

Educational Revenue Augmentation Fund (ERAF)

I. OVERVIEW

A. The Education Revenue Augmentation Fund (ERAF)

1. The ERAF is the fund used to collect the property taxes in each county that are shifted from cities, the county, and special districts prior to their reallocation to K-14 school agencies.
2. The county treasurer maintains the ERAF on behalf of the county auditor.

B. The Legislation

1. In the early 1990s, the State of California passed legislation that authorized the shift of property taxes from local governments to K-14 school agencies and a corresponding reduction in the state support of K-14 education.
2. This shift first had an impact on the 1992-1993 state budget.
3. The shift transferred over \$3.7 billion in property tax revenues from cities, the county and special districts.
4. The state has made numerous changes to the Revenue and Taxation Code since the early 1990s to modify the calculations.
5. In 2004-05, three shifts of property taxes from school agencies to local government occurred which affected the allocation of ERAF.
 - a. One tax shift is known as the “Triple Flip” began March 2004, after voters approved a bond initiative known as the “California Recovery Act.”

This act authorized issuance of \$15 billion in bonds to finance the 2002-03 and 2003-04 state budget deficits.

The revenue stream for payment of these bonds was established by the redirection of tax revenues through the “Triple Flip.”

Under the “Triple Flip,” one quarter of the local governments’ 1% share of sales taxes are re-directed to the state as a dedicated revenue source for the bond repayment. To mitigate the loss of this revenue to the local governments, the legislation “re-directed” property taxes in the ERAF to local government. The loss of ERAF property taxes to the school agencies is then backfilled with state aid.

It is anticipated the swap of sales taxes for property taxes will terminate once the deficit financing bonds are paid, which is currently expected in 9-13 years.

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- b. Shortly after the historic 2004 gubernatorial recall, a second shift occurred when the state reduced vehicle license fees (VLF) thus reducing revenue received by local governments. To backfill this reduction of revenue, the state shifted \$4.1 billion in property taxes from school districts to local government.
- c. The final shift occurred in November 2004, when Proposition 1A was approved. This proposition included “The Deal” which local governments agreed to a two year temporary shift of property taxes back to school agencies based upon a guarantee to never shift local government revenues to school agencies (save fiscal emergency). Subsequently, in 2006-07 the temporary tax shift to schools reverted back to local governments.

C. Revenue and Taxation Code Sections 97 – 97.68

1. These code sections modify the calculations and allocations of property taxes made by the county and require the deposits of the amount of the property tax revenues not allocated to cities, the county, and special districts into the ERAF.
2. The county auditor is required to allocate the money in the ERAF to school districts, county offices of education, and community colleges.
3. The county superintendent of schools is required to determine the amount that the county auditor will allocate to each school district and county office of education.
4. Basic aid districts are excluded from receiving funds from ERAF.
5. The county auditor is required to allocate the ERAF to the school districts and county office based on the information provided by the county superintendent of schools.
Revenue and taxation Code Section 97.2
 - a. The amount allocated is in inverse proportion to the amounts of property tax revenue per average daily attendance (ADA) in each school district and county office of education. That is, the more property taxes per ADA the district receives, the less ERAF per ADA they will receive.
6. The county auditor must not allocate any additional funds from ERAF to a school district or county office of education, causing those entities to become basic aid.
7. The county auditor is required to allocate the ERAF to the community colleges based on information provided by the Chancellor of the California Community Colleges.
8. If there are still additional funds in the ERAF after the allocations to school districts, county offices of education, and community colleges, the county auditor allocates these funds to the county superintendent of schools.

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- a. Funds allocated to the county superintendent are counted as property tax revenue for special education programs in augmentation of the amount calculated pursuant to Education Code Section 2572, to the extent that those property tax revenues offset state aid for county offices of education and school districts pursuant to Education Code Section 56836.08 subdivision (c). The allocation to a county office of education for special education (i.e. excess ERAF) is to be made as though none of the shifts enacted in 2004 occurred — see Revenue and Taxation Code section 97.70 (f) (1).
9. If any additional revenues remain after the allocation for special education, the county auditor will allocate the remaining revenues among the county, cities, and special districts in proportion to the amounts of ad valorem property tax revenues that were shifted from those agencies to the ERAF.

