

AMENDED IN SENATE JUNE 17, 2015

AMENDED IN SENATE JUNE 15, 2015

AMENDED IN ASSEMBLY MAY 7, 2015

AMENDED IN ASSEMBLY APRIL 13, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

---

---

**ASSEMBLY BILL**

**No. 851**

**Introduced by Assembly Member Mayes**  
**(Coauthor: Assembly Member Cooley)**  
(Coauthors: Senators Beall, Huff, and Moorlach)

February 26, 2015

---

---

An act to amend Sections 50077, 56658, 56885.5, 56886, and 57405 of, to add Sections 56653.1, 56770, 56804, 56813, 56814, 56816, and 57426 to, and to repeal Sections 57401, 57402, 57404, 57409, 57410, 57416, 57423, and 57424 of, the Government Code, and to amend Section 99 of the Revenue and Taxation Code, relating to local government.

LEGISLATIVE COUNSEL'S DIGEST

AB 851, as amended, Mayes. Local government: organization: disincorporations.

(1) Existing law specifies a procedure for the legislative body of a city, county, or district to propose to the voters an ordinance or resolution to adopt a special tax pursuant to constitutional requirements. Existing law authorizes a local agency which is conducting proceedings for the incorporation of a city, formation of a district, change of organization, a reorganization, a change of organization of a city, or a

municipal reorganization to propose the adoption of a special tax on behalf of the affected city or district in accordance with this procedure.

This bill would additionally authorize a local agency conducting proceedings for the disincorporation of a city to propose the adoption of a special tax on behalf of an affected city in accordance with the above-described procedure.

(2) Existing law, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, provides the authority and procedures for the initiation, conduct, and completion of changes of organization and reorganization of cities and districts. The act requires a local agency or school district that initiates proceedings for a change of local government organization or reorganization, by submitting a resolution of application to a local agency formation commission, to also submit a plan for providing services within the affected territory, as specified.

This bill would, in the case of a disincorporation or reorganization that includes a disincorporation, require the plan for services to include specific provisions, including, among others, an enumeration and description of the services currently provided by the city proposed for disincorporation.

(3) The act requires a petitioner or legislative body desiring to initiate proceedings to submit an application to the executive officer of the local agency formation commission, and requires the local agency formation commission, with regard to an application that includes an incorporation, to immediately notify all affected local agencies and any applicable state agency, as specified.

This bill would extend that requirement to an application that includes a disincorporation.

(4) Existing law prohibits the commission from approving or conditionally approving a proposal for an incorporation unless the commission finds, among other things, that the proposal is consistent with the intent of the act, the incorporation is consistent with the spheres of influence of affected local agencies, and the proposed city is expected to receive revenues sufficient to provide public services and facilities and a reasonable reserve during the 3 fiscal years following incorporation.

This bill would additionally prohibit the commission from approving or conditionally approving a proposal that includes a disincorporation unless the commission finds, among other things, that the disincorporation is consistent with the intent of the act, the disincorporation will address necessary changes to spheres of influence

of affected agencies, and the service responsibilities of the city proposed for disincorporation have been assigned, as specified.

(5) Existing law requires the executive officer of the commission to prepare a comprehensive fiscal analysis for any proposal that includes an incorporation, as specified.

This bill would additionally require the executive officer to prepare a comprehensive fiscal analysis for any proposal that includes a disincorporation, as specified.

(6) Existing law requires the commission to determine the amount of property tax revenue to be exchanged by the affected local agency for a proposal that includes the incorporation of a city, and sets forth the procedures to be followed in making that determination.

This bill would additionally require the commission to determine the amount of property tax revenue to be exchanged by the affected city and any successor or affected local agency for a proposal that includes a disincorporation of a city, and would set forth the procedures to be followed in making that determination.

The bill would additionally require the commission to determine, where the proposal includes the disincorporation of a city with the assignment of property tax revenues to a successor, the increase of the appropriations limit for a successor, if the successor is an existing entity, or the appropriations limit for a new special district, as specified.

The bill would state the intent of the Legislature that a proposal that includes a disincorporation of a city result in a determination that the debt or contractual obligations and responsibilities of the city being disincorporated be the responsibility of the same territory for repayment. The bill would require the city being disincorporated to provide a written statement prior to issuance of a certificate for filing for a proposal that includes a disincorporation that includes specified information relating to its debts and contractual obligations.

(7) Existing law authorizes the commission, in approving a disincorporation of a city, the dissolution of a district, or the reorganization or consolidation of agencies that result in the dissolution of one or more districts or disincorporation of one or more cities, to make the approval conditional upon the agency being dissolved not approving any increase in compensation or benefits for specified officers of the agency, or appropriating, encumbering, expending, or otherwise obligating any revenue of the agency beyond that provided in the current budget at the time the dissolution is approved by the commission, unless it first finds that an emergency exists.

This bill would modify this provision to authorize the commission to make the approval conditional upon prohibiting the district that is being dissolved or the city that is being disincorporated from approving any increase in compensation or benefits for specified officers of the agency, or appropriating, encumbering, expending, or otherwise obligating any revenue of the agency beyond that provided in the current budget at the time the dissolution is approved by the commission, unless it first finds that an emergency exists.

The act also authorizes the commission to require a single question appearing on the ballot upon issues of annexation and reorganization in any election at which the questions of annexation and district reorganization or incorporation and district reorganization are to be considered at the same time.

This bill would additionally apply these provisions to a disincorporation and district reorganization.

(8) Existing law provides that an organization or reorganization may provide for, or be made subject to, specified terms and conditions, including the levying of assessments, including certain fees, or the approval by the voters of general or special taxes. Under existing law, these terms and conditions may not directly regulate land use, property development, or subdivision requirements, and the imposition of such a fee as a condition of the issuance of a building permit does not constitute a direct regulation of land use, property development, or subdivision requirements.

This bill would expand the scope of terms and conditions that may be provided for or required as a condition of an organization or reorganization to include the levying of fees generally. The bill would also make technical, nonsubstantive changes to this provision.

(9) Existing law requires every public officer of a city being disincorporated, prior to the effective date of the disincorporation, to turn the public property in his or her possession over to the board of supervisors.

This bill would repeal this provision.

(10) The act requires the commission, after ascertaining that the disincorporation has carried, to determine and certify in a written statement to the board of supervisors the indebtedness of the city, the amount of money in its treasury, and the amount of any tax levy or other obligation due the city that is unpaid or has not been collected.

This bill would repeal this provision.

(11) Existing law requires the board of supervisors to make specified determinations if the commission does not provide the board with a statement of those determinations.

This bill would repeal this provision.

(12) Existing law requires the tax collector to collect any tax that has been levied by a disincorporated city that remains uncollected when due and pay it into the county treasury.

