

Senate Bill No. 301

Passed the Senate August 5, 2008

Secretary of the Senate

Passed the Assembly July 14, 2008

Chief Clerk of the Assembly

This bill was received by the Governor this _____ day
of _____, 2008, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

An act to amend Sections 11005 and 11005.3 of the Revenue and Taxation Code, relating to local government finance.

LEGISLATIVE COUNSEL'S DIGEST

SB 301, Romero. Local government finance.

The Vehicle License Fee (VLF) Law establishes, in lieu of any ad valorem property tax upon vehicles, an annual license fee for any vehicle subject to registration in this state. Under existing law, the Controller is required to allocate VLF revenues in the Motor Vehicle License Fee Account in a specified order to, among others, each city that was incorporated from an unincorporated territory after August 5, 2004, but before July 1, 2009. Existing law also requires cities that were incorporated before August 5, 2004, be allocated additional VLF revenues in an amount determined pursuant to a specified formula. For purposes of this formula, existing law specifies that the population of a city that is incorporated before August 5, 2004, is that city's actual population, as defined, residing in areas annexed after August 5, 2004, but before July 1, 2009.

This bill would delete the requirement that a city be incorporated before July 1, 2009, in order to be allocated VLF revenues. This bill would specify, for purposes of this formula used to determine additional VLF revenues for cities that were incorporated before August 5, 2004, that the city's actual population is the population residing in areas annexed after August 5, 2004.

Existing law, for purposes of these allocations of VLF revenues, establishes a formula to determine the population of a city that was incorporated from an unincorporated territory after August 5, 2004, and before July 1, 2009, and provides that the population of a city that was incorporated from an unincorporated territory after July 1, 2009, shall be its actual population.

This bill would extend indefinitely the formulary method used to determine the population of a city that was incorporated from an unincorporated territory after August 5, 2004, and would delete the method for determining the population of a city that was unincorporated from an incorporated territory after July 1, 2009.

The people of the State of California do enact as follows:

SECTION 1. Section 11005 of the Revenue and Taxation Code is amended to read:

11005. After payment of refunds therefrom and after making the deductions authorized by Section 11003 and reserving the amount determined necessary by the Pooled Money Investment Board to meet the transfers ordered or proposed to be ordered pursuant to Section 16310 of the Government Code, commencing with the 2004–05 fiscal year, the balance of all motor vehicle license fees and any other money appropriated by law for expenditure pursuant to this section and deposited to the credit of the Motor Vehicle License Fee Account in the Transportation Tax Fund and remaining unexpended therein at the close of business on the last day of the calendar month, shall be allocated by the Controller by the 10th day of the following month in accordance with the following:

(a) First, to the County of Orange. For the 2004–05 fiscal year, that county shall be allocated fifty-four million dollars (\$54,000,000) in monthly installments. For the 2005–06 fiscal year and each fiscal year thereafter, that county shall receive, in monthly installments, an amount equal to the amount allocated under this section for the prior fiscal year, adjusted for the percentage change in the amount of revenues credited to the Motor Vehicle License Fee Account in the Transportation Tax Fund from the revenues credited to that account in the prior fiscal year. Moneys allocated to the County of Orange under this subdivision shall be used first for the service of indebtedness as provided in paragraph (1) of subdivision (a) of Section 11001.5. Any amounts in excess of the amount required for this service of indebtedness may be used by that county for any lawful purpose.

(b) Second, to each city, the population of which is determined under Section 11005.3 on August 5, 2004, in an amount equal to the additional amount of vehicle license fee revenue, including offset transfers, that would be allocated to that city under Sections 11000 and 11005, as those sections read on January 1, 2004, as a result of that city’s population being determined under subdivision (a) or (b) of Section 11005.3.

(c) Third, to each city that was incorporated from an unincorporated territory after August 5, 2004, in an amount equal to the product of the following two amounts:

(1) The quotient derived from the following fraction:

(A) The numerator is the product of the following two amounts:

(i) Fifty dollars (\$50) per year.

(ii) The fraction determined as the total amount of vehicle license fee revenue collected during the most recent fiscal year divided by the total amount of vehicle license fee revenue collected during the 2004–05 fiscal year.

(B) The denominator is the fraction determined as the actual population, as defined in subdivision (e) of Section 11005.3, of all cities during the most recent fiscal year, divided by the actual population, as defined in subdivision (e) of Section 11005.3, of all cities in the 2004–05 fiscal year.

