

Date of Hearing: April 6, 2016

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Susan Talamantes Eggman, Chair

AB 1952 (Gordon) – As Introduced February 12, 2016

SUBJECT: Property tax postponement.

SUMMARY: Makes a number of changes to the Senior Citizens and Disabled Citizens Property Tax Postponement Program. Specifically, **this bill:**

- 1) Makes a number of changes to the Senior Citizens and Disabled Citizens Property Tax Postponement Program (PTP Program), as follows:
 - a) Requires the Controller, on June 30, 2018, and on June 30 each year thereafter, to transfer any moneys in the PTP fund in excess of \$15 million *not otherwise needed to pay claims approved by the Controller for the postponement of property taxes*, as specified, to the General Fund (GF);
 - b) Allows, if the Controller determines that there are insufficient moneys in the fund to pay all approved claims for the postponement of property taxes, the Director of the Department of Finance (DOF), upon receiving the notification from the Controller, to authorize expenditures from the GF in an amount necessary to pay those claims not sooner than 30 days after providing written notification of the necessity of authorizing those expenditures to the chairpersons of the fiscal committees of each house of the Legislature and the chairperson of the Joint Legislative Budget Committee;
 - c) Requires the recorder to provide the county assessor with a copy of the notice of lien which has been executed;
 - d) Specifies the order with which a payment received shall be applied, as follows:
 - i) To any interest due on the loan;
 - ii) To the principal property tax amount; and,
 - iii) The remaining balance, if any, to administrative fees.
 - e) Requires, upon receipt of the electronic fund transfer by the Controller, the tax collector to enter the fact that taxes on the property have been postponed in the appropriate columns on the roll. Provides, in the case of the secured roll, that this information may be entered in that portion of the roll which has been designated for tax default information, as specified; and,
 - f) Makes several other minor, technical changes.

EXISTING LAW:

- 1) Creates the PTP Program in the State Treasury, which is continuously appropriated to the Controller for purposes of administering the PTP Program, including, but not limited to,

necessary administrative costs and disbursements relating to the postponement of property taxes pursuant to the PTP Law.

- 2) Requires the Controller, pursuant to the PTP Program, to do both of the following:
 - a) On June 30, 2017, transfer any moneys in the fund in excess of \$20 million to the GF; and,
 - b) On June 30, 2018, and on June 30 each year thereafter, transfer any moneys in the fund in excess of \$15 million to the GF.
- 3) Requires, on or after January 1, 2015, any loan repayments relating to the PTP Program to be deposited into the PTP Fund.
- 4) Requires all sums paid by the Controller to be secured by a lien in favor of the State of California when funds are transferred to the county by the Controller upon the real property for which property taxes have been postponed.
- 5) Allows the Controller to start accepting new applications for the PTP Program on July 1, 2016.

FISCAL EFFECT: This bill is keyed fiscal.

COMMENTS:

- 1) **Bill Summary.** This bill makes a number of changes to the PTP Program. First, the bill specifies that moneys in the PTP Fund are only transferred to the GF if they are not needed to pay claims approved by the Controller for the postponement of property taxes. The bill also gives DOF the authority to augment the PTP Fund to pay all the claims, and designates how payments on PTP loans will be applied to existing PTP accounts. AB 1952 makes a number of other technical and clarifying changes to the PTP Program, including the removal of erroneous code section references, and modifying application dates.

This bill is sponsored by State Controller Betty Yee.

- 2) **Author's Statement.** According to the author, "The PTP program, as reestablished by AB 2231 (Gordon), Chapter 703, Statutes of 2014, allows California's seniors over 62 or disabled persons with an income of less than \$35,000 per year to receive a loan from the state to pay their property taxes. Any repayments to these loans are deposited into the PTP Fund, but the State Controller must transfer to the GF any amounts in the PTP Fund that exceed \$20 million as of June 30, 2017, and \$15 million each June 30 thereafter.

"Since the current program limits the amount of money that can be in the PTP Fund, the PTP program will eventually run out of money. Estimates from the State Controller's Office project that this will likely occur in the 2017-18 fiscal year. At that point, the PTP program will not be able to fund new loans to qualified California homeowners in need of assistance.

"AB 1952 will help make the existing PTP Program more sustainable and accessible for eligible applicants. By permitting DOF to augment the budget or authorize additional funding for the PTP program, this bill will ensure that the PTP program is able to fulfill the purpose for which it was developed, and assist as many qualified Californians as possible."

- 3) **Background.** California has several property tax programs benefiting elderly and disabled individuals, including property tax reappraisal relief, property tax assistance, and the PTP program. Unlike the property tax assistance program that refunds a percentage of property taxes paid, the PTP program allows eligible homeowners to defer payment of all or a portion of the property taxes on their residences. The program was enacted in 1977, after the passage of a constitutional amendment authorizing the postponement of property taxes (California Constitution Article XIII, Section 8) and is administered by the Controller's Office. The constitutional amendment was in response to concerns that senior homeowners on fixed incomes could lose their homes because of the inability to pay rising property tax bills. Originally designed for persons over 62 years of age, the program is now also available to eligible blind and disabled persons, regardless of age.

Suspension of the PTP Program. On February 20, 2009, the PTP Program was indefinitely suspended as part of the budget reductions to the state's GF programs [SB 8 X3 (Ducheny), Chapter 4, Statutes of 2009-10 Third Extraordinary Session]. The funding for the program was eliminated and the Controller was prohibited from accepting any new applications after February 20, 2009. In response to the negative impacts of the suspension of the PTP Program, AB 1718 (Blumenfield) of 2010 was introduced. AB 1718 would have established the County Deferred Property Tax Program for Senior Citizens and Disabled Citizen, but was vetoed by Governor Schwarzenegger. Subsequently, the Legislature enacted AB 1090 (Blumenfield), Chapter 369, Statutes of 2011, creating the County Deferred Property Tax Program. AB 1090 was substantially similar to AB 1718, except that it did not allow the county treasurer-tax collector to secure the deferral with a superior priority status lien.

In contrast to the PTP program that was funded exclusively by GF moneys, the County Deferred PTP program was self-financing. It was funded by a participating county through a fund to be established within its treasury. Upon adoption of a resolution by the county's governing body, and with the consent of the county treasurer, excess county funds are deposited in the fund for the purpose of providing property tax postponement loans to qualified claimants. AB 1090 established uniform statewide eligibility criteria for the claimants and certain rules and guidelines for a County Deferred Property Tax program. Since the passage of AB 1090, the Legislature was only aware of one county (Santa Cruz County) that implemented the optional program.

AB 2231 (Gordon), Chapter 703, Statutes of 2014, reinstated a modified PTP Program to provide property tax deferment to seniors and disabled persons and allows income-eligible senior citizens and disabled persons to apply to the Controller to defer payment of property taxes, beginning on July 1, 2016. Though the funding for the previous program was eliminated in 2009, the statute remained. This bill was sponsored by the California Association of County Treasurers and Tax Collectors.

- 3) **Arguments in Support.** Supporters argue that this bill will ensure the sustainability of the PTP Program while protecting the General Fund during times of economic uncertainty.
- 4) **Arguments in Opposition.** None on file.
- 5) **Double-Referral.** This bill is double-referred to the Revenue and Taxation Committee.

REGISTERED SUPPORT / OPPOSITION:

Support

State Controller Betty Yee [SPONSOR]
California Association of Treasurers and Tax Collectors
California Special Districts Association
California State Association of Counties
Rural County Representatives of California
Santa Clara County Board of Supervisors

Opposition

None on file

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