



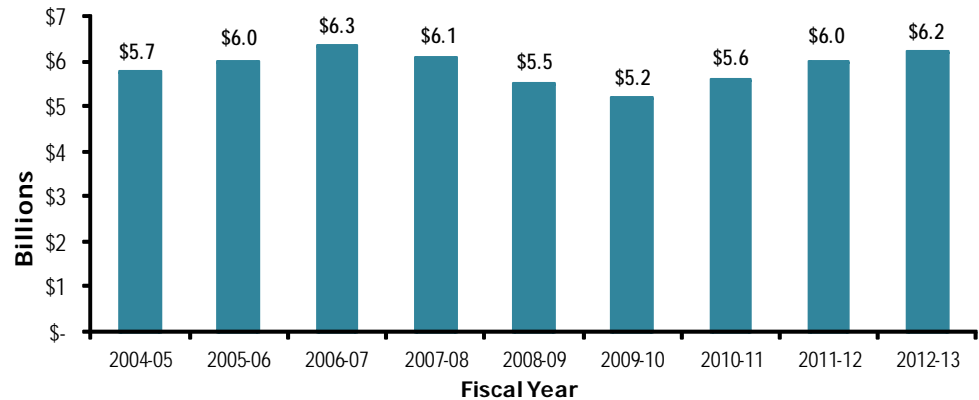
SALES & USE TAX HIGHLIGHTS

COUNTY OF SANTA BARBARA, FISCAL YEAR ENDED JUNE 30, 2013

February 24, 2014

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Countywide Taxable Sales Revenue



For the fiscal year (FY) ended June 30, 2013, there were approximately \$6.2 billion in taxable sales within the County of Santa Barbara that generated \$497.8 million of sales tax revenue for State and local governments. **Countywide taxable sales increased 3.4% compared to the prior fiscal year amount of \$6 billion.**

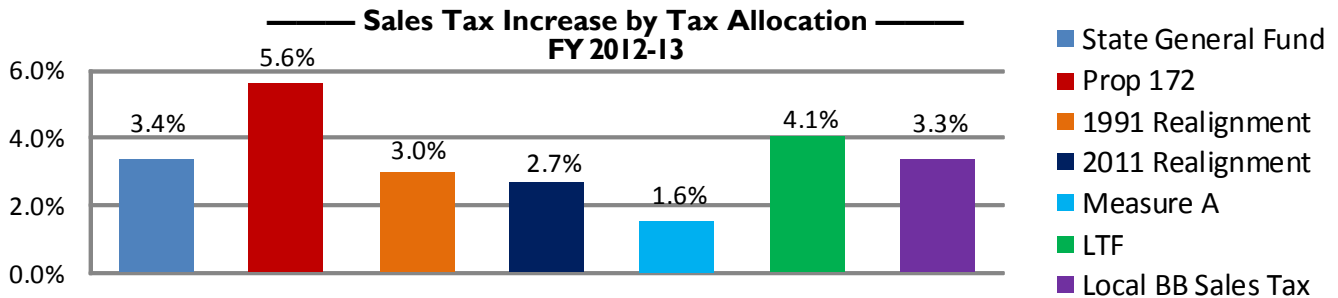
The components of the sales tax rate have changed in the last few years. In 2011, 1.0625% of the sales tax rate was allocated to the Local Revenue Fund 2011 (also known as 2011 Realignment). As of January 1st 2013, the sales tax rate increased one quarter of one percent (0.25%) to allocate revenue to a new Education Protection Account. As a result of these changes, the State General Fund is now allocated 3.9375% of the tax rate.

The following chart illustrates sales tax revenue generated in FY 2012-13 (\$ in millions):

Sales & Use Tax	Rate (%)	State	County	Cities & Other Entities	Total
State of California - General Fund	3.9375	\$ 244.0	\$ -	\$ -	\$ 244.0
State of California - Economic Recovery Fund: "Triple Flip"	0.25	15.5	-	-	15.5
Education Protection Account	0.25	15.5	-	-	15.5
County & City Public Safety - Prop 172	0.50	-	31.1	0.8	31.9
County Health & Welfare - 1991 Realignment	0.50	-	26.7	4.2	30.9
County Local Revenue Fund - 2011 Realignment	1.0625	-	59.7	6.0	65.7
County & City Road - Measure A	0.50	-	6.0	26.6	32.6
Countywide Transportation - LTF	0.25	-	0.5	14.8	15.3
County & City General Operations - Local Bradley Burns Sales Tax	0.75	-	6.9	39.5	46.4
Total Tax Revenue	8.00%	\$ 275.0	\$ 130.9	\$ 91.9	\$ 497.8

Sales Tax Highlights

Local sales tax revenue allocations grew moderately in FY 2012-13. Sales tax revenue allocated to Prop 172 had a 5.6% increase, followed by LTF with a 4.1% increase in revenue. The Local Bradley Burns (BB) Sales Tax had an increase of 3.3% which was about the same as the 3.4% increase in revenue allocated to State General Fund.