(2) The city’s population determined in accordance with Section 11005.3.

(d) Fourth, to each city that was incorporated before August 5, 2004, in an amount equal to the product of the following two amounts:

(1) The quotient derived from the following fraction:

(A) The numerator is the product of the following two amounts:

(i) Fifty dollars (\$50) per year.

(ii) The fraction determined as the total amount of vehicle license fee revenue collected during the most recent fiscal year divided by the total amount of vehicle license fee revenue collected during the 2004–05 fiscal year.

(B) The denominator is the fraction determined as the actual population, as defined in subdivision (e) of Section 11005.3, of all cities during the most recent fiscal year, divided by the actual population, as defined in subdivision (e) of Section 11005.3, of all cities in the 2004–05 fiscal year.

(2) The actual population, as defined in subdivision (e) of Section 11005.3, residing in areas annexed after August 5, 2004, as of the date of annexation.

(e) Fifth, to the cities and cities and counties of this state in the proportion that the population of each city or city and county bears to the total population of all cities and cities and counties in this state, as determined by the Demographic Research Unit of the Department of Finance. For the purpose of this subdivision, the

population of each city or city and county shall be determined in accordance with Section 11005.3.

SEC. 2. Section 11005.3 of the Revenue and Taxation Code is amended to read:

11005.3. (a) In the case of a city that incorporated on or after January 1, 1987, and before August 5, 2004, the Controller shall determine that the population of the city for its first 10 full fiscal years, and any portion of the first year in which the incorporation is effective if less than a full fiscal year, is the greater of either:

(1) The number of registered voters in the city multiplied by three. The number of registered voters shall be calculated as of the effective date of the incorporation of the city.

(2) The actual population, as defined in subdivision (e).

(b) In the case of a city that incorporated on or after January 1, 1987, and before August 5, 2004, and for which the application for incorporation was filed with the executive officer of the local agency formation commission pursuant to subdivision (a) of Section 56828 of the Government Code on or after January 1, 1991, the Controller shall determine that the population of the city for its first seven full fiscal years, and any portion of the first year in which the incorporation is effective if less than a full fiscal year, is the greater of either:

(1) The number of registered voters in the city multiplied by three. The number of registered voters shall be calculated as of the effective date of the incorporation of the city.

(2) The actual population, as defined in subdivision (e).

(c) In the case of a city that was incorporated from unincorporated territory after August 5, 2004, the Controller shall determine the population of the city as follows:

(1) For its first 12 months, 150 percent of the city's actual population.

(2) For its 13th through 24th months, 140 percent of the city's actual population.

(3) For its 25th through 36th months, 130 percent of the city's actual population.

(4) For its 37th through 48th months, 120 percent of the city's actual population.

(5) For its 49th through 60th months, 110 percent of the city's actual population.

(6) After its 60th month, the city's actual population.

(d) For purposes of this section, “actual population” means the population determined by the last federal decennial or special census, or a subsequent census validated by the Demographic Research Unit of the Department of Finance or subsequent estimate prepared pursuant to Section 2107.2 of the Streets and Highways Code.

(e) In the case of unincorporated territory being annexed to a city, during the 10-year, seven-year, or five-year period following incorporation, as the case may be, subsequent to the last federal census, or a subsequent census validated by the Demographic Research Unit of the Department of Finance, the unit shall determine the population of the annexed territory by the use of any federal decennial or special census or any estimate prepared pursuant to Section 2107.2 of the Streets and Highways Code. The population of the annexed territory as determined by the Demographic Research Unit shall be added to the city’s population as previously determined by the Controller pursuant to paragraph (1) or (2) of subdivision (a), paragraph (1) or (2) of subdivision (b), or subdivision (c), as applicable.

(f) After the 10-year, seven-year, or five-year period following incorporation, as the case may be, the Controller shall determine the population of the city as the city’s actual population, as defined in subdivision (d).

(g) The amendments made to this section by the act adding this subdivision shall not apply with respect to either of the following:

(1) Any city that has adopted an ordinance or resolution, approved a ballot measure, or is subject to a consent decree or court order, that annually limits the number of housing units that may be constructed within the city.

(2) Any city that has not prepared and adopted a housing element in compliance with Section 65585 of the Government Code.

(h) This section shall become operative July 1, 1991.

Approved _____, 2008

Governor