This bill would provide that the tax collected and paid into the county treasury is on behalf of the designated successor or county to wind up affairs of the disincorporated city.

(13) Existing law requires the board of supervisors of a county to cause taxes to be levied and collected from within the territory formerly included within a disincorporated city, if there is not sufficient money in the treasury of a disincorporated city to the credit of the special fund to pay any city indebtedness as it becomes due. Existing law provides that any taxes levied pursuant to this provision are to be assessed, levied, and collected in the same manner and at the same time as other county taxes, and are additional taxes upon the property included within the territory of the disincorporated city.

This bill would repeal these provisions.

(14) Existing law requires the board of supervisors to levy a special tax upon all property within the disincorporated city if the revenues from specified public utilities are not sufficient for the administration, conduct, or improvement of the public utility.

This bill would repeal this provision.

(15) Existing law requires the board of supervisors to annually, at the time other county taxes are levied and collected, to levy and collect a special tax on the remainder of the territory of a disincorporated city sufficient to pay the balance of the debt, and pay that sum to the city treasurer. Existing law requires the city treasurer to pay the bonded indebtedness as it becomes due with the proceeds of those taxes.

This bill would repeal these provisions.

(16) Existing law provides that on and after the effective date of a disincorporation, the territory of the disincorporated city, all inhabitants within the territory, and all persons formerly entitled to vote by reason of residing within the territory cease to be subject to the jurisdiction of the disincorporated city and have none of the rights or duties of inhabitants or voters of a city.

This bill would additionally provide that as of the effective date of a disincorporation, the general plan of the disincorporated city that was

in effect immediately prior to the effective date of the disincorporation constitutes the community plan of the county for the territory of the disincorporated city, the zoning ordinances of the disincorporated city that were in effect immediately prior to the effective date of the disincorporation constitute the zoning ordinances of the county for that territory, and any conditional use permit or legal nonconforming use that was in place immediately prior to the effective date of the disincorporation remains in force pursuant to the community plan and zoning ordinances. The bill would provide that any use of land that was authorized under the general plan and zoning ordinances immediately prior to the effective date of the disincorporation continues to be authorized for as long a period as may be required by the California Constitution or the United States Constitution.

(17) Existing law requires a county auditor to adjust the allocation of property tax revenues for local agencies whose service area or service responsibility may be altered by specified jurisdictional changes. Existing law establishes procedures for determining the exchange of property tax revenues between a city and a county in the case of a jurisdictional change that consists of a city's qualified annexation of unincorporated territory, defined to mean an annexation of unincorporated territory for which an application or resolution was filed on or after January 1, 1998, and on or before January 1, 2015.

This bill would include a city disincorporation and dissolved district in those jurisdictional changes. The bill would also expand the above-described definition of a qualified annexation of unincorporated territory to include an annexation for which an application or resolution was filed on or before January 1, 2021.

By increasing the duties of the county auditor, this bill would impose a state-mandated local program.

(18) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 50077 of the Government Code is  
2 amended to read:

3 50077. (a) Except as provided in Section 7282 of the Revenue  
4 and Taxation Code, the legislative body of any city, county, or  
5 district may, following notice and public hearing, propose by  
6 ordinance or resolution the adoption of a special tax. The ordinance  
7 or resolution shall include the type of tax and rate of tax to be  
8 levied, the method of collection, and the date upon which an  
9 election shall be held to approve the levy of the tax. The  
10 proposition shall be submitted to the voters of the city, county, or  
11 district, or a portion thereof, and, upon the approval of two-thirds  
12 of the votes cast by voters voting upon the proposition, the city,  
13 county, or district may levy the tax.

14 (b) The legislative body of a city, or district, may provide for  
15 the collection of the special tax in the same manner and subject to  
16 the same penalty as, or with, other charges and taxes fixed and  
17 collected by the city, or district, or, by agreement with the county,  
18 by the county on behalf of the city, or district. If the special taxes  
19 are collected by the county on behalf of the city, or district, the  
20 county may deduct its reasonable costs incurred for the service  
21 before remittal of the balance to the city.

22 (c) The legislative body of a local agency which is conducting  
23 proceedings for the incorporation of a city, the formation of a  
24 district, a change of organization, a reorganization, a change of  
25 organization of a city, a municipal reorganization, or the  
26 disincorporation of a city may propose by ordinance or resolution  
27 the adoption of a special tax in accordance with the provisions of  
28 subdivision (a) on behalf of an affected city or district.

29 (d) As used in this section “district” means an agency of the  
30 state, formed pursuant to general law or special act, for the local  
31 performance of governmental or proprietary functions within  
32 limited boundaries.

33 SEC. 2. Section 56653.1 is added to the Government Code, to  
34 read:

35 56653.1. In the case of a disincorporation or reorganization  
36 that includes a disincorporation, the plan for services required by  
37 subdivision (a) of Section 56653 shall include the following:

1 (a) An enumeration and description of the services currently  
2 provided by the city proposed for disincorporation and an  
3 identification of the entity or entities proposed to assume  
4 responsibility for the services following completion of  
5 disincorporation.

6 (b) An enumeration and description of each service proposed  
7 to be discontinued or transferred, the current financing of the  
8 service or services, and any method of financing proposed by the  
9 successor.

10 (c) A delineation of any existing financing of services currently  
11 provided to include, but not be limited to, bonds, assessments,  
12 community facility district governance, general taxes, special taxes,  
13 other charges, and joint powers authorities or agreements.

14 (d) An indication of any current bankruptcy proceeding,  
15 including, but not limited to, status and exit plan.

16 (e) An indication of any current order relating to services  
17 provided by the city proposed for disincorporation by any agency,  
18 department, office, or other division of the state, including, but  
19 not limited to, a cease and desist order or water prohibition order.

20 (f) A written statement from each entity identified pursuant to  
21 subdivision (a) that it has received a copy of the plan for services  
22 submitted pursuant to this section.

23 (g) Any other information that the executive officer may deem  
24 necessary to evaluate the plan for services submitted.

25 SEC. 3. Section 56658 of the Government Code is amended  
26 to read:

27 56658. (a) Any petitioner or legislative body desiring to initiate  
28 proceedings shall submit an application to the executive officer of  
29 the principal county.

30 (b) (1) Immediately after receiving an application and before  
31 issuing a certificate of filing, the executive officer shall give mailed  
32 notice that the application has been received to each affected  
33 agency, the county committee on school district organization, and  
34 each school superintendent whose school district overlies the  
35 affected territory. The notice shall generally describe the proposal  
36 and the affected territory. The executive officer shall not be  
37 required to give notice pursuant to this subdivision if a local agency  
38 has already given notice pursuant to subdivision (c) of Section  
39 56654.



