

ASSEMBLY BILL

No. 43

Introduced by Assembly Member Solorio

September 1, 2011

An act to amend Section 97.70 of the Revenue and Taxation Code, relating to local government finance.

LEGISLATIVE COUNSEL'S DIGEST

AB 43, as introduced, Solorio. Local government finance: vehicle license fee adjustments: County of Orange.

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. Beginning with the 2004–05 fiscal year and for each fiscal year thereafter, existing law requires that each city, county, and city and county receive a vehicle license fee adjustment amount (VLFAA), as defined, from a Vehicle License Fee Property Tax Compensation Fund that exists in each county treasury.

This bill would, for the 2011–12 fiscal year, increase the VLFAA for the County of Orange by \$48,000,000 and require that this increase be included in the calculation of the vehicle license fee adjustment amount for that county for each year thereafter, so long as certain conditions are met, as specified.

By changing the manner in which property tax revenues are allocated by the county officials in the County of Orange, this bill would impose a state-mandated local program.

This bill would make legislative findings and declarations as to the necessity of a special statute for the County of Orange.

The California Constitution authorizes the Governor to declare a fiscal emergency and to call the Legislature into special session for that

purpose. Governor Schwarzenegger issued a proclamation declaring a fiscal emergency, and calling a special session for this purpose, on December 6, 2010. Governor Brown issued a proclamation on January 20, 2011, declaring and reaffirming that a fiscal emergency exists and stating that his proclamation supersedes the earlier proclamation for purposes of that constitutional provision.

This bill would state that it addresses the fiscal emergency declared and reaffirmed by the Governor by proclamation issued on January 20, 2011, pursuant to the California Constitution.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes.
 State-mandated local program: yes.

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

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) The Vehicle License Fee Law establishes, in lieu of any ad
- 4 valorem property tax on vehicles, an annual license fee for any
- 5 vehicle subject to registration in this state.
- 6 (b) Beginning with the 2004–05 fiscal year, and each fiscal year
- 7 thereafter, existing law requires that each city, county, and city
- 8 and county receive a vehicle license adjustment amount, which
- 9 consists of ad valorem property tax revenues, in lieu of moneys
- 10 that were required to be allocated to cities, counties, and cities and
- 11 counties under the Vehicle License Fee Law, as that law read
- 12 before the effective date of Senate Bill 1096 (Chapter 211 of the
- 13 Statutes of 2004).
- 14 (c) Senate Bill 1096 was intended to ensure that cities, counties,
- 15 and cities and counties receive an amount of money equal to the
- 16 amount that these entities would have received under the Vehicle
- 17 License Fee Law prior to the effective date of Senate Bill 1096.
- 18 (d) Under this system, the County of Orange received an
- 19 allocation of revenues derived under the Vehicle License Fee Law

1 for the service of indebtedness and other uses and the county's
2 vehicle license fee adjustment amount was reduced by a
3 corresponding amount. The County of Orange did not receive any
4 additional moneys as a result of the Vehicle License Fee Law
5 allocation.

6 (e) Senate Bill 89 (Chapter 35 of the Statutes of 2011), beginning
7 in the 2011–12 fiscal year, and each fiscal year thereafter, removed
8 the County of Orange's allocation of Vehicle License Fee Law
9 revenues.

10 (f) The intent of this measure is to clarify that for the 2011–12
11 fiscal year the Auditor-Controller for the County of Orange is
12 required to increase the vehicle license fee adjustment amount
13 allocated to that county by \$48 million, which is the amount of
14 the Vehicle License Fee Law revenues that the county lost as a
15 result of the passage of Senate Bill 89 (Chapter 35 of the Statutes
16 of 2011). It is also the intent of this measure that for fiscal year
17 2012–13 each fiscal year thereafter, this one-time increase shall
18 be included in the calculation of the County of Orange's vehicle
19 license fee adjustment amount under Section 97.70 of the Revenue
20 and Taxation Code.

