

ITEM 15
FINAL STAFF ANALYSIS
PROPOSED STATEWIDE COST ESTIMATE

Health and Safety Code Section 33672.7
Statutes 1998, Chapter 39

Redevelopment Agencies—Tax Disbursement Reporting (99-TC-06)

County of Los Angeles, Claimant

EXECUTIVE SUMMARY

The test claim legislation requires the county auditor to prepare annual tax disbursement statements for community redevelopment agency project areas. Prior law required that the auditor prepare such a statement only upon the request of a redevelopment agency. The enactment of Health and Safety Code section 33672.7 created new reporting requirements in that a statement must now be prepared for every community redevelopment agency project, regardless of whether one was requested.

The claimant filed the test claim on March 3, 2000. The Commission on State Mandates (Commission) adopted the Statement of Decision on October 24, 2002, and the parameters and guidelines on September 25, 2003. Reimbursement for this program is based on uniform cost allowances. Eligible claimants were required to file initial reimbursement claims with the State Controller's Office (SCO) by March 26, 2004.

The SCO provided unaudited claims totals to the Commission on May 19, 2004. Staff reviewed the 19 actual claims filed by counties for fiscal years 1998-1999 through 2002-2003 and determined them to be inaccurate. The parameters and guidelines adopted by the Commission for this program provides reimbursement for the preparation of a statement for each *project area* that provides the amount of disbursement made. However, the SCO's claiming instructions require counties to claim the number of statements prepared for every community redevelopment agency *project*. This results in a significant difference as there can be multiple projects within the boundaries of a project area. The test claim legislation, Health and Safety Code section 33672.7, specifically requires that a statement be prepared for each project *area* rather than for each project.

Staff notified the SCO regarding this issue. The SCO reports that it will contact claimants to discuss revising the claiming instructions and reducing claims. Therefore, staff did not use the reimbursement claims data to develop the statewide cost estimate. Instead, staff based the statewide cost estimate for fiscal years 1998-1999 through 2003-2004 on the State Controller's *Community Redevelopment Agencies Annual Reports* and the uniform allowances adopted by the Commission. The cost for fiscal year 2004-2005 was projected by multiplying the estimated claim total for fiscal year 2002-2003 by the implicit price deflator for 2003-2004 (2.9%), as forecast by the Department of Finance.

The proposed statewide cost estimate includes seven fiscal years for a total of \$65,300. This averages to \$9,329 annually in costs for the state. The following table details the breakdown of estimated total costs per fiscal year:

Fiscal Year	Claim Totals
1998-1999	\$ 4,743
1999-2000	\$ 10,610
2000-2001	\$ 10,011
2001-2002	\$ 9,763
2002-2003	\$ 9,907
2003-2004	\$ 10,072
2004-2005 (est.)	\$ 10,194
TOTAL	\$ 65,300

Staff Recommendation

Staff recommends that the Commission adopt the proposed statewide cost estimate for costs incurred in complying with the *Redevelopment Agencies—Tax Disbursement Reporting* program. If the statewide cost estimate is adopted, staff will report the estimate to the Legislature.

STAFF ANALYSIS

Summary of the Mandate

Health and Safety Code section 33672.7, as added by Statutes 1998, chapter 39, requires the county auditor to prepare annual tax disbursement statements for community redevelopment agency project areas. Prior law required that the auditor prepare such a statement only upon the request of a redevelopment agency. The enactment of Health and Safety Code section 33672.7 created new reporting requirements in that a statement must now be prepared for every community redevelopment agency project, regardless of whether one was requested.

The claimant filed the test claim on March 3, 2000. The Commission on State Mandates (Commission) adopted the Statement of Decision on October 24, 2002, and the parameters and guidelines on September 25, 2003. Eligible claimants were required to file initial reimbursement claims with the State Controller's Office (SCO) by March 26, 2004.

Discussion

Reimbursable Activities

The Commission approved the following reimbursable activities for this program:

A. On-Going Activities

1. On or before August 15 of each year, prepare a statement for each project area that provides the amount of disbursement made in the prior fiscal year pursuant to Health and Safety Code section 33670 and the amounts of disbursement made pursuant to Health and Safety Code sections 33401, 33607.5, 33607.7, and 33676.
2. Duplicate and distribute the annual tax disbursement statements for community redevelopment agency project areas.

The Commission specifically found that the following activities were not reimbursable:

- Costs incurred to perform the calculation and disbursement of tax revenues to redevelopment agencies pursuant to Health and Safety Code sections 33401, 33607.5, 33607.7, 33670, and 33676 are not reimbursable.
- Costs incurred to prepare, duplicate, and distribute the statement are not reimbursable if the statement is requested by a redevelopment agency pursuant to Health and Safety Code section 33672.5.

Uniform Cost Allowance

The Commission adopted uniform cost allowances for this program pursuant to Government Code section 17557. Actual costs shall be claimed based on the following uniform allowance per tax disbursement statement as adopted by the Commission. The uniform allowance shall be adjusted each subsequent year by the Implicit Price Deflator referenced in Government Code section 17523.

Table 1. Adopted Uniform Allowances

Fiscal Year	Uniform Allowance
1998-1999	\$ 22.27
1999-2000	\$ 22.72
2000-2001	\$ 23.61
2001-2002	\$ 23.87
2002-2003	\$ 24.40
2003-2004	\$ 24.81

Reimbursement is determined by multiplying the uniform allowance by the number of statements prepared for each project area.