1 (2) It is the intent of the Legislature that a proposal for  
2 incorporation or disincorporation shall be processed in a timely  
3 manner. With regard to an application that includes an  
4 incorporation or disincorporation, the executive officer shall  
5 immediately notify all affected local agencies and any applicable  
6 state agencies by mail and request the affected agencies to submit  
7 the required data to the commission within a reasonable timeframe  
8 established by the executive officer. Each affected agency shall  
9 respond to the executive officer within 15 days acknowledging  
10 receipt of the request. Each affected local agency and the officers  
11 and departments thereof shall submit the required data to the  
12 executive officer within the timelines established by the executive  
13 officer. Each affected state agency and the officers and departments  
14 thereof shall submit the required data to the executive officer within  
15 the timelines agreed upon by the executive officer and the affected  
16 state departments.

17 (3) If a special district is, or as a result of a proposal will be,  
18 located in more than one county, the executive officer of the  
19 principal county shall immediately give the executive officer of  
20 each other affected county mailed notice that the application has  
21 been received. The notice shall generally describe the proposal  
22 and the affected territory.

23 (c) Except when a commission is the lead agency pursuant to  
24 Section 21067 of the Public Resources Code, the executive officer  
25 shall determine within 30 days of receiving an application whether  
26 the application is complete and acceptable for filing or whether  
27 the application is incomplete.

28 (d) The executive officer shall not accept an application for  
29 filing and issue a certificate of filing for at least 20 days after giving  
30 the mailed notice required by subdivision (b). The executive officer  
31 shall not be required to comply with this subdivision in the case  
32 of an application which meets the requirements of Section 56662  
33 or in the case of an application for which a local agency has already  
34 given notice pursuant to subdivision (c) of Section 56654.

35 (e) If the appropriate fees have been paid, an application shall  
36 be deemed accepted for filing if no determination has been made  
37 by the executive officer within the 30-day period. An executive  
38 officer shall accept for filing, and file, any application submitted  
39 in the form prescribed by the commission and containing all of  
40 the information and data required pursuant to Section 56652.

1 (f) When an application is accepted for filing, the executive  
2 officer shall immediately issue a certificate of filing to the  
3 applicant. A certificate of filing shall be in the form prescribed by  
4 the executive officer and shall specify the date upon which the  
5 proposal shall be heard by the commission. From the date of  
6 issuance of a certificate of filing, or the date upon which an  
7 application is deemed to have been accepted, whichever is earlier,  
8 an application shall be deemed filed pursuant to this division.

9 (g) If an application is determined not to be complete, the  
10 executive officer shall immediately transmit that determination to  
11 the applicant specifying those parts of the application which are  
12 incomplete and the manner in which they can be made complete.

13 (h) Following the issuance of the certificate of filing, the  
14 executive officer shall proceed to set the proposal for hearing and  
15 give published notice thereof as provided in this part. The date of  
16 the hearing shall be not more than 90 days after issuance of the  
17 certificate of filing or after the application is deemed to have been  
18 accepted, whichever is earlier. Notwithstanding Section 56106,  
19 the date for conducting the hearing, as determined pursuant to this  
20 subdivision, is mandatory.

21 SEC. 4. Section 56770 is added to the Government Code, to  
22 read:

23 56770. The commission shall not approve or conditionally  
24 approve any proposal that includes a disincorporation, unless,  
25 based on the entire record, the commission makes all of the  
26 following determinations:

27 (a) The proposed disincorporation is consistent with the intent  
28 of this division to provide for a sustainable system for the delivery  
29 of services.

30 (b) The commission has considered the service reviews of  
31 municipal services and spheres of influence of the affected local  
32 agencies, and the disincorporation will address the necessary  
33 changes to those spheres of influence, if any.

34 (c) It has reviewed the comprehensive fiscal analysis prepared  
35 pursuant to Section 56804.

36 (d) It has reviewed the executive officer's report and  
37 recommendation prepared pursuant to Section 56665, and the oral  
38 or written testimony presented at its public hearing.

39 (e) The service responsibilities of the city proposed for  
40 disincorporation have been assigned through terms and conditions

1 authorized by Sections 56885.5, 56886, and 57302, and Chapter  
2 5 (commencing with Section 57400) of Part 5.

3 SEC. 5. Section 56804 is added to the Government Code, to  
4 read:

5 56804. For any proposal that includes a disincorporation, the  
6 executive officer shall prepare, or cause to be prepared by contract,  
7 a comprehensive fiscal analysis. This analysis shall become part  
8 of the report required pursuant to Section 56665. Data used for the  
9 analysis shall be from the most recent fiscal year for which data  
10 is available, preceding the issuances of the certificate of filing.  
11 When data requested by the executive officer in the notice to  
12 affected agencies, pursuant to paragraph (2) of subdivision (b) of  
13 Section 56658, is unavailable, the analysis shall document the  
14 source and methodology of the data used. The analysis shall review  
15 and document each of the following:

16 (a) The direct and indirect costs incurred by the city proposed  
17 for disincorporation for providing public services ~~and facilities~~  
18 during the three fiscal years immediately preceding the submittal  
19 of the proposal for disincorporation.

20 (b) *The direct and indirect costs incurred by the city proposed*  
21 *for disincorporation for current and proposed capital*  
22 *improvements, facilities, assets, and infrastructure.*

23 ~~(b)~~

24 (c) The sources of funding, if any, available to the entities  
25 proposed to assume the obligations of the city ~~being~~  
26 ~~disincorporated~~ *proposed for disincorporation* and the related  
27 costs, including all actual direct and indirect costs, in *the* provision  
28 of existing services.

29 ~~(c)~~

30 (d) When determining costs, the executive officer shall also  
31 include all direct and indirect costs of any public services that are  
32 proposed to be transferred to state agencies for delivery.

33 ~~(d)~~

34 (e) The revenues of the city ~~being disincorporated~~ *proposed for*  
35 *disincorporation* during the three fiscal years immediately  
36 preceding the initiation of the disincorporation proposal.

37 ~~(e)~~

38 (f) Any other information and analysis needed to make the  
39 findings required by Section 56770.

1 SEC. 6. Section 56813 is added to the Government Code, to  
2 read:

3 56813. (a) If the proposal includes the disincorporation of a  
4 city, as defined in Section 56034, the commission shall determine  
5 the amount of property tax revenue to be exchanged by the affected  
6 city and any successor or affected local agency pursuant to this  
7 section.

8 (b) The commission shall notify the county auditor of the  
9 proposal, the affected local agencies to be extinguished, and the  
10 services proposed to be transferred to new jurisdictions, and  
11 identify for the auditor the changes to occur.

