



® April 19, 2017

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The Honorable Edmund G. Brown
Governor, California State Senate
State Capitol Building, First Floor
Sacramento, California 95814

Re: State Board of Equalization Audit and Evaluation Report

Dear Governor Brown:

The March 30 report by the Department of Finance on the troubled state of the Board of Equalization (BOE) is cause for concern given the BOE's central role in county revenue allocation that supports programs and services vital to all Californians. Regrettably, as you know, there have been significant complications and errors with sales tax allocation by the BOE in recent years that creates uncertainty and hampers the ability of counties to budget appropriately. We appreciate your efforts to seek solutions in the near term to achieve accuracy, accountability and efficiency.

After the last 30 years of changes to sales and use tax policy, counties now receive nearly half of the statewide rate, with almost two-thirds of that constitutionally dedicated to health and human services or criminal justice programs. This is in addition to the local shares of sales and use tax channeled to county agencies for local service needs. For counties, it is also one of the few sources available as a discretionary revenue stream.

BOE audits in the recent term revealed major allocation errors. CSAC was first notified in 2014 of a misallocation that totaled over \$350 million and more recently in May 2016 following the State Controller's Office audit. Regarding the May 2016 notification, we are still awaiting the details to understand the size and scope of the error nearly a year later. We need to take every step necessary to ensure the is not repeated, especially in light of forthcoming implementation of Senate Bill 1 and transportation funding allocations to be processed through the BOE.

Due to our partnership with the State and role in delivering state programs and services that are dependent upon revenues allocated through the BOE, we would request that CSAC be involved in decisions on how to restore competency and confidence in these revenue allocations. We look forward to working with you on a solution to provide greater budget stability at both the state and local level. I can be reached at 916.327.7500 or mcate@counties.org.

Sincerely,

A handwritten signature in blue ink that reads 'Matthew Z. Cate'.

Matthew Cate
Executive Director

cc: The Honorable Kevin De León, California State Senate President Pro Tem
The Honorable Anthony Rendon, California State Assembly Speaker
The Honorable Patricia Bates, California State Senate Minority Leader
The Honorable Chad Mayes, California State Assembly Minority Leader
The Honorable Holly Mitchell, Senate Budget Committee Chair
The Honorable Richard Roth, Senate Budget Subcommittee No. 4 Chair
The Honorable Phil Ting, Assembly Budget Committee Chair
The Honorable Jim Cooper, Assembly Budget Subcommittee No. 4 Chair
The Honorable Betty Yee, California State Controller