Date of Hearing: June 20, 2018

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT
Cecilia Aguiar-Curry, Chair
SB 1130 (Leyva) – As Amended April 18, 2018

SENATE VOTE: 39-0

SUBJECT: Property tax postponement: residential dwelling: manufactured homes.

SUMMARY: Adds manufactured homes to the Property Tax Postponement (PTP) Program. Specifically, **this bill**:

1) Alters the definition of "residential dwelling" to include manufactured homes in PTP law, thereby allowing owners of manufactured homes to apply for the program.

2) Creates a source of funds for PTP applications from manufactured home owners by:

   a) Forming the Senior Citizens and Disabled Citizens Manufactured Homes Property Tax Postponement Account (Account) as an interest bearing account in the existing Senior Citizens and Disabled Citizens Property Tax Postponement Fund (PTP Fund);

   b) Continuously appropriates the Account to the Controller for purposes of administering PTP for manufactured homes, including administrative costs and paying claims; and,

   c) Changes the current requirement for the Controller to transfer repayments from the PTP Fund to instead provide that:

      i) On June 30, 2019, instead of transferring all repayments above $15 million to the General Fund, shifts the first $300,000 above this amount to the Account;

      ii) Each June 30 thereafter, shifts the first $100,000 to the Account; and,

      iii) Requires that any repayments that exceed the above be transferred to the General Fund.

3) Directs PTP manufactured home repayments from sales or condemnation to the Account.

4) Makes other technical and conforming changes.

EXISTING LAW:

1) Enacts the Senior Citizens and Disabled Citizens Property Tax Postponement Law, which allows the State Controller to pay property taxes to county tax collectors on behalf of individuals over the age of 62 or disabled persons making less than $39,000 in income per year.

2) Requires as a condition to be eligible for PTP that the claimant must have more than 40% equity in the property.

3) Directs the Controller to transfer to the General Fund repayments received above a $20 million total on June 30, 2017, and $15 million for each June 30 thereafter.

4) Does not allow claimants living in manufactured homes to apply for PTP.

FISCAL EFFECT: According to the Senate Appropriations Committee, this bill contains the following:

1) This bill would result in the redirection of funds that otherwise would have gone to the General Fund. The specific amounts are $300,000 in 2018-19, and 100,000 annually thereafter.

2) Unknown administrative costs to the State Controller's Office (SCO), potentially over $100,000 in staff time, to process new loans for mobilehome owners. In addition, SCO administrative and legal staff spend a disproportionate amount of time to recover debts owed for mobilehome accounts, and there is a higher default and discharge rate for these loans (General Fund).

3) Minor costs to the Department of Housing and Community Development to receive liens for postponed property taxes, amend mobilehome permanent title records to reflect the postponement, and coordinate with SCO (General Fund).

4) Likely reimbursable mandate costs for duties imposed on county tax administration officials. Staff notes that the previous PTP program was deemed to have imposed reimbursable activities on local agencies, resulting in annual General Fund expenditures of up to $285,000 before the program was suspended in 2009. The amount attributable to county officials' administration of mobilehome transactions is unknown, but likely minor.

COMMENTS:

1) **Property Tax Postponement.** PTP allows the State Controller to pay property taxes to county tax collectors on behalf of individuals over the age of 62 or disabled persons making less than $39,000 in income per year. The claimant or the claimant's spouse does not need to repay the Controller so long as they continue to occupy the home. Instead, the Controller secures repayment by recording a lien against the claimant's property, which is satisfied when the home is sold or refinanced. As liens are repaid out of sales proceeds, revenue flows back to the Controller, who in turn uses these funds to pay property taxes for new applicants.

   In 2009, due to budgetary constraints, and fewer funds flowing back to the Controller as a result of diminishing sales prices, the Legislature prohibited persons from filing new claims for property tax postponement, and the Controller from accepting applications [SBX3-8, (Ducheny), Chapter 4, Statutes of 2009-10, Third Extraordinary Session]. Prior to suspension, the Controller granted about $12 million annually in claims, but repayments only ranged between $6 and $10 million.