County Generated Revenues

Taxes generated from retail sales represent the second largest general revenue source for the County, the largest being property tax revenues. During FY 2012-13, property taxes generated \$224.2 million in revenue, while sales taxes generated \$130.9 million.

	FY 2011-12	FY 2012-13
2011 Realignment	\$ 46.0	\$ 59.7
Public Safety - Prop 172	29.4	31.1
1991 Realignment	25.4	26.7
General Operations	7.9	6.9
County Roads - Measure A	6.2	6.0
Transportation - LTF	0.7	0.5
Total	\$ 115.6	\$ 130.9

	FY 2011-12	FY 2012-13
General Fund	\$ 171.7	\$ 174.6
Special Revenue Funds	41.6	49.6
Total	\$ 213.3	\$ 224.2

State 3.94%: California General Fund

For FY 2012-13, Santa Barbara County generated an estimated \$244 million for the State's General Fund.

Revenues		Expenditures		
Personal Income Tax	62.9%	Education K - 12	41.4%	<ul style="list-style-type: none"> • K-12 Education continues to be the State's top funding priority: 41 cents of every State General Fund dollar is spent on K-12 education. • Combined with higher education funding, the State spends almost 52 cents of every State General Fund dollar on education. • Education, health & human services, and state corrections expenditures constitute 90.7% of all State General Fund expenditures.
Sales & Use Tax	21.5%	Health & Human Services	29.2%	
Corporation Tax	8.9%	Higher Education	10.3%	
Other	4.0%	Corrections & Rehabilitation	9.7%	
Insurance Tax	2.2%	General Government	3.3%	
Liquor Tax	0.4%	Legislative, Judicial, Executive	2.3%	
Tobacco Tax	0.1%	Natural Resources	2.1%	
Total	100.0%	Other	1.7%	
		Total	100%	

State 0.25%: Economic Recovery Fund

The State balanced its FY 2003-04 budget by acquiring voter approval to receive up to \$15 billion through the sale of “Economic Recovery” bonds. The State issued \$14.1 billion in bonds, and received \$924 million in bond premiums, resulting in \$15 billion in cash receipts. The bonds require a dedicated State revenue source to guarantee bond repayment; in order to have an identifiable dedicated revenue source, the State developed and initiated the revenue “swapping” procedure that is referred to as the “Triple Flip.”

Economic Recovery Bonds (Billions)

Fiscal Year	Issued	Principal Payment	Balance
2003-2008	\$ 14.1	\$ 4.1	\$ 10.0
2008-2013	-	4.8	5.2
Total	\$ 14.1	\$ 8.9	

The “Triple Flip” Facts

- Reduced the Local BB Sales and Use Tax rate from 1% to 0.75% (effective on and after July 1, 2004).
- Replaced local sales tax revenues on a dollar-for-dollar basis with local property tax revenues from the County Educational Revenue Augmentation Fund, frequently referred to as “ERAF.”
- The estimated debt bonds repayment date is on or before June 30, 2024.

Education 0.25%: Education Protection Account

In 2012, California voters approved to increase the sales tax rate one quarter of one percent (0.25%) for four years from January 1, 2013 through December 31, 2016. The new tax revenue is guaranteed in the California Constitution to go directly to an Education Protection Account. All moneys in the Education Protection Account are appropriated for the support of school districts, county offices of education, charter schools, and community college districts. Santa Barbara County generated an estimated \$15.5 million for the Education Protection Account in FY 2012-13.

Proposition 172: 0.5% for Public Safety

During the FY 1993-94 State budget process, the State Legislature and the Governor found it necessary to shift local property tax revenues from local agencies to K-12 schools and community colleges in order to balance the State Budget. The voters partially offset these losses by approving Proposition 172, a 0.5% sales tax to fund local public safety services.

State Allocation Method:

Proposition 172 revenues are allocated to county governments throughout the State, based on a taxable sales factor. The factor is based upon the actual sales in the county (cities plus unincorporated areas) divided by the total State sales from the prior year. Each year, the State releases the updated allocation factor for each county and it performs a retroactive adjustment for all county allocations/payments made in September through December of the current FY.