21 SEC. 2. Section 97.70 of the Revenue and Taxation Code is
22 amended to read:

23 97.70. Notwithstanding any other provision of law, for the
24 2004–05 fiscal year and for each fiscal year thereafter, all of the
25 following apply:

26 (a) (1) (A) The auditor shall reduce the total amount of ad
27 valorem property tax revenue that is otherwise required to be
28 allocated to a county's Educational Revenue Augmentation Fund
29 by the countywide vehicle license fee adjustment amount.

30 (B) If, for the fiscal year, after complying with Section 97.68
31 there is not enough ad valorem property tax revenue that is
32 otherwise required to be allocated to a county Educational Revenue
33 Augmentation Fund for the auditor to complete the allocation
34 reduction required by subparagraph (A), the auditor shall
35 additionally reduce the total amount of ad valorem property tax
36 revenue that is otherwise required to be allocated to all school
37 districts and community college districts in the county for that
38 fiscal year by an amount equal to the difference between the
39 countywide vehicle license fee adjustment amount and the amount
40 of ad valorem property tax revenue that is otherwise required to

1 be allocated to the county Educational Revenue Augmentation
 2 Fund for that fiscal year. This reduction for each school district
 3 and community college district in the county shall be the percentage
 4 share of the total reduction that is equal to the proportion that the
 5 total amount of ad valorem property tax revenue that is otherwise
 6 required to be allocated to the school district or community college
 7 district bears to the total amount of ad valorem property tax revenue
 8 that is otherwise required to be allocated to all school districts and
 9 community college districts in a county. For purposes of this
 10 subparagraph, “school districts” and “community college districts”
 11 do not include any districts that are excess tax school entities, as
 12 defined in Section 95.

13 (2) The countywide vehicle license fee adjustment amount shall
 14 be allocated to the Vehicle License Fee Property Tax Compensation
 15 Fund that shall be established in the treasury of each county.

16 (b) (1) The auditor shall allocate moneys in the Vehicle License
 17 Fee Property Tax Compensation Fund according to the following:

18 (A) Each city in the county shall receive its vehicle license fee
 19 adjustment amount.

20 (B) Each county and city and county shall receive its vehicle
 21 license fee adjustment amount.

22 (2) The auditor shall allocate one-half of the amount specified
 23 in paragraph (1) on or before January 31 of each fiscal year, and
 24 the other one-half on or before May 31 of each fiscal year.

25 (c) For purposes of this section, all of the following apply:

26 (1) “Vehicle license fee adjustment amount” for a particular
 27 city, county, or a city and county means, subject to an adjustment
 28 under paragraph (2) and Section 97.71, all of the following:

29 (A) For the 2004–05 fiscal year, an amount equal to the
 30 difference between the following two amounts:

31 (i) The estimated total amount of revenue that would have been
 32 deposited to the credit of the Motor Vehicle License Fee Account
 33 in the Transportation Tax Fund, including any amounts that would
 34 have been certified to the Controller by the auditor of the County
 35 of Ventura under subdivision (j) of Section 98.02, as that section
 36 read on January 1, 2004, for distribution under the law as it read
 37 on January 1, 2004, to the county, city and county, or city for the
 38 2004–05 fiscal year if the fee otherwise due under the Vehicle
 39 License Fee Law (Pt. 5 (commencing with Section 10701) of Div.
 40 2) was 2 percent of the market value of a vehicle, as specified in

1 Section 10752 and 10752.1 as those sections read on January 1,
2 2004.

3 (ii) The estimated total amount of revenue that is required to be
4 distributed from the Motor Vehicle License Fee Account in the
5 Transportation Tax Fund to the county, city and county, and each
6 city in the county for the 2004–05 fiscal year under Section 11005,
7 as that section read on the operative date of the act that amended
8 this clause.