12 (c) If the proposal would not transfer all of the service  
13 responsibilities of the disincorporating city to the affected county  
14 or to a single affected agency, the commission and the county  
15 auditor shall do all of the following:

16 (1) The county auditor shall determine the proportion that the  
17 amount of property tax revenue derived by the city being  
18 disincorporated pursuant to subdivision (b) of Section 93 of the  
19 Revenue and Taxation Code bears to the total amount of revenue  
20 from all sources, available for general purposes, received by the  
21 city being disincorporated in the prior fiscal year and provide their  
22 response within 15 days of receiving notification from the  
23 commission pursuant to subdivision (b). For purposes of making  
24 this determination and the determination required by paragraph  
25 (3), “total amount of revenue from all sources available for general  
26 purposes” means the total amount of revenue which the city being  
27 disincorporated may use on a discretionary basis for any purpose  
28 and does not include any of the following:

29 (A) Revenue that, by statute or ordinance, is required to be used  
30 for a specific purpose.

31 (B) Revenue from fees, charges, or assessments that are levied  
32 to specifically offset the cost of particular services and that do not  
33 exceed the cost reasonably borne in providing these services.

34 (C) Revenue received from the federal government that is  
35 required to be used for a specific purpose.

36 (2) The commission shall determine, based on information  
37 submitted by the city being disincorporated, an amount equal to  
38 the total net cost to that city during the prior fiscal year of providing  
39 those services that an affected agency will assume within the area  
40 subject to the proposal. For purposes of this paragraph, “total net

1 cost” means the total direct and indirect costs that were funded by  
2 general purpose revenues of the city being disincorporated and  
3 excludes any portion of the total cost that was funded by any  
4 revenues of that agency that are specified in subparagraphs (A),  
5 (B), and (C) of paragraph (1).

6 (3) For the services to be transferred to each affected local  
7 agency, the commission shall multiply the amount determined  
8 pursuant to paragraph (2) by the proportion determined pursuant  
9 to paragraph (1) to derive the amount of property tax revenue used  
10 to provide services by the city being disincorporated during the  
11 prior fiscal year within the area subject to the proposal. The county  
12 auditor shall adjust the amount so determined by the annual tax  
13 increment pursuant to the procedures set forth in Chapter 6  
14 (commencing with Section 95) of Part 0.5 of Division 1 of the  
15 Revenue and Taxation Code, to the fiscal year in which the affected  
16 agency receives its next allocation of property taxes.

17 (d) If the proposal for disincorporation would transfer all of the  
18 service responsibilities of the city proposed for disincorporation,  
19 other than those that are proposed to be discontinued, to a single  
20 successor, the commission shall request the auditor to determine  
21 the property tax revenue allocated to the city being disincorporated  
22 by tax rate area, or portion thereof, and transmit that information  
23 to the commission.

24 (e) The executive officer shall notify the auditor of the amount  
25 determined pursuant to subdivision (c) or (d), as the case may be,  
26 and, where applicable, the period of time within which and the  
27 procedure by which the transfer of property tax revenues will be  
28 effected pursuant to this section, at the time the executive officer  
29 records a certificate of completion pursuant to Section 57203 for  
30 any proposal described in subdivision (a), and the auditor shall  
31 transfer that amount to the affected agency or agencies that will  
32 assume the services as determined by the commission. Any  
33 property tax not transferred to an affected agency pursuant to  
34 subdivision (c) shall be transferred to the affected county.

35 (f) For purposes of this section, “prior fiscal year” means the  
36 most recent fiscal year preceding the issuance of the certificate of  
37 filing for which data is available on actual direct and indirect costs  
38 and revenues needed to perform the calculations required by this  
39 section.

1 (g) Any action brought by a city or district to contest any of the  
 2 determinations of the county auditor or the commission with regard  
 3 to the amount of property tax revenue to be exchanged by the  
 4 affected local agencies pursuant to this section shall be commenced  
 5 within three years of the effective date of the disincorporation.

6 SEC. 7. Section 56814 is added to the Government Code, to  
 7 read:

8 56814. If the proposal includes the disincorporation of a city,  
 9 as defined in Section 56034, with the assignment of property tax  
 10 revenues to a successor the commission shall make the following  
 11 determinations, as appropriate:

12 (a) The increase of the appropriations limit for the successor if  
 13 the successor is an existing entity.

14 (b) The appropriations limit for a new special district through  
 15 a formation process as defined by Section 56810.

16 SEC. 8. Section 56816 is added to the Government Code, to  
 17 read:

18 56816. (a) It is the intent of the Legislature that any proposal  
 19 that includes the disincorporation of a city result in a determination  
 20 that the debt or contractual obligations and responsibilities of the  
 21 city being disincorporated shall be the responsibility of that same  
 22 territory for repayment. To ascertain this information, the city shall  
 23 provide a written statement that determines and certifies all of the  
 24 following to the commission prior to the issuance of a certificate  
 25 of filing for a disincorporation proposal, pursuant to Sections 56651  
 26 and 56658:

- 27 (1) The indebtedness of the city.
- 28 (2) The amount of money in the city’s treasury.
- 29 (3) The amount of any tax levy or other obligation due the city  
 30 that is unpaid or has not been collected.
- 31 (4) The amount of current and future liabilities, both internal  
 32 debt owed to other special or restricted funds or enterprise funds  
 33 within the agency and external debt owed to other public agencies  
 34 or outside lenders or that results from contractual obligations,  
 35 which may include contracts for goods or services, retirement  
 36 obligations, actuarially determined unfunded pension liability of  
 37 all classes in a public retirement system, including any  
 38 documentation related to the termination of public retirement  
 39 contract provisions, and the liability for other postemployment  
 40 benefits. The information required by this paragraph shall include

1 any associated revenue stream for financing that may be or has  
2 been committed to that liability, including employee contributions.

3 (b) The city shall provide a written statement identifying the  
4 successor agency to the city's former redevelopment agency, if  
5 any, pursuant to Section 34173 of the Health and Safety Code.

6 SEC. 9. Section 56885.5 of the Government Code is amended  
7 to read:

8 56885.5. (a) In any commission order giving approval to any  
9 change of organization or reorganization, the commission may  
10 make that approval conditional upon any of the following factors:

11 (1) Any of the conditions set forth in Section 56886.

12 (2) The initiation, conduct, or completion of proceedings for  
13 another change of organization or a reorganization.

14 (3) The approval or disapproval, with or without election, as  
15 may be provided by this division, of any resolution or ordinance  
16 ordering that change of organization or reorganization.

17 (4) With respect to any commission determination to approve  
18 the disincorporation of a city, the dissolution of a district, or the  
19 reorganization or consolidation of agencies that results in the  
20 dissolution of one or more districts or the disincorporation of one  
21 or more cities, a condition that prohibits a district that is being  
22 dissolved or a city that is being disincorporated from taking any  
23 of the following actions, unless it first finds that either an  
24 emergency situation exists as defined in Section 54956.5, or the  
25 legislative body of the successor, as designated by the commission  
26 has taken action approving one or more of the following actions:

27 (A) Approving any increase in compensation or benefits for  
28 members of the governing board, its officers, or the executive  
29 officer of the agency.