In FY 2012-13, Prop 172 revenue increased 6% and generated \$31.95 million countywide. Prop 172 revenue is estimated to increase 5% in FY 2013-14.

In FY 2012-13, Prop. 172 revenues were allocated as follows:

- \$31.13 million to the County public safety departments.
- \$0.82 million to the city public safety agencies.

Public Safety Revenue Estimate & Ten Year Trend

Fiscal Year	Revenue Factor	Revenue (millions)	Growth
2013-14 Est.	1.1172%	\$32.55	5.0%
2012-13	1.1158%	31.95	6.0%
2011-12	1.1129%	30.24	9.5%
2010-11	1.1191%	27.63	5.9%
2009-10	1.1074%	26.08	-1.4%
2008-09	1.0825%	26.44	-14.1%
2007-08	1.0974%	30.77	-0.4%
2006-07	1.0830%	30.88	-1.9%
2005-06	1.1097%	31.48	5.2%
2004-05	1.1419%	29.93	6.7%
2003-04	1.1527%	28.05	8.5%
Total		\$326.00	

1991 Realignment: 0.5% for Health & Welfare Programs

To decrease the FY 1991-92 State budget deficit, the legislature made a number of structural changes. Among the most significant was the shift of responsibility from the State to the counties for health, mental health and various social services programs, accompanied by a dedicated revenue stream to pay for the funding changes; this shift is known as "Realignment-1991." The State increased the sales tax and vehicle license fee (VLF) and devoted these revenues to fund the increased financial obligations to the counties.

State Allocation Method:

The allocation mechanism is complex and formula driven. The following is an overly simplified explanation of the allocation: Realignment formulas are designed to at least maintain the funding levels from FY 1991-92; funding levels are then adjusted annually, and the funding is distributed proportionately based on the population and poverty calculations performed by the State Department of Finance. In addition, the revenues received in one year (plus any growth in revenues for that FY) become the base level of funding for the following FY.

In FY 2012-13, while a 0.5% sales tax in Santa Barbara County generated \$31.0 million in taxes for the State pool, the County received \$26.7 million under the allocation formulas.

1991 Realignment Programs	2010-2011		2011-2012		2012-2013	
	Amount	% Change from PY	Amount	% Change from PY	Amount	% Change from PY
Mental Health/CalWORKs	\$ 6,866,201	0.0%	\$ 9,562,468	39.3%	\$ 9,911,778	3.7%
Social Services	9,576,327	18.1%	13,135,429	37.2%	13,797,092	5.0%
Health Services	2,695,565	0.0%	2,695,565	0.0%	3,000,583	11.3%
Total	\$ 19,138,093	8.3%	\$ 25,393,462	32.7%	\$ 26,709,453	5.2%

The funding for the Mental Health program ended in FY 2010-11. Beginning in FY 2011-12 the Sales Tax and VLF allocated to the 1991 Realignment Mental Health program were reallocated to fund the California Work Opportunity and Responsibility to Kids (CalWORKs) as part of the Realignment-2011.

2011 Realignment: 1.0625% Local Revenue Fund 2011

As part of the 2011-12 budget plan, the Legislature enacted another realignment of State program responsibilities and revenues to local governments. The realignment plan provides local governments funding for various criminal justice, mental health, and social services programs beginning in FY 2011-12, and ongoing funding for these programs annually thereafter. The Legislature approved the diversion of 1.0625 cents of the State's sales tax rate to counties.

The 2011 Realignment revenue provides funding for three major programs. Support Services provides funding for protective services for the child welfare system, seniors and dependent adults, as well as behavioral health to fund alcohol and drug programs. The Mental Health program provides replacement funding for the 1991 Realignment mental health programs. Law Enforcement Services provides funding for trial court security, community corrections, juvenile justice, district attorney and public defender, as well as funding for enhancing law enforcement activities.