   The Legislature resuscitated the program in 2014 by removing SBX3-8's prohibition [AB 2231, (Gordon), Chapter 703, Statutes of 2014]. Because of the reduced repayments that resulted in its suspension, AB 2231 tightened eligibility criteria, including increasing the percentage of equity an applicant must have to be eligible from 20% to 40%, among other measures. The bill also required the Controller to transfer to the General Fund repayments received above a $20 million total on June 30, 2017, and $15 million for each June 30 thereafter.

In September 2016, the Controller began accepting applications, and paying property taxes out of approximately $7 million of previously collected funds on a first-come, first-served basis. Today, individuals can apply between October 1st and February 10th each year. If approved, the Controller pays the individual's property taxes only for that year; he or she must meet the eligibility criteria and reapply each year. In 2016-17, the Controller approved 812 claims and paid $2.3 million in property taxes. In 2017-18, the Controller approved 891 claims, and paid $2.8 million in property taxes. The current fund balance is $20.3 million, which is expected to grow to $21.2 million by the end of the fiscal year.

2) **Manufactured Homes.** Before 2009, PTP included manufactured homes in the program, as many eligible low-income persons and seniors live in these residences; however, AB 2231 did not include manufactured homes in the new program. Unlike traditional, "stick-built" homes, manufactured homes generally decline in value over time, and sometimes have no recovery value, which results in lower repayment amounts. The Controller states that the discharge rates for PTP loans (when the state writes off the loan as a loss) is higher for manufactured homes (16%) than for traditional homes (6%).

   SB 1130 is distinct from the current program in two ways: first, the measure ensures the integrity of the PTP Fund by creating a separate account to fund PTP loans to individuals owning manufactured homes. If manufactured home PTP repayment loans fall short of expectations, the Controller's ability to grant applications for PTP loans to owners of traditional homes will not be compromised. Second, the measure creates a distinct funding source to fund PTP loans to owners of manufactured homes by directing money that flows to the General Fund under current law to the Account instead. However, in so doing, the General Fund will likely receive fewer funds than it would under current law, which potentially results in reduced resources for other purposes.

3) **Bill Summary.** This bill adds manufactured homes to the PTP Program and requires the State Controller to retain additional repayments to fund loans for manufactured homes. This bill directs repayments from property tax postponement loans for manufactured homes to pay property tax postponement claims for manufactured homes. Board of Equalization Member Fiona Ma is the sponsor of this bill.

4) **Author's Statement.** According to the author, "SB 1130 would simply reinstate mobilehome owners as eligible participants in California's Property Tax Postponement Program. This measure will help to keep low-income disabled persons and seniors in their homes at a time when they need that help most. For many years, the State Property Tax Postponement Program has helped to ensure that lower income residents and households who qualify for the program do not lose their homes to a tax sale. During the recession, the program was eliminated but was later re-established. However, the reauthorizing legislation did not include mobilehomes. SB 1130 would help seniors and disabled persons who live in mobilehomes and allow them to participate in this program when they have trouble paying their property taxes."

5) **Prior Legislation.** AB 1952 (Gordon, 2016) would have allowed the Director of Finance to authorize expenditures to the Controller to fund approved PTP applications if the Controller determined funds in the PTP Fund were insufficient to do so. The bill was vetoed by the Governor.

   SB 477 (Leyva, 2015) would have also added manufactured homes into the definition of residential dwelling under PTP law. The measure did not contain a funding mechanism, and it was held under the Suspense File of the Assembly Appropriations Committee.

6) **Arguments in Support.** The sponsor argues that, "The program was reinstated legislatively in 2014; however, manufactured homes were removed from eligibility, despite the fact that many manufactured home owners are disabled or elderly and need this tax help to sustain their home. SB 1130 is necessary in order to safeguard disabled persons and seniors from losing their homes due to tax payments that are more than they can financially handle. California cannot discriminate who this important program serves simply based on the type of home one chooses to live in."

7) **Arguments in Opposition.** None on file.

8) **Double-Referral.** This bill is double-referred to the Revenue and Taxation Committee.

REGISTERED SUPPORT / OPPOSITION:

Support

Board of Equalization Member Fiona Ma
California Manufactured Housing Institute
Golden State Manufactured-home Owners League

Opposition

None on file

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