

The Town has been monitoring and providing periodic update to the Finance Commission and to the Town Council on the ongoing developments regarding the distribution of excess ERAF funds. A portion of property tax revenue goes to the ERAF to support local school districts. When the amount contributed to ERAF is more than the minimum cost of funding local schools, excess funds have traditionally been returned to the county, cities, and special districts. Five counties, including Santa Clara, have been using a redistribution allocation formula that has been contested by the State. Santa Clara County provided an update on the Excess ERAF at its September property tax meeting. The Third District Court of Appeal has affirmed the Trial Court decision in the California School Boards Association (CSBA) case, ruling that CSBA did not establish that charter schools are entitled to ERAF. However, in January the Santa Clara County advised the Town that the FY 2024/25 State Budget Governor proposes legislation allocating ERAF to charter schools, potentially reversing the recent appellate decision the County and State Controller's Office obtained holding that charter schools do not get ERAF. Annual negative impact on local jurisdiction's Excess ERAF is approximately 8 % which may fluctuate annually. Proposing In August 2023, the State Controller's Office (SCO) issued a negative audit finding to Marin County regarding inclusion of the redevelopment dissolution revenue in the Excess ERAF calculation, asserting that this violated Health & Safety Code section 34188(d). Excess ERAF counties do not agree with this finding and are currently working to find a resolution. The annual at-risk percentage is now at about 22% of the distribution both on an ongoing basis and going back to the distribution in Fiscal Year 2020/21. The County filed a lawsuit against the State Controller's Office on this matter in late December. The County also provided the updated projection for FY 2023/24 Excess ERAF distribution (\$2,500,000) based on the latest State-released information. The amounts provided are before any provision to account for the State Controller's audit finding or other annual adjustments in the calculation. The County will provide an updated estimates for the FY 2023/24 excess ERAF distribution and estimates for FY 2024/25 excess ERAF distribution in March 2024.

The following table illustrates the potential at-risk amount from FY 2020/21.

	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Actual Excess ERAF Distributed	\$ 2,043,321	\$ 2,371,984	\$ 2,298,692	
Estimated Excess ERAF (11/3/2023)				\$ 2,500,000
30% At Risk	\$ 612,996	\$ 711,595	\$ 689,607	\$ 750,000
22% At Risk	\$ 449,531	\$ 521,836	\$ 505,712	\$ 550,000
Town ERAF Risk Reserve - 30%			\$ 689,607	\$ 750,000

With the adoption of the FY 2023/24 budget, Council directed a 30% ERAF Risk Reserve. The ERAF Risk Reserve is estimated at \$1,439,607 and the at-risk amount from FY 2020/21 is estimated at \$2,027,079.