



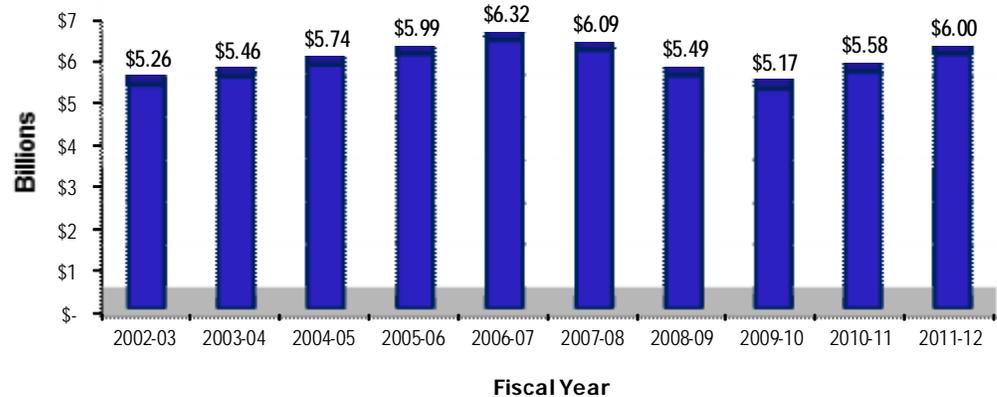
COUNTY OF SANTA BARBARA ANNUAL SALES & USE TAX REPORT

Fiscal Year Ended June 30, 2012

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Countywide Taxable Sales Revenue



For the fiscal year (FY) ended June 30, 2012, there were approximately \$6.00 billion in taxable sales within the County of Santa Barbara that generated \$469.7 million of sales tax revenue for State and local governments.

Countywide taxable sales increased 7.4% compared to the prior fiscal year amount of \$5.58 billion. In spite of this, sales tax revenue decreased \$21.6 or 4.4% million when compared to the prior fiscal year. This is because the State portion of sales tax revenue in FY 2010-11 included a temporary 1% sales tax increase that expired on July 1, 2011. The temporary 1% sales tax increase generated \$55.8 million of revenue. By removing the temporary revenue from the year to year comparison, revenue actually increased by \$34.2 million or 7.9%.

The following chart illustrates sales tax revenue received in FY 2011-12 (\$ in millions):

Sales & Use Tax	Rate (%)	State	County	Cities & Other Entities	Total
State of California - General Fund	5.00	\$ 299.8	\$ -	\$ -	\$ 299.8
Economic Recovery Fund: "Triple Flip"	0.25	15.0	-	-	15.0
Public Safety - Prop 172	0.50	-	29.4	0.8	30.2
County Health & Welfare - 1991	0.50	-	25.4	7.6	33.0
Realignment					
City & County Road - Measure A	0.50	-	6.2	25.9	32.1
Countywide Transportation - LTF	0.25	-	0.7	14.0	14.7
County & Cities General Operations - Local Bradley Burns Sales Tax	0.75	-	7.9	37.0	44.9
Total Tax Revenue Received:	7.75%	\$ 314.8	\$ 69.6	\$ 85.3	\$ 469.7

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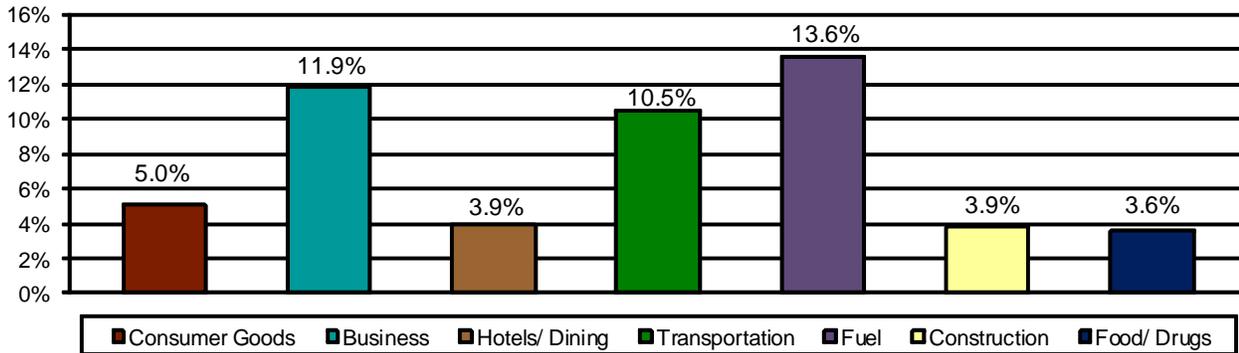
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COUNTY OF SANTA BARBARA