30 (B) Appropriating, encumbering, expending, or otherwise  
31 obligating, any revenue of the agency beyond that provided in the  
32 current budget at the time the commission approves the dissolution  
33 or disincorporation.

34 (b) If the commission so conditions its approval, the commission  
35 may order that any further action pursuant to this division be  
36 continued and held in abeyance for the period of time designated  
37 by the commission, not to exceed six months from the date of that  
38 conditional approval.

39 (c) The commission order may also provide that any election  
40 called upon any change of organization or reorganization shall be

1 called, held, and conducted before, upon the same date as, or after  
 2 the date of any election to be called, held, and conducted upon any  
 3 other change of organization or reorganization.

4 (d) The commission order may also provide that in any election  
 5 at which the questions of annexation and district reorganization  
 6 or, incorporation and district reorganization, or disincorporation  
 7 and district reorganization are to be considered at the same time,  
 8 there shall be a single question appearing on the ballot upon the  
 9 issues of annexation and district reorganization or incorporation  
 10 and district reorganization.

11 SEC. 10. Section 56886 of the Government Code is amended  
 12 to read:

13 56886. Any change of organization or reorganization may  
 14 provide for, or be made subject to one or more of, the following  
 15 terms and conditions. If a change of organization or reorganization  
 16 is made subject to one or more of the following terms and  
 17 conditions in the commission’s resolution making determinations,  
 18 the terms and conditions imposed shall prevail in the event of a  
 19 conflict between a specific term and condition authorized pursuant  
 20 to this section and any of the general provisions of Part 5  
 21 (commencing with Section 57300). However, none of the following  
 22 terms and conditions shall directly regulate land use, property  
 23 development, or subdivision requirements:

24 (a) The payment of a fixed or determinable amount of money,  
 25 either as a lump sum or in installments, for the acquisition, transfer,  
 26 use, or right of use of all or any part of the existing property, real  
 27 or personal, of any city, county, or district.

28 (b) The levying or fixing and the collection of any of the  
 29 following, for the purpose of providing for any payment required  
 30 pursuant to subdivision (a):

- 31 (1) Special, extraordinary, or additional taxes or assessments.
- 32 (2) Special, extraordinary, or additional service charges, rentals,  
 33 or rates.
- 34 (3) Both taxes or assessments and service charges, rentals, or  
 35 rates.

36 (c) The imposition, exemption, transfer, division, or  
 37 apportionment, as among any affected cities, affected counties,  
 38 affected districts, and affected territory of liability for payment of  
 39 all or any part of principal, interest, and any other amounts which  
 40 shall become due on account of all or any part of any outstanding



1 or then authorized but thereafter issued bonds, including revenue  
2 bonds, or other contracts or obligations of any city, county, district,  
3 or any improvement district within a local agency, and the levying  
4 or fixing and the collection of any (1) taxes or assessments, or (2)  
5 service charges, rentals, or rates, or (3) both taxes or assessments  
6 and service charges, rentals, or rates, in the same manner as  
7 provided in the original authorization of the bonds and in the  
8 amount necessary to provide for that payment.

9 (d) If, as a result of any term or condition made pursuant to  
10 subdivision (c), the liability of any affected city, affected county,  
11 or affected district for payment of the principal of any bonded  
12 indebtedness is increased or decreased, the term and condition  
13 may specify the amount, if any, of that increase or decrease which  
14 shall be included in, or excluded from, the outstanding bonded  
15 indebtedness of that entity for the purpose of the application of  
16 any statute or charter provision imposing a limitation upon the  
17 principal amount of outstanding bonded indebtedness of the entity.

18 (e) The formation of a new improvement district or districts or  
19 the annexation or detachment of territory to, or from, any existing  
20 improvement district or districts.

21 (f) The incurring of new indebtedness or liability by, or on behalf  
22 of, all or any part of any local agency, including territory being  
23 annexed to any local agency, or of any existing or proposed new  
24 improvement district within that local agency. The new  
25 indebtedness may be the obligation solely of territory to be annexed  
26 if the local agency has the authority to establish zones for incurring  
27 indebtedness. The indebtedness or liability shall be incurred  
28 substantially in accordance with the laws otherwise applicable to  
29 the local agency.

30 (g) The issuance and sale of any bonds, including authorized  
31 but unissued bonds of a local agency, either by that local agency  
32 or by a local agency designated as the successor to any local agency  
33 which is extinguished as a result of any change of organization or  
34 reorganization.

35 (h) The acquisition, improvement, disposition, sale, transfer, or  
36 division of any property, real or personal.

37 (i) The disposition, transfer, or division of any moneys or funds,  
38 including cash on hand and moneys due but uncollected, and any  
39 other obligations.

1 (j) The fixing and establishment of priorities of use, or right of  
2 use, of water, or capacity rights in any public improvements or  
3 facilities or any other property, real or personal. However, none  
4 of the terms and conditions ordered pursuant to this subdivision  
5 shall modify priorities of use, or right of use, to water, or capacity  
6 rights in any public improvements or facilities that have been fixed  
7 and established by a court or an order of the State Water Resources  
8 Control Board.

9 (k) The establishment, continuation, or termination of any office,  
10 department, or board, or the transfer, combining, consolidation,  
11 or separation of any offices, departments, or boards, or any of the  
12 functions of those offices, departments, or boards, if, and to the  
13 extent that, any of those matters is authorized by the principal act.

14 (l) The employment, transfer, or discharge of employees, the  
15 continuation, modification, or termination of existing employment  
16 contracts, civil service rights, seniority rights, retirement rights,  
17 and other employee benefits and rights.

18 (m) The designation of a city, county, or district, as the successor  
19 to any local agency that is extinguished as a result of any change  
20 of organization or reorganization, for the purpose of succeeding  
21 to all of the rights, duties, and obligations of the extinguished local  
22 agency with respect to enforcement, performance, or payment of  
23 any outstanding bonds, including revenue bonds, or other contracts  
24 and obligations of the extinguished local agency.

25 (n) The designation of (1) the method for the selection of  
26 members of the legislative body of a district or (2) the number of  
27 those members, or (3) both, where the proceedings are for a  
28 consolidation, or a reorganization providing for a consolidation or  
29 formation of a new district and the principal act provides for  
30 alternative methods of that selection or for varying numbers of  
31 those members, or both.

32 (o) The initiation, conduct, or completion of proceedings on a  
33 proposal made under, and pursuant to, this division.

34 (p) The fixing of the effective date or dates of any change of  
35 organization, subject to the limitations of Section 57202.

36 (q) Any terms and conditions authorized or required by the  
37 principal act with respect to any change of organization.

38 (r) The continuation or provision of any service provided at that  
39 time, or previously authorized to be provided by an official act of  
40 the local agency.

