannot contribute to an increase in excess ERAF.

The County believes it is in full compliance with the SCO Excess ERAF Guidance, which states that residual revenues "may not contribute to an increase in Excess ERAF." As illustrated on the following page, ERAF does not receive RDA residual revenues in Marin County:



# DEPARTMENT OF FINANCE

MINA MARTINOVICH  
 INTERIM DIRECTOR OF FINANCE  
 SANDRA KACHAROS, INTERIM ASSISTANT

**Table 1**

| Recognized Obligation Payment Schedule (ROPS)<br>Redevelopment Property Tax Trust Fund (RPTTF) Distributions |  |                   |                |                  |                |
|--|--|-------------------|----------------|------------------|----------------|
| Allocation Period: July 2020 - December 2020   |  |                   |                |                  |                |
| ROPS Redevelopment Property Tax Trust Fund (RPTTF) Allocation Cycle: 20-21A                                  |  |                   |                |                  |                |
| County : Marin   |  |                   |                |                  |                |
| Line #   | Title of Former Redevelopment Agency:  | Countywide Totals | Marin RDA      | Novato RDA       | San Rafael RDA |
| 38   | <b>Total ROPS Only RPTTF Balance Available for Distribution to ATEs (line 27 minus 36 minus 37) -</b>  | <b>2,353,575</b>  | <b>238,635</b> | <b>1,292,720</b> | <b>822,221</b> |
| 39   | <b>RPTTF Distributions to ATEs</b>   |                   |                |                  |                |
| 40   | Cities   | 321,369           |                | 124,148          | 197,221        |
| 41   | Counties   | 456,070           | 98,893         | 357,177          |                |
| 42   | Special Districts  | 403,611           | 54,124         | 290,352          | 59,135         |
| 43   | K-12 Schools   | 897,241           | 64,066         | 404,603          | 428,572        |
| 44   | Community Colleges   | 204,965           | 16,047         | 86,699           | 102,219        |
| 45   | County Office of Education   | 70,319            | 5,506          | 29,740           | 35,073         |
| 46   | Total ERAF - Please break out the ERAF amounts into the following categories if possible. (sum of lines 47-49)   | -                 | -              | -                | -              |
| 47   | ERAF - K-12  | -                 | -              | -                | -              |
| 48   | ERAF - Community Colleges  | -                 | -              | -                | -              |
| 49   | ERAF - County Offices of Education   | -                 | -              | -                | -              |
| 50   | <b>Total RPTTF Distributions to ATEs (sum of lines 40-46) - Total residual distributions must equal the total residual balance as shown on line 43</b> | <b>2,353,575</b>  | <b>238,635</b> | <b>1,292,720</b> | <b>822,221</b> |
| 51   | Total Residual Distributions to K-14 Schools (sum of lines 43-46)  | 1,172,525         | 85,618         | 521,042          | 565,864        |
| 52   | Percentage of Residual Distributions to K-14 Schools   | 49.8%             | 35.9%          | 40.3%            | 68.8%          |

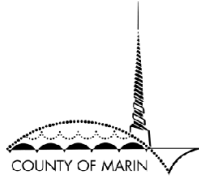
**HSC 34188**

HSC section 34188(d) explicitly requires a comparison between the allocation of RDA residual under HSC 34188, and the allocation of that residual had HSC section 34188 “not been enacted.” The 34188(d) comparison is fundamental in determining whether there has been an increase in excess ERAF resulting from HSC section 34188.

The last sentence of HSC 34188(d), which reads “had this section not been enacted,” refers only to section 34188, it does not refer to the entire Redevelopment Dissolution Law. If HSC section 34188 had not been enacted, residual property tax would be distributed to the affected taxing entities based on pro-rata shares per Article XVI, section 16(b) with no excess ERAF consequence.

The only element of HSC 34188 that could have caused an increase to excess ERAF is HSC 34188(a)(2), which considers an adjustment to the allocation of residual arising from taxing entities that receive both residual and passthrough payments. However, the Third District Court of Appeal held in *City of Chula Vista v. Drager*, 49 Cal. App. 5th 539, 562 (2020), that sub-section 34188(a)(2) conflicts with HSC 34183. The *Chula Vista* court resolved the conflict by holding that taxing entities that receive passthrough payments must receive those payments in full without any effect on the pro-rata shares of residual revenues allocated to them pursuant to section 34188.

The comparison of RDA residual allocation with and without HSC section 34188 results in zero difference in the allocation of residual and zero increase to excess ERAF had section 34188 not been enacted. As the comparison demonstrates, there is no amount of residual that should be excluded when calculating excess ERAF.



## DEPARTMENT OF FINANCE

MINA MARTINOVICH  
INTERIM DIRECTOR OF FINANCE  
SANDRA KACHAROS, INTERIM ASSISTANT

### Vehicle License Fee:

We further submit that the SCO's recommended monetary adjustments to the ERAF would directly supplant the state's Vehicle License Fee (VLF) obligations with excess ERAF monies on a dollar-for-dollar basis, an outcome that is not supported by law. These adjustments would also change the pro-rata share of property tax allocations in violation of Article XIII, section 25.5 by shifting property tax revenue from all of the entities receiving excess ERAF to only those entities (cities and counties) that receive VLF funding. (See VLF Analysis)

We ask that you review and respond to our full analysis and reconsider your recommendations relative to the proposed audit finding. Should you have questions or require additional information, please contact Sandra Kacharos, Interim Assistant Director of Finance, via e-mail at [skacharos@marincounty.org](mailto:skacharos@marincounty.org) or by phone at (415) 473-6177.

Sincerely,

Mina Martinovich  
Interim Director of Finance

cc: Scott Freesmeier, Audit Manager, Division of Audits, State Controller's Office



**State Controller's Office  
Division of Audits  
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Sacramento, CA 94250**

[www.sco.ca.gov](http://www.sco.ca.gov)