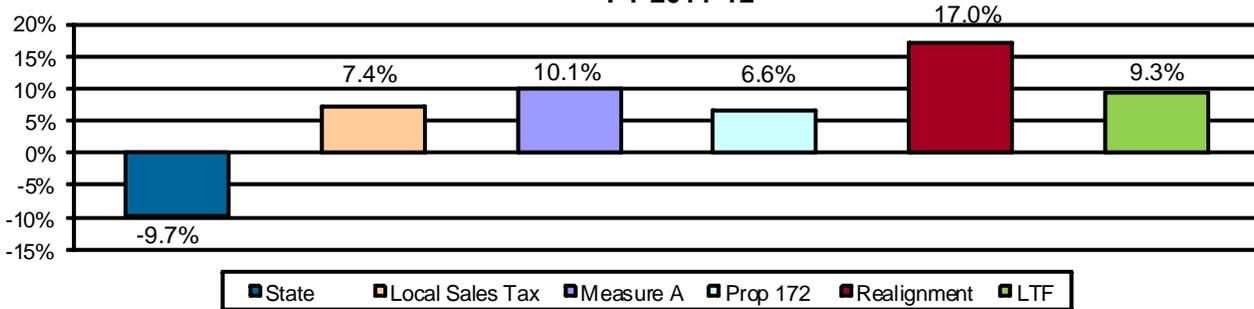
Sales Tax Highlights

For the second consecutive year, there was an increase in the sales tax revenue generated by the various business groups within the County. While certain business groups are still lagging behind FY 2007-08 prerecession revenues, the overall gains of total revenues over the last two fiscal years has finally pulled total revenues back to the prerecession levels of FY 2007-08.

**Sales Tax Increase by Business Group
FY 2011-12**



**Sales Tax Increase by Tax Allocation
FY 2011-12**



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 2011-12, property taxes generated \$215.5 million in revenue, while sales taxes generated \$69.6 million.

County Sales Tax Revenues (Millions)

	FY 2010-11	FY 2011-12
Public Safety - Prop 172	\$ 26.9	\$ 29.4
Health & Welfare Realignment	19.1	25.4
General Operations	7.8	7.9
County Roads - Measure A	5.5	6.2
Transportation - LTF	0.4	0.7
Total	\$ 59.7	\$ 69.6

County Property Tax Revenue (Millions)

	FY 2010-11	FY 2011-12
General Fund	\$ 166.5	\$ 171.7
Special Revenue Funds	44.3	43.8
Total	\$ 210.8	\$ 215.5

COUNTY OF SANTA BARBARA

State 5%: California General Fund

For FY 2011-12, Santa Barbara County generated an estimated \$314.8 million for the State's General Fund.

- K-12 Education continues to be the State's top funding priority: 40 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 90.0% of all State General Fund expenditures.

Revenues	
Personal Income Tax	57.0%
Sales & Use Tax	21.5%
Corporation Tax	10.2%
Other	8.5%
Motor Vehicle Fees	0.2%
Insurance Tax	2.1%
Liquor Tax	0.4%
Tobacco Tax	0.1%
Total	100.0%

Expenditures	
Education K - 12	39.9%
Health & Human Services	26.8%
Higher Education	11.9%
Corrections & Rehabilitation	11.4%
Natural Resources	2.3%
Legislative, Judicial, Executive	3.7%
Other	1.9%
General Government	2.1%
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."