1 (s) The levying of either of the following:

2 (1) Assessments or fees, including the imposition of a fee  
3 pursuant to Section 50029 or 66484.3. For the purposes of this  
4 section, imposition of a fee as a condition of the issuance of a  
5 building permit does not constitute direct regulation of land use,  
6 property development, or subdivision requirements.

7 (2) General or special taxes subject to approval by the voters.

8 (t) The extension or continuation of any previously authorized  
9 charge, fee, assessment, or tax by the local agency or a successor  
10 local agency in the affected territory.

11 (u) The transfer of authority and responsibility among any  
12 affected cities, affected counties, and affected districts for the  
13 administration of special tax and special assessment districts,  
14 including, but not limited to, the levying and collecting of special  
15 taxes and special assessments, including the determination of the  
16 annual special tax rate within authorized limits; the management  
17 of redemption, reserve, special reserve, and construction funds;  
18 the issuance of bonds which are authorized but not yet issued at  
19 the time of the transfer, including not yet issued portions or phases  
20 of bonds which are authorized; supervision of construction paid  
21 for with bond or special tax or assessment proceeds; administration  
22 of agreements to acquire public facilities and reimburse advances  
23 made to the district; and all other rights and responsibilities with  
24 respect to the levies, bonds, funds, and use of proceeds that would  
25 have applied to the local agency that created the special tax or  
26 special assessment district.

27 (v) Any other matters necessary or incidental to any of the terms  
28 and conditions specified in this section. If a change of organization,  
29 reorganization, or special reorganization provides for, or is made  
30 subject to one or more of, the terms and conditions specified in  
31 this section, those terms and conditions shall be deemed to be the  
32 exclusive terms and conditions for the change of organization,  
33 reorganization, or special reorganization, and shall control over  
34 any general provisions of Part 5 (commencing with Section 57300).

35 SEC. 11. Section 57401 of the Government Code is repealed.

36 SEC. 12. Section 57402 of the Government Code is repealed.

37 SEC. 13. Section 57404 of the Government Code is repealed.

38 SEC. 14. Section 57405 of the Government Code is amended  
39 to read:

1 57405. If a tax has been levied by the disincorporated city and  
2 remains uncollected, the county tax collector shall collect it when  
3 due and pay it into the county treasury on behalf of the designated  
4 successor agency or county to wind up the affairs of the  
5 disincorporated city.

6 SEC. 15. Section 57409 of the Government Code is repealed.

7 SEC. 16. Section 57410 of the Government Code is repealed.

8 SEC. 17. Section 57416 of the Government Code is repealed.

9 SEC. 18. Section 57423 of the Government Code is repealed.

10 SEC. 19. Section 57424 of the Government Code is repealed.

11 SEC. 20. Section 57426 is added to the Government Code, to  
12 read:

13 57426. As of the effective date of the disincorporation, all of  
14 the following apply:

15 (a) The general plan of the disincorporated city that was in effect  
16 immediately prior to the effective date of the disincorporation shall  
17 constitute the community plan of the county for the territory of  
18 the disincorporated city until the county updates the community  
19 plan, adopts a specific plan, or amends its county general plan for  
20 the unincorporated territory.

21 (b) The zoning ordinances of the disincorporated city that were  
22 in effect immediately prior to the effective date of the  
23 disincorporation shall constitute the zoning ordinances of the  
24 county for that territory, and shall be so identified in any  
25 community plan, specific plan, or general plan amendment adopted  
26 by the county, until the county updates the zoning ordinances  
27 applicable to that territory.

28 (c) Any conditional use permit or legal nonconforming use that  
29 was in place immediately prior to the effective date of the  
30 disincorporation shall remain in force pursuant to the community  
31 plan and zoning ordinances.

32 (d) Any use of land that was authorized under the general plan  
33 and zoning ordinances immediately prior to the effective date of  
34 the disincorporation shall continue to be authorized, for as long a  
35 period as may be required by the California Constitution or United  
36 States Constitution.

37 SEC. 21. Section 99 of the Revenue and Taxation Code is  
38 amended to read:

39 99. (a) For the purposes of the computations required by this  
40 chapter:

1 (1) In the case of a jurisdictional change, other than a city  
2 incorporation, city disincorporation, or a formation of a district as  
3 defined in Section 2215, the auditor shall adjust the allocation of  
4 property tax revenue determined pursuant to Section 96 or 96.1,  
5 or the annual tax increment determined pursuant to Section 96.5,  
6 for local agencies whose service area or service responsibility  
7 would be altered by the jurisdictional change, as determined  
8 pursuant to subdivision (b) or (c).

9 (2) In the case of a city incorporation or disincorporation, the  
10 auditor shall assign the allocation of property tax revenues  
11 determined pursuant to Section 56810 of the Government Code  
12 and the adjustments in tax revenues that may occur pursuant to  
13 Section 56815 of the Government Code to the newly formed city  
14 or district and shall make the adjustment as determined by Section  
15 56810 or 56813 in the allocation of property tax revenue  
16 determined pursuant to Section 96 or 96.1 for each local agency  
17 whose service area or service responsibilities would be altered by  
18 the incorporation.

19 (3) In the case of a formation of a district as defined in Section  
20 2215, the auditor shall assign the allocation of property tax  
21 revenues determined pursuant to Section 56810 of the Government  
22 Code to the district and shall make the adjustment as determined  
23 by Section 56810, or for the disincorporated city or dissolved  
24 district as determined by Section 56813, in the allocation of  
25 property tax revenue determined pursuant to Section 96 or 96.1  
26 for each local agency whose service area or service responsibilities  
27 would be altered by the change of organization.

28 (b) Upon the filing of an application or a resolution pursuant to  
29 the Cortese-Knox-Hertzberg Local Government Reorganization  
30 Act of 2000 (Division 3 (commencing with Section 56000) of Title  
31 5 of the Government Code), but prior to the issuance of a certificate  
32 of filing, the executive officer shall give notice of the filing to the  
33 assessor and auditor of each county within which the territory  
34 subject to the jurisdictional change is located. This notice shall  
35 specify each local agency whose service area or responsibility will  
36 be altered by the jurisdictional change.

37 (1) (A) The county assessor shall provide to the county auditor,  
38 within 30 days of the notice of filing, a report which identifies the  
39 assessed valuations for the territory subject to the jurisdictional  
40 change and the tax rate area or areas in which the territory exists.

1 (B) The auditor shall estimate the amount of property tax  
2 revenue generated within the territory that is the subject of the  
3 jurisdictional change during the current fiscal year.

4 (2) The auditor shall estimate what proportion of the property  
5 tax revenue determined pursuant to paragraph (1) is attributable  
6 to each local agency pursuant to Sections 96.1 and 96.5.

