



COMMITTEE FOR
GREEN FOOTHILLS

April 20, 2005

The Hon. Sally Lieber
Fax: (408) 277-2084

The Hon. Rebecca Cohn
Fax: (408) 282-8927

RE: Support for AB 1590 (Lieber and Cohn) – Property Tax Revenue Allocations: Special Districts

Dear Assembly Members Sally Lieber and Rebecca Cohn;

We at the Committee for Green Foothills write you to express our support for AB 1590, a bill introduced on behalf of the Santa Clara Valley Water District (District) that will ultimately maintain flood protection services in Santa Clara County. The Committee works for open space and natural resource protection in Santa Clara and San Mateo Counties, and the District provides crucial support for environmental protection in the Bay Area. Passage of this legislation is very important in helping the District maintain its position in providing leadership on environmental protection.

In order to help bridge the FY 2004-2005 State Budget gap, the Governor negotiated a deal with local governments to shift a total of \$1.3 billion toward the State Budget each year for the next two years. Special districts were to contribute \$350 million of that amount based on a formula that asked for a higher percentage rate of the property tax from enterprise agencies than non-enterprise agencies. However, a technical flaw in the legislation resulted in dual-purpose agencies (both enterprise and non-enterprise) such as the District being taxed at the higher enterprise-only rate. Simply put: The District was penalized for having combined water utility and flood protection services. As a result, the District is suffering a \$51 million loss in property tax revenues over the next two years. This is three and half times more than if the District remained a separate water utility and flood protection entity.

Naturally this revenue loss has devastating consequences especially for flood protection projects, including those with significant benefits for the environment. Business communities depend on flood protection for their property and the roads and rails that keep their business moving. The necessity for flood protection services is similar to the need fire protection services, which were exempted from the State's grab. The \$51 million loss translates to reductions in the District's workforce and finding alternate ways to fund current and future flood protection projects. This means environmental restoration will wait, as will businesses that will have to wait longer for services that protect their bottom line.

We believe that AB 1590 will correct this inequitable situation. AB 1590 will require that dual-purpose agencies are treated the same as single enterprise agencies and are not asked to pay more. This bill will reduce the District's tax loss from \$25.5 million to \$7.2 million in the second year. The difference of \$18.3 million will return to its original purpose - critical public services. The recovered funds will be used to upgrade the District's treatment plants to meet safe drinking water standards, increase flood protection for vulnerable businesses and communities, and protect and restore local watersheds. Again, we support AB 1590 which will help safeguard our flood protections services.

Please contact us if you have any questions.

Sincerely,
<signed>

Brian A. Schmidt
Legislative Advocate, Santa Clara County

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