9 (B) (i) Subject to an adjustment under clause (ii), for the
10 2005–06 fiscal year, the sum of the following two amounts:

11 (I) The difference between the following two amounts:

12 ~~(Ia)~~

13 (ia) The actual total amount of revenue that would have been
14 deposited to the credit of the Motor Vehicle License Fee Account
15 in the Transportation Tax Fund, including any amounts that would
16 have been certified to the Controller by the auditor of the County
17 of Ventura under subdivision (j) of Section 98.02, as that section
18 read on January 1, 2004, for distribution under the law as it read
19 on January 1, 2004, to the county, city and county, or city for the
20 2004–05 fiscal year if the fee otherwise due under the Vehicle
21 License Fee Law (Part 5 (commencing with Section 10701) of
22 Division 2) was 2 percent of the market value of a vehicle, as
23 specified in Sections 10752 and 10752.1 as those sections read on
24 January 1, 2004.

25 ~~(Ib)~~

26 (ib) The actual total amount of revenue that was distributed
27 from the Motor Vehicle License Fee Account in the Transportation
28 Tax Fund to the county, city and county, and each city in the county
29 for the 2004–05 fiscal year under Section 11005, as that section
30 read on the operative date of the act that amended this
31 sub-subclause.

32 (II) The product of the following two amounts:

33 ~~(IIa)~~

34 (ia) The amount described in subclause (I).

35 ~~(IIb)~~

36 (ib) The percentage change from the prior fiscal year to the
37 current fiscal year in gross taxable assessed valuation within the
38 jurisdiction of the entity, as reflected in the equalized assessment
39 roll for those fiscal years. For the first fiscal year for which a
40 change in a city’s jurisdictional boundaries first applies, the

1 percentage change in gross taxable assessed valuation from the
2 prior fiscal year to the current fiscal year shall be calculated solely
3 on the basis of the city's previous jurisdictional boundaries, without
4 regard to the change in that city's jurisdictional boundaries. For
5 each following fiscal year, the percentage change in gross taxable
6 assessed valuation from the prior fiscal year to the current fiscal
7 year shall be calculated on the basis of the city's current
8 jurisdictional boundaries.

9 (ii) The amount described in clause (i) shall be adjusted as
10 follows:

11 (I) If the amount described in subclause (I) of clause (i) for a
12 particular city, county, or city and county is greater than the amount
13 described in subparagraph (A) for that city, county, or city and
14 county, the amount described in clause (i) shall be increased by
15 an amount equal to this difference.

16 (II) If the amount described in subclause (I) of clause (i) for a
17 particular city, county, or city and county is less than the amount
18 described in subparagraph (A) for that city, county, or city and
19 county, the amount described in clause (i) shall be decreased by
20 an amount equal to this difference.

21 (C) For the 2006–07 fiscal year and for each fiscal year
22 thereafter, the sum of the following two amounts:

23 (i) The vehicle license fee adjustment amount for the prior fiscal
24 year, if Section 97.71 and clause (ii) of subparagraph (B) did not
25 apply for that fiscal year, for that city, county, and city and county.

26 (ii) The product of the following two amounts:

27 (I) The amount described in clause (i).

28 (II) The percentage change from the prior fiscal year to the
29 current fiscal year in gross taxable assessed valuation within the
30 jurisdiction of the entity, as reflected in the equalized assessment
31 roll for those fiscal years. For the first fiscal year for which a
32 change in a city's jurisdictional boundaries first applies, the
33 percentage change in gross taxable assessed valuation from the
34 prior fiscal year to the current fiscal year shall be calculated solely
35 on the basis of the city's previous jurisdictional boundaries, without
36 regard to the change in that city's jurisdictional boundaries. For
37 each following fiscal year, the percentage change in gross taxable
38 assessed valuation from the prior fiscal year to the current fiscal
39 year shall be calculated on the basis of the city's current
40 jurisdictional boundaries.

1 (2) (A) For the 2011–12 fiscal year, the vehicle license
 2 adjustment amount that is determined under subparagraph (C) of
 3 paragraph (1) for the County of Orange shall be increased by
 4 forty-eight million dollars (\$48,000,000). For the 2012–13 fiscal
 5 year and each fiscal year thereafter, the calculation of the vehicle
 6 license fee adjustment amount for the County of Orange under
 7 subparagraph (C) of paragraph (1) shall be based on a prior fiscal
 8 year amount that reflects the full amount of the forty-eight million
 9 dollar (\$48,000,000) increase.

