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GOVERNMENT CODE - GOV

TITLE 5. LOCAL AGENCIES [50001 - 57607] (Title 5 added by Stats. 1949, Ch. 81.)

DIVISION 3. CORTESE-KNOX-HERTZBERG LOCAL GOVERNMENT REORGANIZATION ACT OF 2000 [56000 - 57550] (Heading of Division 3 amended by Stats. 2001, Ch. 388, Sec. 1.)

PART 3. COMMISSION PROCEEDINGS FOR A CHANGE OF ORGANIZATION OR REORGANIZATION [56650 - 56898] (Heading of Part 3 amended by Stats. 1985, Ch. 1599, Sec. 8.)

CHAPTER 4. Fiscal Provisions [56800 - 56816] (Heading of Chapter 4 amended by Stats. 2000, Ch. 761, Sec. 112.)

ARTICLE 2. Property Tax Exchange [56810 - 56814] (Article 2 added by Stats. 2000, Ch. 761, Sec. 122.)

56810. (a) (1) If the proposal includes the incorporation of a city, as defined in Section 56043, the commission shall determine the amount of property tax revenue to be exchanged by the affected local agency pursuant to this section and Section 56815.

(2) If the proposal includes the formation of a district, as defined in Section 2215 of the Revenue and Taxation Code, and if the applicant is seeking a share of the 1 percent ad valorem property taxes, the commission shall determine the amount of property tax to be exchanged by the affected local agency pursuant to this section.

(b) The commission shall notify the county auditor of the proposal and the services which the new jurisdiction proposes to assume within the area, and identify for the auditor the existing service providers within the area subject to the proposal.

(c) If the proposal would not transfer all of an affected agency's service responsibilities to the proposed city or district, the commission and the county auditor shall do all of the following:

(1) The county auditor shall determine the proportion that the amount of property tax revenue derived by each affected local agency pursuant to subdivision (b) of Section 93 of the Revenue and Taxation Code bears to the total amount of revenue from all sources, available for general purposes, received by each affected local agency in the prior fiscal year. For purposes of making this determination and the determination required by paragraph (3), "total amount of revenue from all sources available for general purposes" means the total amount of revenue which an affected local agency may use on a discretionary basis for any purpose and does not include any of the following:

(A) Revenue which, by statute, is required to be used for a specific purpose.

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

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

(2) The commission shall determine, based on information submitted by each affected local agency, an amount equal to the total net cost to each affected local agency during the prior fiscal year of providing those services which the new jurisdiction will assume within the area subject to the proposal. For purposes of this paragraph, "total net cost" means the total direct and indirect costs that were funded by general purpose revenues of the affected local agency and excludes any portion of the total cost that was funded by any revenues of that agency that are specified in subparagraphs (A), (B), and (C) of paragraph (1).

(3) The commission shall multiply the amount determined pursuant to paragraph (2) for each affected local agency by the corresponding proportion determined pursuant to paragraph (1) to derive the amount of property tax revenue used to provide services by each affected local agency during the prior fiscal year within the area subject to the proposal. The county auditor shall adjust the amount described in the previous sentence by the annual tax increment according to the procedures set forth in Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code, to the fiscal year in which the new city or district receives its initial allocation of property taxes.

(4) For purposes of this subdivision, in any county in which, prior to the adoption of Article XIII A of the California Constitution, and continuing thereafter, a separate fund or funds were established consisting of revenues derived from the unincorporated area of the county and from which fund or funds services rendered in the unincorporated area have been paid, the amount of property tax revenues derived pursuant to paragraph (3), may, at the discretion of the commission, be transferred to the proposed city over a period not to exceed 12 fiscal years following its incorporation. In determining whether the transfer of the amount of property tax revenues determined pursuant to paragraph (3) shall occur entirely within the fiscal year immediately following the incorporation of the proposed city or shall be phased in over a period not to exceed 12 full fiscal years following the incorporation, the commission shall consider each of the following:

(A) The total amount of revenue from all sources available to the proposed city.

(B) The fiscal impact of the proposed transfer on the transferring agency.

(C) Any other relevant facts which interested parties to the exchange may present to the commission in written form.

The decision of the commission shall be supported by written findings setting forth the basis for its decision.

(d) If the proposal would transfer all of an affected agency's service responsibilities to the proposed city or district, the commission shall request the auditor to determine the property tax revenue generated for the affected service providers by tax rate area, or portion thereof, and transmit that information to the commission.

(e) The executive officer shall notify the auditor of the amount determined pursuant to paragraph (3) of subdivision (c) or subdivision (d), as the case may be, and, where applicable, the period of time within which and the procedure by which the transfer of property tax revenues will be effected pursuant to paragraph (4) of subdivision (c), at the time the executive officer records a certificate of completion pursuant to Section 57203 for any proposal described in subdivision (a), and the auditor shall transfer that amount to the new jurisdiction.

(f) The amendments to this section enacted during the 1985–86 Regular Session of the Legislature shall apply to any proposal described in subdivision (a) for which a certificate of completion is recorded with the county recorder on or after January 1, 1987.