7 (3) Within 45 days of notice of the filing of an application or  
8 resolution, the auditor shall notify the governing body of each local  
9 agency whose service area or service responsibility will be altered  
10 by the jurisdictional change of the amount of, and allocation factors  
11 with respect to, property tax revenue estimated pursuant to  
12 paragraph (2) that is subject to a negotiated exchange.

13 (4) Upon receipt of the estimates pursuant to paragraph (3), the  
14 local agencies shall commence negotiations to determine the  
15 amount of property tax revenues to be exchanged between and  
16 among the local agencies. Except as otherwise provided, this  
17 negotiation period shall not exceed 60 days. If a local agency  
18 involved in these negotiations notifies the other local agencies, the  
19 county auditor, and the local agency formation commission in  
20 writing of its desire to extend the negotiating period, the negotiating  
21 period shall be 90 days.

22 The exchange may be limited to an exchange of property tax  
23 revenues from the annual tax increment generated in the area  
24 subject to the jurisdictional change and attributable to the local  
25 agencies whose service area or service responsibilities will be  
26 altered by the proposed jurisdictional change. The final exchange  
27 resolution shall specify how the annual tax increment shall be  
28 allocated in future years.

29 (5) In the event that a jurisdictional change would affect the  
30 service area or service responsibility of one or more special  
31 districts, the board of supervisors of the county or counties in which  
32 the districts are located shall, on behalf of the district or districts,  
33 negotiate any exchange of property tax revenues. Prior to entering  
34 into negotiation on behalf of a district for the exchange of property  
35 tax revenue, the board shall consult with the affected district. The  
36 consultation shall include, at a minimum, notification to each  
37 member and executive officer of the district board of the pending  
38 consultation and provision of adequate opportunity to comment  
39 on the negotiation.

1 (6) Notwithstanding any other provision of law, the executive  
2 officer shall not issue a certificate of filing pursuant to Section  
3 56658 of the Government Code until the local agencies included  
4 in the property tax revenue exchange negotiation, within the  
5 negotiation period, present resolutions adopted by each such county  
6 and city whereby each county and city agrees to accept the  
7 exchange of property tax revenues.

8 (7) In the event that the commission modifies the proposal or  
9 its resolution of determination, any local agency whose service  
10 area or service responsibility would be altered by the proposed  
11 jurisdictional change may request, and the executive officer shall  
12 grant, 30 days for the affected agencies, pursuant to paragraph (4),  
13 to renegotiate an exchange of property tax revenues.  
14 Notwithstanding the time period specified in paragraph (4), if the  
15 resolutions required pursuant to paragraph (6) are not presented  
16 to the executive officer within the 30-day period, all proceedings  
17 of the jurisdictional change shall automatically be terminated.

18 (8) In the case of a jurisdictional change that consists of a city's  
19 qualified annexation of unincorporated territory, an exchange of  
20 property tax revenues between the city and the county shall be  
21 determined in accordance with subdivision (e) if that exchange of  
22 revenues is not otherwise determined pursuant to either of the  
23 following:

24 (A) Negotiations completed within the applicable period or  
25 periods as prescribed by this subdivision.

26 (B) A master property tax exchange agreement among those  
27 local agencies, as described in subdivision (d).

28 For purposes of this paragraph, a qualified annexation of  
29 unincorporated territory means an annexation, as so described, for  
30 which an application or a resolution was filed on or after January  
31 1, 1998, and on or before January 1, 2021.

32 (9) No later than the date on which the certificate of completion  
33 of the jurisdictional change is recorded with the county recorder,  
34 the executive officer shall notify the auditor or auditors of the  
35 exchange of property tax revenues and the auditor or auditors shall  
36 make the appropriate adjustments as provided in subdivision (a).

37 (c) Whenever a jurisdictional change is not required to be  
38 reviewed and approved by a local agency formation commission,  
39 the local agencies whose service area or service responsibilities  
40 would be altered by the proposed change, shall give notice to the

1 State Board of Equalization and the assessor and auditor of each  
2 county within which the territory subject to the jurisdictional  
3 change is located. This notice shall specify each local agency  
4 whose service area or responsibility will be altered by the  
5 jurisdictional change and request the auditor and assessor to make  
6 the determinations required pursuant to paragraphs (1) and (2) of  
7 subdivision (b). Upon notification by the auditor of the amount  
8 of, and allocation factors with respect to, property tax subject to  
9 exchange, the local agencies, pursuant to the provisions of  
10 paragraphs (4) and (6) of subdivision (b), shall determine the  
11 amount of property tax revenues to be exchanged between and  
12 among the local agencies. Notwithstanding any other provision of  
13 law, no such jurisdictional change shall become effective until  
14 each county and city included in these negotiations agrees, by  
15 resolution, to accept the negotiated exchange of property tax  
16 revenues. The exchange may be limited to an exchange of property  
17 tax revenue from the annual tax increment generated in the area  
18 subject to the jurisdictional change and attributable to the local  
19 agencies whose service area or service responsibilities will be  
20 altered by the proposed jurisdictional change. The final exchange  
21 resolution shall specify how the annual tax increment shall be  
22 allocated in future years. Upon the adoption of the resolutions  
23 required pursuant to this section, the adopting agencies shall notify  
24 the auditor who shall make the appropriate adjustments as provided  
25 in subdivision (a). Adjustments in property tax allocations made  
26 as the result of a city or library district withdrawing from a county  
27 free library system pursuant to Section 19116 of the Education  
28 Code shall be made pursuant to Section 19116 of the Education  
29 Code, and this subdivision shall not apply.

30 (d) With respect to adjustments in the allocation of property  
31 taxes pursuant to this section, a county and any local agency or  
32 agencies within the county may develop and adopt a master  
33 property tax transfer agreement. The agreement may be revised  
34 from time to time by the parties subject to the agreement.

35 (e) (1) An exchange of property tax revenues that is required  
36 by paragraph (8) of subdivision (b) to be determined pursuant to  
37 this subdivision shall be determined in accordance with all of the  
38 following:

39 (A) The city and the county shall mutually select a third-party  
40 consultant to perform a comprehensive, independent fiscal analysis,



1 funded in equal portions by the city and the county, that specifies  
2 estimates of all tax revenues that will be derived from the annexed  
3 territory and the costs of city and county services with respect to  
4 the annexed territory. The analysis shall be completed within a  
5 period not to exceed 30 days, and shall be based upon the general  
6 plan or adopted plans and policies of the annexing city and the  
7 intended uses for the annexed territory. If, upon the completion of  
8 the analysis period, no exchange of property tax revenues is agreed  
9 upon by the city and the county, subparagraph (B) shall apply.

10 (B) The city and the county shall mutually select a mediator,  
11 funded in equal portions by those agencies, to perform mediation  
12 for a period not to exceed 30 days. If, upon the completion of the  
13 mediation period, no exchange of property tax revenues is agreed  
14 upon by the city and the county, subparagraph (C) shall apply.