II. DETAILED PROCEDURES

- A. Depending on the county, beginning in October, the county will provide an estimate of the ERAF funds for the fiscal year. In some counties, the estimate is provided in December or January. In some counties, this estimate is provided by the Auditor Controller's office.
- B. The county will provide an additional estimate in April and the final amount at the end of the year (July).
- C. The county office of education staff enter the amount of the estimated ERAF for the year into a spreadsheet that allocates the ERAF among the districts, the community colleges, and the county office of education. Sample spreadsheets are shown at the end of this section.
 1. The county office of education will receive a letter from the Chancellor's office that provides the amount of ERAF for the community colleges in the county. In some counties, this estimate is provided to the districts.
 2. The ADA used in the spreadsheets is current year or estimated current year ADA.
 3. The county office of education prepares the ERAF spreadsheet at P-1 and P-2. This information is also provided to the districts.
- D. The calculation is returned to the county auditor's office. The county auditor uses the spreadsheet to allocate the ERAF as the taxes are collected.

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1. Required shifts in the property taxes, that began in 2004-05 and sizably increased in 2006-07, may exceed the amounts allocated to the ERAF account, resulting in “negative” ERAF (In this case, the ERAF account is zeroed out and secured taxes are reduced in order to make up the total amount that needs to be shifted that particular year). Beginning in 2007-08, negative ERAF should be reported independently and not netted against secured taxes.
 2. If the ERAF fund is insufficient to fund the VLF Adjustment amount, the auditor shall reduce the amount of ad valorem property tax revenue that is otherwise required to be allocated to non-basic-aid districts and community college districts in the county for that fiscal year by an amount equal to the difference between the VLF Adjustment amount and the amount of ad valorem property tax revenue that is otherwise required to be allocated to the ERAF in accordance with Revenue and Taxation Code Section 97.70 (a) (1) (B). These reductions are to be allocated among the various schools and college districts in proportion to their respective proportion of local secured assessed valuations.
 3. If the ERAF balance after adjustments is negative, then a reverse ERAF allocation may be necessary. All ERAF monies should be depleted before implementing a reverse ERAF shift from non-basic aid schools. The sequence of ERAF transfers for Triple Flip and VLF swap adjustments should be as follows:
 - ERAF
 - Supplemental ERAF
 - Unitary ERAF
 - HOPTR ERAF
 - Only after the ERAF resources listed above have been exhausted should a reversal occur.
 - The calculation of a district’s basic aid status should be based on the current year revenue limit and local property taxes prior to shifts in property taxes. The district’s prior year status as a basic aid district is not relevant.
- E. The county auditor completes the estimated tax reports in November, April, and August (final).
1. These tax reports are submitted to the county office of education.
 2. The county office of education is required to submit the tax reports to the California Department of Education by:
 - a. For the first principal apportionment – not later than November 15.
 - b. For the second principal apportionment – not later than April 15.

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- c. For the annual principal apportionment – not later than August 15.
3. The county office of education submits the tax reports using the on-line software from the CDE.

Allocation of ERAF Sample Worksheet #1

ERAF Base Proration, Acct. #8045 ACOE, K-12 Districts and Community Colleges

FY 2003/04 Base Taxes

Totals	P-1 ERAF	Ratio	Funds Distributed January	P-2 ERAF	Ratio	Funds Distributed April, Est #1	Adjusted Distr. Com Col, Est #1	Funds Distributed April, Est #1	Funds Distributed June, Est#2	Adjusted Distr. Com Col, Est#2	Funds Distributed June, Act#2	Total Distributed
ACOE	9,340,600.00	2.84%	5,176,054.39									5,176,054.39
K-12 Districts	278,013,700.00	84.53%	154,060,520.43									154,060,520.43
Community Colleges	41,548,299.00	12.63%	23,018,861.62									23,018,861.62
Grand Total	328,902,599.00	100.00%	182,255,436.44									182,255,436.44