2011 Realignment Programs	2011-2012		2012-2013	
	Amount	% Change from PY	Amount	% Change from PY
Support Services	\$ 15,617,267		\$ 24,809,182	58.9%
Mental Health	10,128,720		10,474,112	3.4%
Law Enforcement Services – County	19,607,470		23,817,774	21.5%
Law Enforcement Services – Cities	607,813		642,548	5.7%
Total	\$ 45,961,270		\$ 59,743,616	30.0%

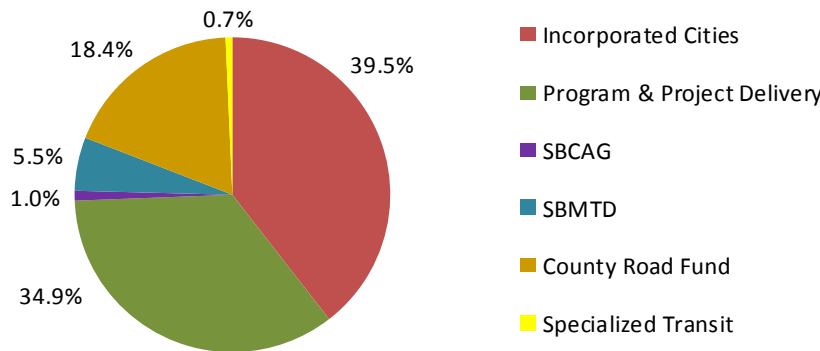
Measure A: 0.5% for County Roads

On November 7, 1989, the voters of the County of Santa Barbara approved Measure D, the Santa Barbara Roads Improvement Program. As a result of the passage of Measure D, effective April 1, 1990, the local sales tax rate was increased 0.5% countywide. Measure D generated \$459 million for local and regional transportation projects during the twenty years it was in effect. The transportation sales tax was set to expire in March 2010. In 2008, the voters of the County of Santa Barbara passed Measure A, which extended the Santa Barbara Roads Improvement Program for an additional 30 years. Measure A sales tax revenue increased 3.9% in FY 2012-13 to \$32.69 million.

Measure A Revenue Trend		
Fiscal Year	Revenue (in millions)	Growth
2013-14 Est.	\$ 34.00	4.0%
2012-13	32.69	3.9%
2011-12	31.77	10.1%
2010-11	28.85	6.7%
Total	\$ 127.31	

Measure D Revenue Trend		
2009-10	\$ 27.05	-9.2%
2008-09	29.78	-8.7%
2007-08	32.63	-0.4%
2006-07	32.77	5.6%
2005-06	31.01	5.2%
2005-10	\$ 153.24	
2000-05	136.20	4.5%
1995-00	103.77	7.3%
1990-95	66.17	3.6%
Total	\$ 459.38	

Measure A Sales Tax Revenue By Entity



“Measure D generated \$459 million for local and regional transportation projects during the 20 years it was in effect.”

LTF: 0.25% for County Transportation

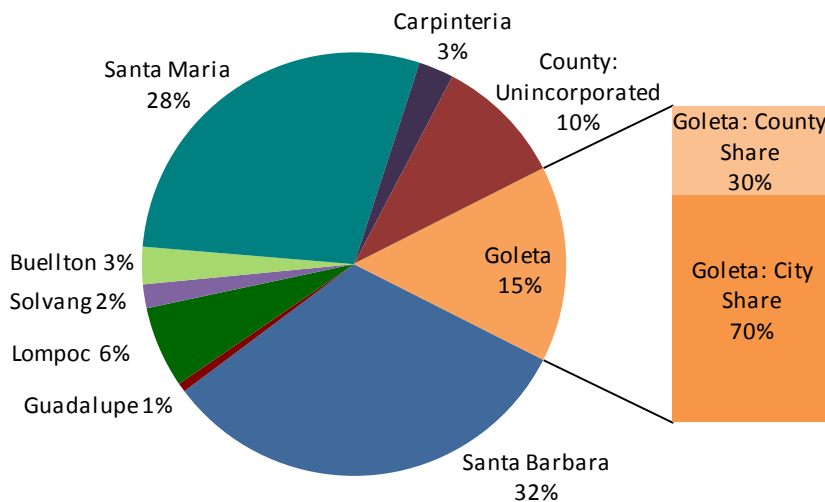
The Transportation Development Act (TDA) went into effect in 1972, and provided for two major sources of funding for local transportation providers. One of those revenue sources became the 0.25% statewide sales tax for the Local Transportation Fund (LTF). This tax made funding available to transportation providers such as cities, counties, and other entities that provide transit services for a community. Within Santa Barbara County, Santa Barbara County Association of Governments (SBCAG) allocates the LTF funds towards transit, transportation planning, pedestrian & bicycle families, and for street & roads purposes. LTF sales tax revenue increased by 4.2% in FY 2012-13.

