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Board of Equalization Announces Reductions in Payments to Local Governments

The California State Board of Equalization (BOE) today announced that 337 letters have been sent to local finance directors explaining that declining state sales tax revenues have caused a reduction in expected local allocations for their August 2009 advances. In addition, 15 jurisdictions received letters notifying them they will be receiving no August advance.

This is a continuation of an issue that developed this year with the unprecedented drop-off in taxable sales due to the recession. Payments to the local taxing jurisdictions are based in part on prior taxable sales patterns that do not apply in the current economic climate. Similar letters were sent to 473 local jurisdictions in May 2009.

Payments to local governments for the second quarter of 2009 were reduced by 14.4%, based on an estimate provided by the Department of Finance. An analysis of actual cash receipts from the second quarter of 2009 showed an overall decline of 18.74%, not taking into account the newly imposed 1% sales tax increase going directly to the state. To account for the further decline, an additional adjustment of -4% was applied to jurisdictions that saw a decline in revenues greater than 21.4%.

BOE makes monthly allocations to 768 local jurisdictions based on a formula that includes historical allocations, growth factor adjustments to the base, transfers and audits, and actual cash receipts. Erosion in the expected cash receipts led to the downward monthly adjustments to the allocations for August 2009.

Not all local jurisdictions received an August 2009 allocation with an additional reduction, though almost half of the 768 total jurisdictions did. This is fewer than received additional reductions in May, but BOE anticipates similar adjustments will occur to the third and fourth quarter 2009 advances as well.

In addition to the monthly allocation adjustments in August and in May, similar adjustments were made in February based on fourth quarter 2008 information. Prior to 2009, broad scale reductions statewide had not occurred.

The five-member California State Board of Equalization is a publicly elected tax board. The BOE collects more than \$53 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes. For more information on other taxes and fees in California, visit www.taxes.ca.gov.

[Sample Letter](#)
[Table of 2009 Adjustments](#)

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