K-12 Distribution

District	P-1 or P-2 ADA	Ratio	Funds Distributed January	P-2 ADA	Ratio	Funds Distributed April, Est #1	Adjusted Distr. Com Col, Est #1	Funds Distributed April, Est #1	Funds Distributed June, Est#2	Adjusted Distr. Com Col, Est#2	Funds Distributed June, Act#2	Total Distributed
Alameda	9,991.73	4.93%	7,595,183.66									7,595,183.66
Albany	3,042.02	1.50%	2,310,907.81									2,310,907.81
Berkeley	8,497.92	4.20%	6,470,541.86									6,470,541.86
Castro Valley	7,858.99	3.88%	5,977,548.19									5,977,548.19
Dublin	4,160.72	2.05%	3,158,240.67									3,158,240.67
Emery	829.02	0.41%	631,648.13									631,648.13
Fremont	30,171.68	14.90%	22,955,017.54									22,955,017.54
Hayward	22,828.93	11.27%	17,362,620.65									17,362,620.65
Livermore	13,508.00	6.67%	10,276,836.71									10,276,836.71
Mountain House	40.36	0.02%	30,812.10									30,812.10
New Haven	13,023.99	6.43%	9,906,091.46									9,906,091.46
Newark	7,099.18	3.51%	5,407,524.27									5,407,524.27
Oakland	46,290.77	22.87%	35,233,641.03									35,233,641.03
Piedmont	2,508.69	1.24%	1,910,350.48									1,910,350.48
Pleasanton	13,305.06	6.57%	10,121,776.19									10,121,776.19
San Leandro	8,222.61	4.06%	6,254,857.13									6,254,857.13
San Lorenzo	10,960.66	5.41%	8,334,674.16									8,334,674.16
Sunol Glen	172.08	0.08%	123,248.42									123,248.42
Total	202,501.61	100.00%	154,060,520.43									154,060,520.43

Community College Distribution

Community College	P-1 Estimate	P-1 Ratio	Funds Distributed January	P-2 Estimate	P-2 Ratio	Funds Distributed April, Est #1	Adjusted Distr. Com Col, Est #1	Funds Distributed April, Est #1	Funds Distributed June, Est#2	Adjusted Distr. Com Col, Est#2	Funds Distributed June, Act#2	Total Distributed
Chabot-Las Positas	14,934,530.00	35.94%	8,272,978.87									8,272,978.87
Fremont-Newark (Ohlone)	5,191,799.00	12.50%	2,877,357.70									2,877,357.70
Peralta	21,421,970.00	51.56%	11,868,525.05									11,868,525.05
Total	41,548,299.00	100.00%	23,018,861.62									23,018,861.62

Allocation of ERAF Sample Worksheet #1

ERAF Interest Proration, Acct. #8660
ACOE, K-12 Districts and Community Colleges

FY 2003/04 Interest

Totals										
Description	P-1 ERAF	Ratio	Funds Distributed January	P-2 ERAF	Ratio	Funds Distributed April, Est #1	Adjusted Distr. Com Col, Est #1	Funds Distributed April, Est #1	Adjusted Distr. Com Col, Est#2	Total Distributed
ACOE	9,340,600.00	2.84%	5,544.27							5,544.27
K-12 Districts	278,013,700.00	84.53%	165,020.14							165,020.14
Community Colleges	41,548,299.00	12.63%	24,656.39							24,656.39
Grand Total	328,902,599.00	100.00%	195,220.80							195,220.80

K-12 Distribution

District	P-1 or P-2 ADA	Ratio	Funds Distributed January	P-2 ADA	Ratio	Funds Distributed April, Est #1	Adjusted Distr. Com Col, Est #1	Funds Distributed April, Est #1	Adjusted Distr. Com Col, Est#2	Total Distributed
Alameda	9,981.73	4.93%	8,135.49							8,135.49
Albany	3,042.02	1.50%	2,475.30							2,475.30
Berkeley	8,497.92	4.20%	6,930.85							6,930.85
Castro Valley	7,859.99	3.86%	6,402.78							6,402.78
Dublin	4,160.72	2.05%	3,382.91							3,382.91
Emery	829.02	0.41%	676.56							676.56
Fremont	30,171.68	14.90%	24,588.00							24,588.00
Hayward	22,828.93	11.27%	18,597.77							18,597.77
Mountain House	13,508.00	6.67%	11,006.84							11,006.84
New Haven	40.36	0.02%	33.00							33.00
Newark	13,023.99	6.43%	10,610.80							10,610.80
Newark	7,089.18	3.51%	5,792.21							5,792.21
Oakland	46,290.17	22.87%	37,740.11							37,740.11
Piedmont	2,508.69	1.24%	2,046.25							2,046.25
Pleasanton	13,305.06	6.57%	10,841.82							10,841.82
San Leandro	8,222.61	4.06%	6,699.82							6,699.82
San Lorenzo	10,960.66	5.41%	8,927.59							8,927.59
Sumol Glen	172.08	0.08%	132.02							132.02
Total	202,501.81	100.00%	165,020.14							165,020.14

Community College Distribution

Community College	P-1 Estimate	P-1 Ratio	Funds Distributed January	P-2 Estimate	P-2 Ratio	Funds Distributed April, Est #1	Adjusted Distr. Com Col, Est #1	Funds Distributed April, Est #1	Adjusted Distr. Com Col, Est#2	Total Distributed
Chabot-Las Positas	14,934,530.00	35.94%	8,861.51							8,861.51
Fremont-Newark (Ohlone)	5,191,799.00	12.50%	3,082.05							3,082.05
Peralta	21,421,970.00	51.56%	12,712.83							12,712.83
Total	41,548,299.00	100.00%	24,656.39							24,656.39

