

Tax Abatement Reporting in California

*The Governmental Accounting Standards Board (GASB) is the professional organization that establishes standards of accounting and financial reporting for state and local governments. In 2015, GASB added "[Statement No. 77 on Tax Abatement Disclosures](#)" to its Generally Accepted Accounting Principles (GAAP). GASB 77 requires state and local governments (including school districts) to report tax abatement programs in their annual comprehensive financial reports (ACFRs), specifying the **amount of revenue reduced or foregone** as a result of these tax abatements programs. This new rule, GASB 77, allows the public to see how much public-service revenue is lost due to tax breaks given to corporations. This road map highlights key people and organizations involved in the implementation of GASB 77, the reporting status of jurisdictions in the state, and other information relevant to GASB 77 compliance in California.*

Who in state government is most likely to influence GASB 77 disclosure? State Controller Malia Cohen. Cohen has [oversight](#) for any local governmental body receiving state funding. The legislature can request that the office audit any local governmental body. State Auditor Grant Parks bears [primary responsibility](#) for auditing state agencies and monitoring fiscal stress at both the state and local levels.

Does the state's most recent ACFR include GASB 77 disclosure on state revenue losses?
No.

How many counties, municipalities and school districts in the state are required to conform with Generally Accepted Accounting Principles (GAAP) and therefore GASB Statements? According to GASB's [research brief](#) titled "State and Local Government Use of Generally Accepted Accounting Principles for General Purpose External Financial Reporting" (2008), all of California's counties, and all of its school districts are required by state law to use GAAP accounting. None of the state's municipalities are required to conform with GAAP, though most large cities do, presumably to satisfy credit ratings agencies and obtain the lowest possible interest rates on bond borrowings.

California is home to more students than any other state in the country. Yet only five school districts in the state reported tax revenue losses in 2017 and 2018, none of them among the five largest. State officials previously told Good Jobs First that the lack of disclosures is because the state adjusts education funding in a way that effectively offsets any foregone revenue or makes the foregone revenue indeterminable. Good Jobs First respectfully disagrees with the State Auditor's office on this matter: GASB Statement No. 77 requires GAAP-compliant governments to report gross revenue losses caused by tax abatement programs. It does not absolve governments of compliance when there is offsetting revenue. Many states, largely because of class-action lawsuits regarding equity and adequacy of school districts' funding,

have equalization formulae of widely different effectiveness that often partially offset abatement losses. They still must (and most do) report tax abatement revenue losses. The fact that some districts in California do publish GASB 77 disclosures makes it clear that localities there can determine the amount of foregone revenue.

Is there a state office that collects Annual Comprehensive Financial Reports (ACFRs) from counties/cities/school districts? The State Controller’s Office collects ACFRs from counties, cities, school districts and other local governmental bodies. Key data is also entered in an electronic database where it can be aggregated. In 2014, the State Controller’s Office transitioned from publishing annual reports to an open data format for Financial Transactions Reports. These reports compile financial information for [counties](#), [cities](#), [special districts](#), and [school districts](#).

Which of the state’s five most populous counties, municipalities, and school districts reported GASB 77 disclosures [in the most recent ACFR available](#)?

Report Tax Abatements	Do Not Report Tax Abatements
City of Los Angeles	City of San Diego
	City of San Jose
	City of San Francisco
	City of Fresno
	Los Angeles County
	San Diego County
	Orange County
	Riverside County
	San Bernardino County
	Los Angeles Unified School District
	San Diego Unified School District
	Fresno Unified School District
	Long Beach Unified School District
	Elk Grove Unified School District

Does the state government or do any academic/NGO institutions provide technical assistance on GAAP, GASB, or completing ACFRs? The State’s Controller [publishes](#) an annual GAAP basis of financial statements note, highlighting any changes in GASB reporting requirements. The [2020-21 edition](#) includes GASB 77 instructions.

Does state government monitor fiscal stress within counties/municipalities/school districts? California is one of 22 states to operate programs to monitor fiscal stress among local governments. The State’s Auditor oversees the program, which was established by [state law](#) in 2015 and dubbed [The High Risk Local Government Audit Process](#). Seven cities currently have emergency action [plans in place](#). Tax increment financing (TIF) obligations taken on by Community Redevelopment Agencies have figured prominently in some past California municipal bankruptcies, so although TIF was discontinued in 2011 the link between

redevelopment spending and fiscal health is clear in a fiscal climate long constrained by Proposition 13.

Which state office is responsible for completing state's ACFR? California Office of the State Controller.

Who commented on the GASB 77 Exposure Draft from California?

- The Center for Policy Initiatives (San Diego), Orange County Communities Organized for Responsible Development, and Working Partnerships USA (San Jose) joined other Partnership for Working Families affiliates in [calling on GASB](#) to require recipient specific disclosure; to require disclosure of future year tax abatement liabilities, and to include TIFs among abatements subject to reporting.
- Oakland-based PolicyLink joined New York's Pratt Center for Community Development in a comment [asking for disclosure](#) of recipient compliance with abatement commitments, recipient-specific disclosure; disclosure of future year tax abatement liabilities, and to include TIFs among abatements subject to reporting.
- Los Angeles Alliance for a New Economy (LAANE) [submitted a comment](#) calling for the inclusion of tax diversions like TIF and sales tax diversions, disclosure of amounts received by recipient, and reporting of future-year liabilities.
- Professor Chris Benner (UC- Davis) and Dr. Annette Bernhardt (UC-Berkeley) joined 46 other academic colleagues in a [comment](#) broadly supportive of GASB 77.
- Richmond City Council Member Gayle McLaughlin and Santa Cruz County Supervisor John Leopold joined 60 other [local public officials](#) in submitting a comment broadly supportive of GASB 77.
- Former California State Treasurer Phil Angelides [submitted a comment calling](#) for inclusion of TIFs in disclosure reporting.

For more information on GASB 77, visit goodjobsfirst.org/tax-abatement-disclosures

Updated January 2023