Statewide Cost Estimate

Staff reviewed the claims data submitted by the claimants and compiled by the SCO. The 19 actual claims filed by counties for fiscal years 1998-1999 through 2002-2003¹ are inaccurate and unaudited. The parameters and guidelines adopted by the Commission for this program provides reimbursement for the preparation of a statement for each *project area* that provides the amount of disbursement made. However, the SCO's claiming instructions require counties to claim the number of statements prepared for every community redevelopment agency *project*. This results in a significant difference as there can be multiple projects within the boundaries of a project area. The test claim legislation, Health and Safety Code section 33672.7, specifically requires that a statement be prepared for each project *area* rather than for each project.

Staff notified the SCO regarding this issue. The SCO reports that it will contact claimants to discuss revising the claiming instructions and reducing claims. Therefore, as discussed below, staff did not use the reimbursement claims data to develop the statewide cost estimate.

Staff made the following assumptions and used the following methodology to develop a statewide cost estimate for this program. If the Commission adopts this statewide cost estimate, the estimate, including staff's assumptions and methodology, will be reported to the Legislature.

Assumptions

Staff made the following assumptions:

- Each fiscal year, a statement was prepared for each redevelopment project area in the county.
- The actual amount claimed may increase if late or amended claims are filed. For this program, late claims may be filed until March 2005. To date, only four of the 58 counties filed reimbursement claims for this program. However, since this program is reimbursed using a uniform cost allowance of approximately \$21 to \$25 per redevelopment project area, a county would need to have a minimum of 40 redevelopment project areas in order to meet the \$1,000 filing threshold. Most counties cannot meet this threshold.

¹ Claims data reported by the SCO as of May 19, 2004.

- Although the County of Riverside has not filed reimbursement claims, it was included in the estimate because it has enough project areas to meet the filing threshold.
- Any reimbursement claim for this program may be reduced by the SCO if it is audited and deemed to be excessive or unreasonable. Therefore, the total amount of reimbursement for this program may be lower than the statewide cost estimate.

Methodology

1999 through 2004 Projected Costs

Staff based the statewide cost estimate for fiscal years 1998-1999 through 2003-2004 on the State Controller’s *Community Redevelopment Agencies Annual Reports*² and the uniform allowances adopted by the Commission. The following table shows the reported number of project areas by fiscal year for the four counties that submitted reimbursement claims and the County of Riverside:

Table 2. Number of Reported Project Areas by County and Fiscal Year

Fiscal Year	Contra Costa	Los Angeles	Orange	San Bernardino	Riverside
1998-1999*	39	215	63	67	83
1999-2000	39	215	63	67	83
2000-2001	30	203	51	67	73
2001-2002	29	194	52	69	65
2002-2003	27	194	51	72	62
2003-2004*	27	194	51	72	62

* The number of project areas is not available for this fiscal year. Therefore, for purposes of this estimate, the numbers directly after or before the fiscal year were used.

The following table shows the resulting reimbursable cost when the number of project areas is multiplied by the adopted uniform cost allowance shown in Table 1:

Table 3. Projected Costs

Fiscal Year	Contra Costa	Los Angeles	Orange	San Bernardino	Riverside
1998-1999	\$ 869	\$ 4, 788	\$ 1,403	\$ 1,492	\$ 1,848
1999-2000	\$ 886	\$ 4,885	\$ 1,431	\$ 1,522	\$ 1,886
2000-2001	\$ 708	\$ 4,793	\$ 1,204	\$ 1,582	\$ 1,724
2001-2002	\$ 692	\$ 4,631	\$ 1,241	\$ 1,647	\$ 1,552
2002-2003	\$ 659	\$ 4,734	\$ 1,244	\$ 1,757	\$ 1,513
2003-2004	\$ 670	\$ 4,813	\$ 1,265	\$ 1,786	\$ 1,538

Contra Costa County did not meet the \$1,000 claiming threshold in any fiscal year. Therefore, it was not included in this statewide cost estimate.

² Exhibit A, Summary by County – General Information Tables for fiscal years 1999-2000 through 2002-2003.

Fiscal Year 2004-2005 Projected Costs

For fiscal year 2004-2005, staff projected costs by multiplying the estimated claim total for fiscal year 2002-2003 by the implicit price deflator for 2003-2004 (2.9%), as forecast by the Department of Finance.

The proposed statewide cost estimate includes seven fiscal years for a total of **\$65,300**. This averages to \$9,329 annually in costs for the state.

Following is a breakdown of estimated total costs per fiscal year:

Table 4. Estimated Total Costs per Fiscal Year

Fiscal Year	Claim Totals
1998-1999	\$ 4,743
1999-2000	\$ 10,610
2000-2001	\$ 10,011
2001-2002	\$ 9,763
2002-2003	\$ 9,907
2003-2004	\$ 10,072
2004-2005 (est.)	\$ 10,194
TOTAL	\$ 65,300

Staff Recommendation

Staff recommends that the Commission adopt the proposed statewide cost estimate of \$65,300 for costs incurred in complying with the *Redevelopment Agencies—Tax Disbursement Reporting* program.