Allocation of ERAF Sample Worksheet #1

Community College Adjustment Calculation

<u>Chabot-Las Positas</u>	
P1	8,272,978.87
P2	-
Per Worksheet	8,272,978.87
Per Chancellor's Schedule	14,934,530.00
Too Much / (Not Enough)	(6,661,551.13)

Chabot-Las Positas	(6,661,551.13)
Fremont-Newark	(2,314,441.30)
Peralta	(9,553,444.95)
Total Adjustment	(18,529,437.38)

<u>Ohlone (Fremont-Newark)</u>	
P1	2,877,357.70
P2	-
Per Worksheet	2,877,357.70
Per Chancellor's Schedule	5,191,799.00
Too Much / (Not Enough)	(2,314,441.30)

<u>Final ERAF Allocation (Chancellor's Office)</u>	
Chabot-Los Positas	14,934,530.00
Ohlone (Fremont-Newark)	5,191,799.00
Peralta	21,421,970.00
Total	41,548,299.00
<i>ERAF must equal this amount at year-end</i>	

<u>Peralta</u>	
P1	11,868,525.05
P2	-
Per Worksheet	11,868,525.05
Per Chancellor's Schedule	21,421,970.00
Too Much / (Not Enough)	(9,553,444.95)

Allocation of ERAF Sample Worksheet #1

ERAF Basic Aid Calculation

P2 Certification District	2000-01 Total Revenue Limit P-2 Cert EDP 088 Col. 2	Local Property Taxes P-2 J29 B Col. 10 Col. 3	ERAF P-2 J29 B Col. 9 Col. 4	Est. Local Taxes before ERAF Col. 3 minus Col. 4 Col. 5	Difference R/L vs Local Taxes Col. 2 minus Col. 5 Col. 6	ERAF Funding Jan-01 Col. 7	Remaining ERAF Capacity Col. 6 minus Col. 7 Col. 8	ERAF Funding 6/02 Act #1 Col. 9	Remaining ERAF Capacity Col. 8 minus Col. 9 Col. 10	ERAF Funding 6/02 Act #2 Col. 11	Remaining ERAF Capacity Col. 10 minus Col. 11 Col. 12
Alameda	45,030,007	20,898,100	11,232,900	9,685,200	35,364,807.00	7,595,183.86	27,769,623.34	0.00	27,769,623.34	0.00	27,769,623.34
Albany	12,460,210	5,357,300	3,021,200	2,336,100	10,124,110.00	2,310,907.81	7,813,202.19	0.00	7,813,202.19	0.00	7,813,202.19
Berkeley	42,085,464	23,309,100	9,909,100	13,400,000	28,685,464.00	6,470,541.86	22,214,922.14	0.00	22,214,922.14	0.00	22,214,922.14
Castro Valley	33,682,637	14,529,130	8,194,400	6,334,730	27,347,907.00	5,977,548.19	21,370,358.81	0.00	21,370,358.81	0.00	21,370,358.81
Dublin	21,148,954	12,271,400	4,087,600	8,183,800	12,965,154.00	3,158,240.67	9,806,913.33	0.00	9,806,913.33	0.00	9,806,913.33
Emery	5,074,702	1,515,700	938,600	577,100	4,497,602.00	631,648.13	3,865,953.87	0.00	3,865,953.87	0.00	3,865,953.87
Fremont	129,676,579	70,562,300	32,655,900	37,906,400	91,770,179.00	22,955,017.54	68,815,161.46	0.00	68,815,161.46	0.00	68,815,161.46
Hayward	99,992,415	42,365,800	24,521,800	17,844,000	82,148,415.00	17,362,620.65	64,785,794.35	0.00	64,785,794.35	0.00	64,785,794.35
Livermore	57,652,273	30,978,720	14,185,200	16,793,520	40,858,753.00	10,275,836.71	30,582,916.29	0.00	30,582,916.29	0.00	30,582,916.29
Mtn. House	273,918	125,700	56,600	69,100	204,818.00	30,812.10	174,005.90	0.00	174,005.90	0.00	174,005.90
New Haven	57,912,817	23,526,700	14,560,700	8,966,000	48,946,817.00	9,906,091.46	39,040,725.54	0.00	39,040,725.54	0.00	39,040,725.54
Newark	32,383,212	15,782,100	8,010,600	7,771,500	24,611,712.00	5,407,524.27	19,204,187.73	0.00	19,204,187.73	0.00	19,204,187.73
Oakland	222,838,724	91,994,300	54,604,600	37,389,700	185,449,024.00	35,233,641.03	150,215,382.97	0.00	150,215,382.97	0.00	150,215,382.97
Piedmont	11,844,909	6,508,900	2,875,200	3,633,700	8,211,209.00	1,910,350.45	6,300,858.55	0.00	6,300,858.55	0.00	6,300,858.55
Pleasanton	64,239,463	37,496,200	13,360,300	24,135,900	40,103,563.00	10,121,776.19	29,981,786.81	0.00	29,981,786.81	0.00	29,981,786.81
San Leandro	35,183,483	16,913,100	8,606,700	8,306,400	26,877,083.00	6,254,857.13	20,622,225.87	0.00	20,622,225.87	0.00	20,622,225.87
San Lorenzo	47,527,148	18,909,400	11,627,900	7,281,500	40,245,648.00	8,334,674.16	31,910,973.84	0.00	31,910,973.84	0.00	31,910,973.84
Sunol	919,909,937	722,390	204,200	518,190	384,832.00	123,248.42	261,583.58	0.00	261,583.58	0.00	261,583.58
		433,766,340	222,653,500	211,112,840	154,060,520.43	154,060,520.43	0.00	0.00	0.00	0.00	0.00
				211,112,840		154,060,520.43		0.00		0.00	

