

## THE 1 PERCENT TAX: WHERE DOES YOUR MONEY GO?

**To Start...** Your county auditor pools your 1 percent rate tax payment, as well as payments from other property owners in your county, into a single countywide pot. State law directs how your county auditor distributes the revenue in the countywide pot. We summarize that process in four basic steps.

**Step 1: Determine How Last Year's Revenue Was Allocated.** Your county auditor sets aside revenue from the 1 percent tax for each local government and ERAF. The amount each local government gets is largely based on that amount that was allocated to them last year.

**Step 2: Identify Where Property Assessed Valuation Grew.** Typically, property taxes paid in your county grow from year-to-year. When that happens, there is money left in the countywide pot after Step 1. The county auditor sets aside these funds for local governments serving the areas where property assessed valuation grew. For example, if property tax revenues in your neighborhood grew by \$1,000 this year, your county auditor sets aside this \$1,000 for your city, county, schools, and special districts. The auditor also sets aside a portion for ERAF.

The share of this \$1,000 each local government receives generally depends on the tax revenue it received in the mid-1970s. The share ERAF receives reflects state laws adopted in the early 1990s.

**Step 3: Vehicle License Fee Swap** Each year, you pay vehicle license fees (VLF) when you register your car. These fees are distributed to cities and counties and used for mostly general purposes. In the late 1990s, the state reduced the VLF rate, reducing counties' and cities' revenues. Your county auditor redirects some funding from ERAF to backfill your county and the cities in your county for their reduced VLF revenue. This is called the VLF Swap. If additional revenues are needed for the VLF Swap, your county auditor redirects property taxes from school districts in your county to the cities and county.

**Step 4: Make Adjustments for Boundary Changes and Other Factors.** Your county auditor makes additional adjustments to the tax allocations for certain local governments. For example, your county auditor might shift some of the 1 percent property tax revenue from your county to your city due to changes in your city's boundaries.

***Distribution.*** Based on steps 1 through 4, your county auditor distributes the revenues raised from the 1 percent tax to local governments in your county. Any funds remaining in ERAF are distributed to schools and community colleges in your county.

***One More Wrinkle...*** For over 60 years, California law allowed counties and cities to redirect all revenue growth from the 1 percent tax to address urban blight. This was called redevelopment. While California no longer allows this type of redevelopment, some cities and counties are still paying debts related to redevelopment projects. In these areas, your county auditor distributes some of the growth in the 1 percent tax to pay off those debts. To learn more about redevelopment see [Unwinding Redevelopment](#).