



AGENDA SUMMARY
EUREKA CITY COUNCIL

TITLE: Letter in Support of AB 2564
DEPARTMENT: City Council
PREPARED BY: Autumn E. Luna, City Attorney
PRESENTED FOR: Action Information only Discussion

RECOMMENDATION

Authorize Mayor Bergel to sign and staff to transmit a letter in support of AB 2564

FISCAL IMPACT

No Fiscal Impact Included in Budget Additional Appropriation

COUNCIL GOALS/STRATEGIC VISION

DISCUSSION

This is a legislative action item placed on the agenda per City Council direction for discussion and possible action on a letter in support of AB 2564.

1. Background.

Since 1976, the California Constitution has authorized the Legislature to establish a program by which low- or moderate-income seniors may postpone property tax on their principal place of residence. The program was intended to address concerns that senior homeowners could lose their homes due to an inability to pay rising property tax bills.

The program entitled Senior Citizens and Disabled Citizens Property Tax Postponement Fund was first established in 1977. In 2009, after the Great Recession, the Fund was suspended – one of many victims of budget cuts. Between 2009 and 2014 there were no new filings for property tax postponement under this program. In 2014 the program was revived for the 2016/17 fiscal year, but with tighter eligibility criteria and no funding from the state General Fund.

In 2018, the Legislative Analyst's Office issued a comprehensive report on the program, and found that it had overly high administrative costs and low participation. It noted that in the

years since the program had been revived, only around 1,000 participants were benefiting from the program. The LAO recommended one of two options at that time: terminate the program, or make substantive changes in the program to address the issues (including funding) and increase participation. In the intervening years the Legislature has adopted some, but not all of the recommendations, and appears, therefore, not to have opted for termination.

2. Bill History.

Assembly Bill 2564 was introduced by Assembly Member Boerner on February 14, 2024, and was referred to the Assembly Committee on Revenue and Taxation. The Bill passed out of committee (Ayes 7, Noes 0) on April 22, 2024, and referred to the Assembly Appropriations Committee. Appropriations passed the Bill to the Assembly Floor (Ayes 15, Noes) on May 16, 2024, and the Bill passed the Assembly Floor and was ordered to the Senate (Ayes 72, Noes 0) on May 22, 2024. The Bill was referred to the Senate Committee on Revenue and Taxation, and passed out of Committee on June 26, 2024 (Ayes 7, Noes 0) The Bill's current referral is to Senate Appropriations. Senate Appropriations is set to hear the Bill on August 5, 2024.

3. Summary.

The program, administered by the State Controller, currently allows homeowners who are seniors, are blind, or have a disability to defer current-year property taxes on their principal residence if they meet certain criteria, including having at least 40% equity in the home and an annual household income of \$51,762 or less (among other requirements). The deferment of property taxes is secured by a lien against the property that must eventually be repaid (typically when the home is sold, title is transferred, or the participant dies). The program is self-funded from repayments from previous program participants, and the fund is capped at \$15 million per year, with any moneys above this threshold transferred annually to the General Fund.

Assembly Bill 2564 would ensure the viability of the program by requiring the State Controller to transfer monies into the fund every year from the General Fund to maintain a \$15 million fund balance. The bill is sponsored by State Controller Malia M. Cohen, who supports the program and notes the following:

“Recent statutory changes to the program reduced loan interest rates from seven percent to five percent and increased the income threshold on an annual basis as a hedge against inflation. These changes have increased the number of eligible participants, while reducing future collections earned on loan interest. The level of funding was not adjusted in a manner which would cover the increased number of eligible Californians. At the current rate of program expansion, with no additional funding source, the program has had to reject certain AB 2564 applicants in the Manufactured Home category and is in jeopardy of turning away eligible applicants across the program potentially causing more harm to those vulnerable individuals who rely on the assistance provided by the PTP Program.”

To date, the bill has not received any arguments against its passage, and has enjoyed unanimous support in the various committees and on the Assembly Floor.

REVIEWED AND APPROVED BY:

City Attorney

City Manager

City Clerk/Information Technology

Community Services

Development Services

Finance

Fire

Human Resources

Police

Public Works