Entities	2010-2011		2011-2012		2012-2013	
	Amount	% Change from PY	Amount	% Change from PY	Amount	% Change from PY
County	\$495,007	-7.0%	\$673,685	36.1%	\$479,001	-28.9%
Cities	6,428,369	11.8%	6,622,866	3.0%	7,221,723	9.0%
SBCAG	254,185	-25.1%	287,957	13.3%	299,843	4.1%
Easy Lift	302,624	2.5%	343,158	13.4%	352,117	2.6%
SBMTD	5,749,853	2.5%	6,520,017	13.4%	6,690,231	2.6%
SMOOTH	194,368	3.4%	220,190	13.3%	241,108	9.5%
Total	\$13,424,406	5.6%	\$14,667,873	9.3%	\$15,284,023	4.2%

Local 0.75% Tax to Support General Operations

In order to support the general operations of the local government (cities and counties), the Local 0.75% Sales Tax (frequently referred to as the “Bradley-Burns Tax”) was enacted to return a percentage of each taxable sale to the jurisdiction in which the sale took place. FY 2012-13 countywide taxable sales generated \$46.5 million of Local 0.75% Sales Tax revenue for local jurisdictions; this represents an increase of 3.4% from the prior year.

Local 0.75% Sales Tax Revenue By Location



Countywide retail sales tax increased 3.4% over the prior year. The increase is primarily due to increases in sales tax from the following categories: General Consumer Goods, Restaurant & Hotels, and Autos & Transportation.

The County receives sales tax revenue from the City of Goleta (City). The sales tax revenue generated in the City was split 50/50 between the City and County for the last 10 years under a revenue neutrality agreement required by the city incorporation provisions that ended June 30, 2012. Beginning in FY 2012-13 the revenue split is 70/30, with 70% allocated to the City and the remaining 30% allocated to the County in perpetuity.

Local 0.75% Sales Tax Revenue by Jurisdiction Three -Year Trend

Jurisdiction	2010-2011		2011-2012		2012-2013	
	Amount	% Change from PY	Amount	% Change from PY	Amount	% Change from PY
City of Santa Barbara	\$13,386,565	5.8%	\$14,519,017	8.5%	\$15,008,939	3.4%
City of Santa Maria	11,840,218	7.8%	12,963,245	9.5%	\$13,323,484	2.8%
Goleta: City Share	2,944,459	12.7%	3,148,237	6.9%	\$4,589,904	45.8%
Goleta: County Share	2,944,459	12.7%	3,148,237	6.9%	\$1,967,102	-37.5%
County: Unincorporated	4,902,132	14.5%	4,772,822	-2.6%	\$4,965,908	4.0%
City of Lompoc	2,566,583	7.7%	2,841,923	10.7%	\$2,888,351	1.6%
City of Buellton	1,163,408	5.9%	1,263,181	8.6%	\$1,324,136	4.8%
City of Carpinteria	1,176,067	-10.4%	1,285,155	9.3%	\$1,242,218	-3.3%
City of Solvang	751,460	10.2%	820,256	9.2%	\$844,374	2.9%
City of Guadalupe	173,492	-5.0%	201,751	16.3%	\$320,681	58.9%
Countywide Total	\$41,848,843	7.9%	\$44,963,824	7.4%	\$46,475,097	3.4%

Business Groups

Retail activity can also be summarized by business groups. Each sales tax generating entity is categorized by the State Board of Equalization. Each category is then placed in one of the following eight groups. The following table represents the Local 0.75% Sales Tax allocations of all the businesses operating and their growth in each group from FY 2011-12 to FY 2012-13.

Countywide Business Groups Comparison			
Business Group	2011-12	2012-13	Growth
General Consumer Goods	\$10,577,516	\$11,324,774	7.1%
Business and Industry	9,036,993	8,823,212	-2.4%
Restaurants and Hotels	5,910,847	6,358,041	7.6%
Autos and Transportation	5,787,831	6,305,631	8.9%
Fuel and Service Stations	5,511,070	5,448,101	-1.1%
Food and Drugs	3,582,050	3,767,680	5.2%
Building and Construction	3,718,300	3,671,946	-1.2%
Other Allocations	808,214	757,688	-6.3%
TOTALS	\$44,932,821	\$46,457,073	3.4%

Business Groups Highlights

General Consumer Goods

- Sales tax revenue generated from General Consumer Goods increased 7.1% to \$11.3 million during FY 2012-13.

Restaurants and Hotels

- Restaurants and Hotels generated \$6.4 million in sales tax revenue which was an increase of 7.6% from the prior year.