10 ~~(2)~~

11 (B) Subparagraph (A) shall be operative only so long as the
 12 County of Orange does not terminate employees due to the
 13 enactment of Chapter 35 of the Statutes of 2011.

14 (3) “Countywide vehicle license fee adjustment amount” means,
 15 for any fiscal year, the total sum of the amounts described in
 16 ~~paragraph~~ paragraphs (1) and (2) for a county or city and county,
 17 and each city in the county.

18 ~~(3)~~

19 (4) On or before June 30 of each fiscal year, the auditor shall
 20 report to the Controller the vehicle license fee adjustment amount
 21 for the county and each city in the county for that fiscal year.

22 (d) For the 2005–06 fiscal year and each fiscal year thereafter,
 23 the amounts determined under subdivision (a) of Section 96.1, or
 24 any successor to that provision, shall not reflect, for a preceding
 25 fiscal year, any portion of any allocation required by this section.

26 (e) For purposes of Section 15 of Article XI of the California
 27 Constitution, the allocations from a Vehicle License Fee Property
 28 Tax Compensation Fund constitute successor taxes that are
 29 otherwise required to be allocated to counties and cities, and as
 30 successor taxes, the obligation to make those transfers as required
 31 by this section shall not be extinguished nor disregarded in any
 32 manner that adversely affects the security of, or the ability of, a
 33 county or city to pay the principal and interest on any debts or
 34 obligations that were funded or secured by that city’s or county’s
 35 allocated share of motor vehicle license fee revenues.

36 (f) This section shall not be construed to do any of the following:

37 (1) Reduce any allocations of excess, additional, or remaining
 38 funds that would otherwise have been allocated to county
 39 superintendents of schools, cities, counties, and cities and counties
 40 pursuant to clause (i) of subparagraph (B) of paragraph (4) of

1 subdivision (d) of Sections 97.2 and 97.3 or Article 4 (commencing
2 with Section 98) had this section not been enacted. The allocations
3 required by this section shall be adjusted to comply with this
4 paragraph.

5 (2) Require an increased ad valorem property tax revenue
6 allocation or increased tax increment allocation to a community
7 redevelopment agency.

8 (3) Alter the manner in which ad valorem property tax revenue
9 growth from fiscal year to fiscal year is otherwise determined or
10 allocated in a county.

11 (4) Reduce ad valorem property tax revenue allocations required
12 under Article 4 (commencing with Section 98).

13 (g) Tax exchange or revenue sharing agreements, entered into
14 prior to the operative date of this section, between local agencies
15 or between local agencies and nonlocal agencies are deemed to be
16 modified to account for the reduced vehicle license fee revenues
17 resulting from the act that added this section. These agreements
18 are modified in that these reduced revenues are, in kind and in lieu
19 thereof, replaced with ad valorem property tax revenue from a
20 Vehicle License Fee Property Tax Compensation Fund or an
21 Educational Revenue Augmentation Fund.

22 SEC. 3. The Legislature finds and declares that a special law
23 is necessary and that a general law cannot be made applicable
24 within the meaning of Section 16 of Article IV of the California
25 Constitution because of the unique fiscal pressures being
26 encountered by the County of Orange due to the decrease in the
27 county’s allocation of Vehicle License Fee revenues as a result of
28 Chapter 35 of the Statutes of 2011.

29 SEC. 4. This act addresses the fiscal emergency declared and
30 reaffirmed by the Governor by proclamation on January 20, 2011,
31 pursuant to subdivision (f) of Section 10 of Article IV of the
32 California Constitution.

33 SEC. 5. If the Commission on State Mandates determines that
34 this act contains costs mandated by the state, reimbursement to
35 local agencies and school districts for those costs shall be made
36 pursuant to Part 7 (commencing with Section 17500) of Division
37 4 of Title 2 of the Government Code.

O