15 (C) The city and the county shall mutually select an arbitrator,  
16 funded in equal portions by those agencies, to conduct an advisory  
17 arbitration with the city and the county for a period not to exceed  
18 30 days. At the conclusion of this arbitration period, the city and  
19 the county shall each present to the arbitrator its last and best offer  
20 with respect to the exchange of property tax revenues. The  
21 arbitrator shall select one of the offers and recommend that offer  
22 to the governing bodies of the city and the county. If the governing  
23 body of the city or the county rejects the recommended offer, it  
24 shall do so during a public hearing, and shall, at the conclusion of  
25 that hearing, make written findings of fact as to why the  
26 recommended offer was not accepted.

27 (2) Proceedings under this subdivision shall be concluded no  
28 more than 150 days after the auditor provides the notification  
29 pursuant to paragraph (3) of subdivision (b), unless one of the  
30 periods specified in this subdivision is extended by the mutual  
31 agreement of the city and the county. Notwithstanding any other  
32 provision of law, except for those conditions that are necessary to  
33 implement an exchange of property tax revenues determined  
34 pursuant to this subdivision, the local agency formation  
35 commission shall not impose any fiscal conditions upon a city's  
36 qualified annexation of unincorporated territory that is subject to  
37 this subdivision.

38 (f) Except as otherwise provided in subdivision (g), for the  
39 purpose of determining the amount of property tax to be allocated  
40 in the 1979–80 fiscal year and each fiscal year thereafter for those

1 local agencies that were affected by a jurisdictional change which  
2 was filed with the State Board of Equalization after January 1,  
3 1978, but on or before January 1, 1979. The local agencies shall  
4 determine by resolution the amount of property tax revenues to be  
5 exchanged between and among the affected agencies and notify  
6 the auditor of the determination.

7 (g) For the purpose of determining the amount of property tax  
8 to be allocated in the 1979–80 fiscal year and each fiscal year  
9 thereafter, for a city incorporation that was filed pursuant to  
10 Sections 54900 to 54904, inclusive, of the Government Code after  
11 January 1, 1978, but on or before January 1, 1979, the amount of  
12 property tax revenue considered to have been received by the  
13 jurisdiction for the 1978–79 fiscal year shall be equal to two-thirds  
14 of the amount of property tax revenue projected in the final local  
15 agency formation commission staff report pertaining to the  
16 incorporation multiplied by the proportion that the total amount  
17 of property tax revenue received by all jurisdictions within the  
18 county for the 1978–79 fiscal year bears to the total amount of  
19 property tax revenue received by all jurisdictions within the county  
20 for the 1977–78 fiscal year. Except, however, in the event that the  
21 final commission report did not specify the amount of property  
22 tax revenue projected for that incorporation, the commission shall  
23 by October 10 determine pursuant to Section 54790.3 of the  
24 Government Code the amount of property tax to be transferred to  
25 the city.

26 The provisions of this subdivision shall also apply to the  
27 allocation of property taxes for the 1980–81 fiscal year and each  
28 fiscal year thereafter for incorporations approved by the voters in  
29 June 1979.

30 (h) For the purpose of the computations made pursuant to this  
31 section, in the case of a district formation that was filed pursuant  
32 to Sections 54900 to 54904, inclusive, of the Government Code  
33 after January 1, 1978, but before January 1, 1979, the amount of  
34 property tax to be allocated to the district for the 1979–80 fiscal  
35 year and each fiscal year thereafter shall be determined pursuant  
36 to Section 54790.3 of the Government Code.

37 (i) For the purposes of the computations required by this chapter,  
38 in the case of a jurisdictional change, other than a change requiring  
39 an adjustment by the auditor pursuant to subdivision (a), the auditor  
40 shall adjust the allocation of property tax revenue determined

1 pursuant to Section 96 or 96.1 or its predecessor section, or the  
2 annual tax increment determined pursuant to Section 96.5 or its  
3 predecessor section, for each local school district, community  
4 college district, or county superintendent of schools whose service  
5 area or service responsibility would be altered by the jurisdictional  
6 change, as determined as follows:

7 (1) The governing body of each district, county superintendent  
8 of schools, or county whose service areas or service responsibilities  
9 would be altered by the change shall determine the amount of  
10 property tax revenues to be exchanged between and among the  
11 affected jurisdictions. This determination shall be adopted by each  
12 affected jurisdiction by resolution. For the purpose of negotiation,  
13 the county auditor shall furnish the parties and the county board  
14 of education with an estimate of the property tax revenue subject  
15 to negotiation.

16 (2) In the event that the affected jurisdictions are unable to agree,  
17 within 60 days after the effective date of the jurisdictional change,  
18 and if all the jurisdictions are wholly within one county, the county  
19 board of education shall, by resolution, determine the amount of  
20 property tax revenue to be exchanged. If the jurisdictions are in  
21 more than one county, the State Board of Education shall, by  
22 resolution, within 60 days after the effective date of the  
23 jurisdictional change, determine the amount of property tax to be  
24 exchanged.

25 (3) Upon adoption of any resolution pursuant to this subdivision,  
26 the adopting jurisdictions or State Board of Education shall notify  
27 the county auditor who shall make the appropriate adjustments as  
28 provided in subdivision (a).

29 (j) For purposes of subdivision (i), the annexation by a  
30 community college district of territory within a county not  
31 previously served by a community college district is an alteration  
32 of service area. The community college district and the county  
33 shall negotiate the amount, if any, of property tax revenues to be  
34 exchanged. In these negotiations, there shall be taken into  
35 consideration the amount of revenue received from the timber  
36 yield tax and forest reserve receipts by the community college  
37 district in the area not previously served. In no event shall the  
38 property tax revenue to be exchanged exceed the amount of  
39 property tax revenue collected prior to the annexation for the  
40 purposes of paying tuition expenses of residents enrolled in the

1 community college district, adjusted each year by the percentage  
2 change in population and the percentage change in the cost of  
3 living, or per capita personal income, whichever is lower, less the  
4 amount of revenue received by the community college district in  
5 the annexed area from the timber yield tax and forest reserve  
6 receipts.

7 (k) At any time after a jurisdictional change is effective, any of  
8 the local agencies party to the agreement to exchange property tax  
9 revenue may renegotiate the agreement with respect to the current  
10 fiscal year or subsequent fiscal years, subject to approval by all  
11 local agencies affected by the renegotiation.

12 SEC. 22. If the Commission on State Mandates determines  
13 that this act contains costs mandated by the state, reimbursement  
14 to local agencies and school districts for those costs shall be made  
15 pursuant to Part 7 (commencing with Section 17500) of Division  
16 4 of Title 2 of the Government Code.