Autos and Transportation

- Car dealerships continue to grow at 8.9% during FY 2012-13 and generated \$6.3 million.

Building and Construction

- Building and Construction sales tax revenues decreased slightly by 1.2% in FY 2012-13.

Food and Drugs

- As would be expected for these types of consumer staples, the Food and Drug category had a 5.2% growth from the prior year.

Top Retailers Countywide

In FY 2012-13 the top 25 retailers generated \$9.2 million in Local 0.75% Sales Tax revenues, which represents 20% of the countywide total.

Since taxpayer sales information is confidential, we can only disclose business activity in ways that do not reveal the actual sales results of the taxpayer. The following list identifies the top twenty-five taxable sale businesses within the county for the FY ended June 30, 2013.

Top 25 Sales Tax Producers Countywide

Businesses (Alphabetical Order)	Locations
AUDI, BMW, PORSCHE, SB AUTO GROUP	3
BEST BUY STORE LP	2
CHANNEL AUTO SERVICES L.P.	6
CHEVRON STATION #1407	6
CONSOLIDATED ELECTRICAL DSTR INC.	5
COSTCO WHOLESALE CORPORATION	2
CVS/PHARMACY	12
FTD.COM INC	1
HOME MOTORS	1
HOMER T. HAYWARD LUMBER CO.	4
J.B. DEWAR, INC.	3
MACY'S WEST STORES, INC.	3
MOLLER INVESTMENT GROUP INC	3
NORDSTROM INC.	1
PORTER & HOWARD INC.	1
RALPHS GROCERY COMPANY	5
ROSS DRESS FOR LESS	4
SEARS-ROEBUCK AND CO.	5
TARGET STORES	1
TESORO WEST COAST COMPANY LLC	5
THE HOME DEPOT	3
THE VONS COMPANIES, INC.	11
TOYOTA OF SANTA BARBARA	1
WAL-MART STORES	3
WORLD OIL MARKETING COMPANY	4

Local Sales Tax: County Audit Results

Misallocation of the Local Sales Tax Revenue

The State Board of Equalization (BOE) allocates the Local 0.75% Sales Tax to jurisdictions (cities and counties) in which the sales took place to support the general operations of the local governments. The BOE requires that each retailer collecting sales tax register with the BOE and identify the jurisdiction in which the retailer is located. Retailers often register using an incorrect jurisdiction which results in misallocated revenue. The Auditor Controller's Office (Auditor) receives and reviews BOE data to perform its own audits. The Auditor uses a system developed in-house, the Sales Tax Claims and Reporting System, to identify misallocated revenue that is generated from businesses located in the County unincorporated area that are incorrectly reporting their sales tax as being generated in a city. When misallocated revenue is identified, the Auditor submits a claim to the BOE and requests that the appropriate corrections be made to transfer the misallocated revenue to the County, as permitted under statute.

Revenue Shifted to Date

The table below illustrates the number of claims submitted and approved by the BOE over the past fourteen years. Included in the table is also the claim estimate (misallocated revenue) and the revenue reallocated to the County (actual transfers) based on the approved claims. The table also includes an estimate of the total revenue reallocated to date.

Fiscal Year(s)	Claims Submitted	Claims Approved	Claim Estimate	Revenue Reallocated	Estimated Revenue to Date ¹
1998 – 2008	728	681	\$ 1,253,248	\$ 926,638	\$6,068,800
2009-10	50	44	91,814	47,438	321,680
2010-11	58	56	41,952	26,097	174,920
2011-12	168	149	101,114	94,288	258,000
2012-13	62	37 ²	57,785	61,800	126,400
Totals	1,066	967	\$1,545,913	\$1,156,261	\$6,949,800

¹ This amount reflects the estimated revenue to date based on the retailers included in the claim. The estimated revenue to date for each retailer is based on the number of business locations within the same jurisdiction.

² The BOE continues to review the claims submitted in FY 12-13, this amount reflects the claims approved to date.

Taxable Sales Growth / Decline Trend and Forecast

The County taxable sales growth generally mirrors statewide taxable sales growth. However, the County taxable sales growth is less volatile and generally lags statewide changes. In FY 2012-13, the County taxable sales grew 3.4% which was about the same as the Statewide growth of 3.3%. The large State increase and subsequent large decrease, seen in FY 2009-10 and FY 2011-12 respectively, were the result of a temporary 1% sales tax rate increase and expiration. Based on current data, **we expect taxable sales to continue to grow moderately at 4% for FY 2013-14.**