Allocation of ERAF Sample Worksheet #2

Estimate of VLF Sales Tax and ERAF III on ERAF - 2006-07

ERAF Computation	J DESCRIPTION	Actual @ December 2006	X2	ERAF III Portion of Prop Tax	To City	To County	To Schools
S SUBOB							
100	PROPERTY TAX	18,431,846	36,863,692		(14,819,832)	(24,848,812)	(2,804,952)
104	IN LIEU VLF	-15,855,416	(31,710,832)		8,910,540	22,800,292	0
110	PROPERTY TAX	921,807	1,843,614				1,843,614
130	PROPERTY TAX	1,493	2,986				2,986
142	PENALTIES FO	785	1,570				1,570
143	REDEMPTION P	1,567	3,134				3,134
150	SUPPLEMENTAL	85,893	171,786				171,786
151	SUPPLEMENTAL	2,294	4,588				4,588
160	SUPPLEMENTAL	7,297	14,594				14,594
161	SUPPLEMENTAL	549	1,098				1,098
169	IN LIEU SALE		(7,957,812)		5,909,292	2,048,520	0
430	INTEREST	21,514	43,028				43,028
830	ST-HOMEOWNER	182,506	365,012				365,012
1150	CONTR FR OTH						0
	REVENUE TOT		(353,542)		0	0	(353,542)

Allocation of ERAF Sample Worksheet #2

Estimate of VLF Sales Tax and ERAF III on ERAF - 2005-06

BALANCE	(Y,M,Q,A) : Y								
FISCAL	MO/YEAR : 12 2006								
FUND TY	PE : 72								
FUND	: 777								
S SUBOB	J DESCRIPTION	ACTUAL	ERAF III Portion of Prop Tax	To City	To County	To Schools			
100	PROPERTY TAX	39,055,662	5,339,748	(13,446,461)	(24,121,654)	1,487,547			
104	IN LIEU VLF	-30,869,904		8,511,016	22,358,888	0			
110	PROPERTY TAX	925,134				925,134			
130	PROPERTY TAX	-20,930				(20,930)			
142	PENALTIES FO	1,826				1,826			
143	REDEMPTION P	3,757				3,757			
150	SUPPLEMENTAL	1,032,250				1,032,250			
151	SUPPLEMENTAL	13,520				13,520			
160	SUPPLEMENTAL	18,543				18,543			
161	SUPPLEMENTAL	398				398			
169	IN LIEU SALE	-6,698,211		4,935,445	1,762,766	0			
430	INTEREST	52,978				52,978			
830	ST-HOMEOWNER	364,124				364,124			
1150	CONTR FR OTH	3,149,786	3,149,786			3,149,786			
	REVENUE TOT	7,028,933	8,489,534	0	-0	7,028,933			
5280	CONTRIB TO O	7,033,599				7,033,599			
	EXPEND TOTAL	7,033,599				7,033,599			
	REV LESS EX	-4,666				(4,666)			
									prior year undis interest