The "Triple Flip" Facts

- Reduces the local sales and use tax rate from 1% to 0.75% (effective on and after July 1, 2004).
- Replaces 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."
- Increases the State portion of sales tax rate from 5% to 5.25%. The new revenues are dedicated to repay the State's deficit financing bonds.
- The estimated debt bonds repayment date is on or before June 30, 2024.

Economic Recovery Bonds (Billions)			
Fiscal Year	Issued	Principal Payment	Balance
2003-2004	\$ 10.9	\$ -	\$ 10.9
2004-2005	-	-	10.9
2005-2006	-	1.0	9.9
2006-2007	-	0.9	9.0
2007-2008	3.2	2.2	10.0
2008-2009	-	1.4	8.6
2009-2010	-	0.7	7.9
2010-2011	-	0.7	7.2
2011-2012	-	0.8	6.4
Total	\$ 14.1	\$ 7.7	

COUNTY OF SANTA BARBARA

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 2011-12, while the 0.5% sales tax in Santa Barbara County generated approximately \$30.0 million in taxes for the State pool, we received \$30.24 million under the factor allocation.

In FY 2011-12, Prop. 172 revenues were allocated as follows:

- \$29.46 million to the County public safety departments.
- \$0.78 million to the city public safety agencies.

Public Safety Revenue Ten -Year Trend			
Fiscal Year	Revenue Factor	(millions)	Growth
2012-13 Est.	1.1158%	\$31.30	6.00%
2011-12	1.1129%	30.24	9.46%
2010-11	1.1191%	27.63	5.94%
2009-10	1.1074%	26.08	-1.36%
2008-09	1.0825%	26.44	-14.10%
2007-08	1.0974%	30.77	-0.36%
2006-07	1.0830%	30.88	-1.91%
2005-06	1.1097%	31.48	5.18%
2004-05	1.1419%	29.93	6.70%
2003-04	1.1527%	28.05	8.47%
Total		\$292.80	

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." 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 2011-12, while a 0.5% sales tax in Santa Barbara County generated \$30.0 million in taxes for the State pool, the County received \$25.4 million under the allocation formulas.

	2009-2010		2010-2011		2011-2012	
County Programs	Amount	% Change from PY	Amount	% Change from PY	Amount	% Change from PY
Mental Health	\$ 6,866,201	-3.69%	\$ 6,866,201	0.00%	\$ 9,562,468	39.27%
Social Services	8,108,053	-3.69%	9,576,327	18.10%	13,135,429	37.17%
Health Services	2,695,565	-3.69%	2,695,565	0.00%	2,695,565	0.00%
Total	\$17,669,819	-3.69%	\$19,138,093	8.31%	\$25,393,462	24.63%

Beginning in FY 2011-2012 the Sales Tax, VLF, and VLF Collections 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 2011 Realignment. The Mental Health amount for FY 2011-12 reflects the reallocated revenue to CalWORKs.

COUNTY OF SANTA BARBARA

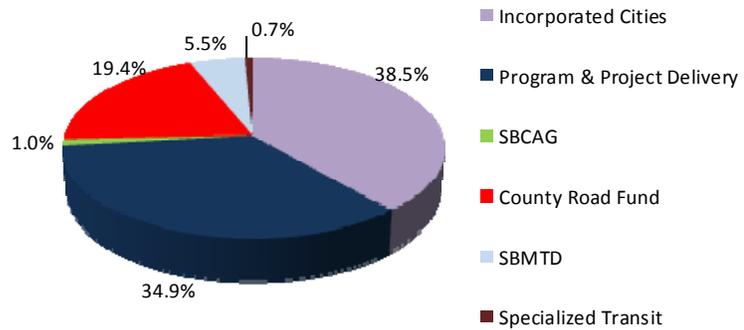
Measure A: 0.5% for County Roads

Measure A Revenue History Ten - Year Trend

Fiscal Year	Revenue (in millions)	Average Growth
2012-13 Est	\$33.36	5.00%
2011-12	31.77	10.1%
2010-11	28.85	6.7%
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%
2004-05	29.50	5.4%
2003-04	27.28	1.4%
Total	\$304.00	