(g) For purposes of this section, "prior fiscal year" means the most recent fiscal year for which data on actual direct and indirect costs and revenues needed to perform the calculations required by this section are available preceding the issuance of the certificate of filing.

(h) An action brought by a city or district to contest any determinations of the county auditor or the commission with regard to the amount of property tax revenue to be exchanged by the affected local agency pursuant to this section shall be commenced within three years of the effective date of the city's incorporation or the district's formation. These actions may be brought by any city that incorporated or by any district that formed on or after January 1, 1986.

(i) This section applies to any city that incorporated or district that formed on or after January 1, 1986.

(j) The calculations and procedures specified in this section shall be made prior to and shall be incorporated into the calculations specified in Section 56815.

(Amended by Stats. 2024, Ch. 70, Sec. 1. (AB 3277) Effective January 1, 2025.)

56811. (a) If a proposal includes the formation of a new special district, the commission shall determine the appropriations limit of the district in accordance with Section 7902.7 and Article XIII B of the California Constitution. The commission shall determine the provisional appropriations limit of the district in the following manner:

(1) Estimate the amount of revenue anticipated to be received by the district from the proceeds of taxes for the first full fiscal year of operation.

(2) Adjust the amount determined in paragraph (1) for the estimated change in the cost of living and population in the next full fiscal year of operation and any other changes that may be required or permitted by Article XIII B of the California Constitution.

(b) The governing body of the district shall determine the proposed permanent appropriations limit of the district to be submitted to the voters in the following manner:

(1) Determine the amount of revenue actually received by the district from the proceeds of taxes for the first full fiscal year of operation.

(2) Adjust the amount determined in paragraph (1) for the estimated change in the cost of living and population in the next full fiscal year of operation and any other changes that may be required or permitted by Article XIII B of the California Constitution.

(c) The permanent appropriations limit of the district shall be set at the first district election that is held following the first full fiscal year of operation and shall not be considered to be a change in the appropriations limit of the district pursuant to Section 4 of Article

XIII B of the California Constitution.

(Amended by Stats. 2007, Ch. 244, Sec. 9. Effective January 1, 2008.)

56812. (a) If a proposal includes the incorporation of a city, the commission shall determine the provisional appropriations limit of the city in accordance with Section 7902.7 and Article XIII B of the California Constitution. The commission shall determine the provisional appropriations limit of the city in the following manner:

(1) Estimate the amount of revenue anticipated to be received by the city from the proceeds of taxes for the first full fiscal year of operation.

(2) Adjust the amount determined in paragraph (1) for the estimated change in the cost of living and population in the next full fiscal year of operation and such other changes as may be required or permitted by Article XIII B of the California Constitution.

(b) The governing body of the city shall determine the proposed permanent appropriations limit of the city to be submitted to the voters in the following manner:

(1) Determine the amount of revenue actually received by the city from the proceeds of taxes for the first full fiscal year of operation.

(2) Adjust the amount determined in paragraph (1) for the estimated change in the cost of living and population in the next full fiscal year of operation and such other changes as may be required or permitted by Article XIII B of the California Constitution.

(c) The permanent appropriations limit of the city shall be set at the first municipal election which is held following the first full fiscal year of operation and shall not be considered to be a change in the appropriations limit of the city pursuant to Section 4 of Article XIII B of the California Constitution.

(Added by Stats. 2000, Ch. 761, Sec. 122. Effective January 1, 2001.)

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

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

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

(1) The county auditor shall determine the proportion that the amount of property tax revenue derived by the city being disincorporated pursuant to subdivision (b) of Section 93 of the Revenue and Taxation Code bears to the total amount of revenue from all sources, available for general purposes, received by the city being disincorporated in the prior fiscal year and provide his or her response within 15 days of receiving notification from the commission pursuant to subdivision (b). For purposes of making this determination and the determination required by paragraph (3), "total amount of revenue from all sources available for general purposes" means the total amount of revenue which the city being disincorporated may use on a discretionary basis for any purpose and does not include any of the following:

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

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

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

(2) The commission shall determine, based on information submitted by the city being disincorporated, an amount equal to the total net cost to that city during the prior fiscal year of providing those services that an affected agency will assume within the area subject to the proposal. For purposes of this paragraph, "total net cost" means the total direct and indirect costs that were funded by general purpose revenues of the city being disincorporated and excludes any portion of the total cost that was funded by any revenues of that agency that are specified in subparagraphs (A), (B), and (C) of paragraph (1).

(3) For the services to be transferred to each affected local agency, the commission shall multiply the amount determined pursuant to paragraph (2) by the proportion determined pursuant to paragraph (1) to derive the amount of property tax revenue used to provide services by the city being disincorporated during the prior fiscal year within the area subject to the proposal. The county auditor shall adjust the amount so determined by the annual tax increment pursuant to the procedures set forth in Chapter 6

(commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code, to the fiscal year in which the affected agency receives its next allocation of property taxes.

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

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

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

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

(Added by Stats. 2015, Ch. 304, Sec. 7. (AB 851) Effective January 1, 2016.)

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

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

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

(Added by Stats. 2015, Ch. 304, Sec. 8. (AB 851) Effective January 1, 2016.)