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 10.1% in FY 2011-12.**

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, paratransit, transportation planning, pedestrian & bicycle families, and for street & roads purposes. **During FY 2011-12, LTF sales tax revenue increased by 9.3%.**

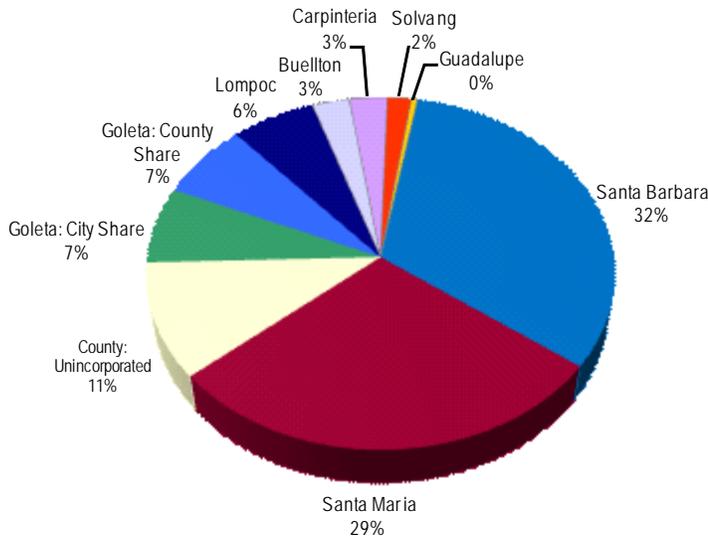
Entities	2009-2010		2010-2011		2011-2012	
	Amount	% Change from PY	Amount	% Change from PY	Amount	% Change from PY
County	\$532,250	-43.5%	\$495,007	-7.0%	\$673,685	36.1%
Cities	5,751,095	-3.4%	6,428,369	11.8%	6,622,866	3.0%
SBCAG	339,192	24.8%	254,185	-25.1%	287,957	13.3%
Easy Lift	295,173	-9.1%	302,624	2.5%	343,158	13.4%
SBMTD	5,608,291	-9.1%	5,749,853	2.5%	6,520,017	13.4%
SMOOTH	187,889	-9.1%	194,368	3.4%	220,190	13.3%
Total	\$12,713,890	-8.4%	\$13,424,406	5.6%	\$14,667,873	9.3%

COUNTY OF SANTA BARBARA

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 2011-12 countywide taxable sales generated \$45.0 million of Local 0.75% Sales Tax revenue for local jurisdictions; this represents an increase of 7.4% from the prior year.

Local 0.75% Sales Tax Revenue By Location



Countywide retail sales tax increased 7.4% over the prior year. The increase is primarily due to increases in sales tax from the following categories: Fuel & Service Stations, Business & Industry, and Autos & Transportation.

The County receives sales tax revenue from the City of Goleta (City). The City generated about \$6.3 million in revenue, which has been 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 split will become 70/30, with 70% going to the City of Goleta and the remaining 30% going to the County in perpetuity.

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

Jurisdiction	2009-2010		2010-2011		2011-2012	
	Amount	% Change from PY	Amount	% Change from PY	Amount	% Change from PY
City of Santa Barbara	\$12,649,783	-4.2%	\$13,386,565	5.8%	\$14,519,017	8.4%
City of Santa Maria	10,986,911	-5.7%	11,840,218	7.8%	12,963,245	9.4%
Goleta: City Share	2,613,735	-5.1%	2,944,459	12.7%	3,148,237	6.9%
Goleta: County Share	2,613,735	-5.1%	2,944,459	12.7%	3,148,237	6.9%
County: Unincorporated	4,279,940	-9.1%	4,902,132	14.5%	4,772,822	-2.6%
City of Lompoc	2,382,199	-5.1%	2,566,583	7.7%	2,841,923	10.7%
City of Buellton	1,098,449	-8.1%	1,163,408	5.9%	1,263,181	8.5%
City of Carpinteria	1,312,061	-9.6%	1,176,067	-10.4%	1,285,155	9.2%
City of Solvang	682,027	-10.7%	751,460	10.2%	820,256	9.1%
City of Guadalupe	182,542	4.7%	173,492	-5.0%	201,751	16.2%
Countywide Total	\$38,801,382	-5.7%	\$41,848,843	7.9%	\$44,963,824	7.4%

COUNTY OF SANTA BARBARA

Business Groups

Retail activity can also be summarized in the following 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 2010-11 to FY 2011-12.

Countywide Business Groups Comparison			
Business Group	2010-11	2011-12	Growth
General Consumer Goods	\$10,069,348	\$10,577,516	5.0%
Business and Industry	8,074,649	9,036,993	11.9%
Restaurants and Hotels	5,687,302	5,910,847	3.9%
Autos and Transportation	5,237,734	5,787,831	10.5%
Fuel and Service Stations	4,849,797	5,511,070	13.6%
Building and Construction	3,579,768	3,718,300	3.9%
Food and Drugs	3,456,768	3,582,050	3.6%
Other Allocations	887,737	808,214	-9.0%
TOTALS	\$41,843,103	\$44,932,822	7.4%

Business Groups Highlights

General Consumer Goods

- Sales tax revenue generated from General Consumer Goods increased 5.0% to \$10.6 million during FY 2011-12.

Autos and Transportation

- Car dealerships continue to build on the solid growth seen last fiscal year.

Fuel and Service Stations

- Higher gas prices for most of FY 2011-12 contributed to further sales tax growth among this category.

Building and Construction

- Although Building and Construction sales tax revenues only increased modestly, it was a favorable sign considering there hasn't been successive years of positive growth since the beginning of the recession.

Food and Drugs

- As would be expected for these types of consumer staples, the Food and Drug category remained relatively constant.

Top Retailers Countywide

In FY 2011-12, the top 25 retailers generated \$9.4 million in Local 0.75% Sales Tax revenues, which represents 21% of the countywide total.

Top 25 Sales Tax Producers Countywide*	
Businesses (Alphabetical Order)	Locations
BEST BUY STORE LP	2
CHEVRON STATION #1407	6
COMMUNITY VOLKSWAGEN	1
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
INFINITI, JAG, LAND ROVER, STA BARB	3
K-MART CORPORATION	2
MACY'S WEST STORES, 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
WINDSET FARMS (CALIFORNIA), INC.	1
WORLD OIL MARKETING COMPANY	4

**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.*

COUNTY OF SANTA BARBARA

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 Office of the Auditor Controller (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 thirteen 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
98-99 - 06-07	591	554	\$ 932,492	\$ 861,217	\$5,240,650
2007-08	85	80	65,296	47,379	721,100
2008-09	52	47	255,460	18,042	107,050
2009-10	50	44	91,814	47,438	321,680
2010-11	58	56	41,952	26,097	174,920
2011-12	168	137 ²	101,114	94,288	258,000
Totals	1,004	918	\$1,488,128	\$1,094,461	\$6,823,400

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 11-12, this amount reflects the claims approved to date.

Taxable Sales Growth / Decline Trend and Forecast

County taxable sales growth generally mirrors statewide taxable sales growth. However, County taxable sales growth is less volatile and generally lags statewide changes. Based on current data, **we expect taxable sales to continue to grow moderately between 3% to 5% in FY 2012-13 and FY 2013-14.** The large State increase and subsequent large decrease, seen in FY 2009-10 and FY 2011-12 respectively, were the result of the temporary 1% sales tax rate increase and expiration.

