

**Introduced by Senators Negrete McLeod and Emmerson
(Coauthor: Senator De León)**

(Coauthors: Assembly Members Carter, Cook, Jeffries, Miller, Nestande,
and Smyth)

February 24, 2012

An act to amend Sections 11003 and 11005 of the Revenue and Taxation Code, relating to taxation, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 1566, as introduced, Negrete McLeod. Vehicle license fees: allocation.

Existing law requires that a specified amount of motor vehicle license fees deposited to the credit of the Motor Vehicle License Fee Account in the Transportation Tax Fund be allocated by the Controller, as specified, to the Local Law Enforcement Services Account in the Local Revenue Fund 2011, for allocation to cities, counties, and cities and counties.

This bill would instead require, on and after July 1, 2012, that those revenues be distributed first to each city that was incorporated from an unincorporated territory after August 5, 2004, in an amount determined pursuant to a specified formula and second to each city that was incorporated before August 5, 2004, in an amount determined pursuant to a specified formula. By authorizing within the Motor Vehicle License Fee Account in the Transportation Tax Fund, a continuously appropriated fund, to be used for a new purpose, the bill would make an appropriation.

Existing law requires the Legislature to determine and appropriate annually an amount for the use of the Department of Motor Vehicles

and the Franchise Tax Board for the enforcement of the Vehicle License Fee Law.

This bill would not allow that amount to be appropriated from the Motor Vehicle License Fee Account in the Transportation Tax Fund.

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

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) It is the intent of the Legislature commencing with the
4 2012–13 fiscal year to reinstate allocations of motor vehicle license
5 fees to recently incorporated cities and cities which annexed
6 inhabited areas, consistent with the allocation formula those
7 communities relied upon when making the decision to incorporate
8 or annex the affected territory.

9 (b) It is also the intent of the Legislature to ensure that such
10 revenues and incentives remain available for other communities
11 considering incorporation, including unincorporated communities
12 of East Los Angeles, and annexations of inhabited areas, including
13 disadvantaged unincorporated communities.

14 (c) Numerous state laws support the policy of furthering orderly
15 development in compact forms, including the annexation of
16 inhabited territory and the incorporation of communities consistent
17 with state laws, the policies of local agency formation
18 commissions, and often the approval of local voters.

19 (d) The passage of Senate Bill 89 of the 2011–12 Regular
20 Session (Chapter 35 of the Statutes of 2011) removed critical
21 revenues from these communities without providing a reasonable
22 opportunity for input from the affected agencies and the public.

23 SEC. 2. Section 11003 of the Revenue and Taxation Code is
24 amended to read:

25 11003. ~~(a) Subject to subdivision (b), the~~*The* Legislature shall
26 annually determine and appropriate an amount for the use of the
27 Department of Motor Vehicles and the Franchise Tax Board for
28 the enforcement of this part. *That amount shall not be appropriated*
29 *from the Motor Vehicle License Fee Account in the Transportation*
30 *Tax Fund.*

1 ~~(b) For the 2011–12 fiscal year, twenty-five million dollars~~
2 ~~(\$25,000,000) shall be deemed to be the cost to the Department~~
3 ~~of Motor Vehicles of collecting the motor vehicle license fees that~~
4 ~~are collected with the motor vehicle registration fees and other~~
5 ~~fees.~~

6 SEC. 3. Section 11005 of the Revenue and Taxation Code is
7 amended to read:

8 11005. After payment of refunds therefrom ~~and after making~~
9 ~~the deductions authorized by Section 11003~~ and reserving the
10 amount determined necessary by the Pooled Money Investment
11 Board to meet the transfers ordered or proposed to be ordered
12 pursuant to Section 16310 of the Government Code, the balance
13 of all motor vehicle license fees and any other money appropriated
14 by law for expenditure pursuant to this section, deposited to the
15 credit of the Motor Vehicle License Fee Account in the
16 Transportation Tax Fund, and remaining unexpended in that
17 account at the close of business on the last day of the calendar
18 month, shall be allocated by the Controller by the 10th day of the
19 following month in accordance with the following:

20 *(a) On and after July 1, 2012:*

21 *(1) First, to each city that was incorporated from an*
22 *unincorporated territory after August 5, 2004, in an amount equal*
23 *to the product of the following two amounts:*

24 *(A) The quotient derived from the following fraction:*

25 *(i) The numerator is the product of the following two amounts:*

26 *(I) Fifty dollars (\$50) per year.*

27 *(II) The fraction determined as the total amount of vehicle*
28 *license fee revenue collected during the most recent fiscal year*
29 *divided by the total amount of vehicle license fee revenue collected*
30 *during the 2004–05 fiscal year.*

31 *(ii) The denominator is the fraction determined as the actual*
32 *population, as defined in subdivision (d) of Section 11005.3, of all*
33 *cities during the most recent fiscal year, divided by the actual*
34 *population, as defined in subdivision (d) of Section 11005.3, of all*
35 *cities in the 2004–05 fiscal year.*

36 *(B) The city’s population determined in accordance with Section*
37 *11005.3.*

38 *(2) Second, to each city that was incorporated before August*
39 *5, 2004, in an amount equal to the product of the following two*
40 *amounts:*

1 (A) *The quotient derived from the following fraction:*
 2 (i) *The numerator is the product of the following two amounts:*
 3 (I) *Fifty dollars (\$50) per year.*
 4 (II) *The fraction determined as the total amount of vehicle*
 5 *license fee revenue collected during the most recent fiscal year*
 6 *divided by the total amount of vehicle license fee revenue collected*
 7 *during the 2004–05 fiscal year.*
 8 (ii) *The denominator is the fraction determined as the actual*
 9 *population, as defined in subdivision (d) of Section 11005.3, of all*
 10 *cities during the most recent fiscal year, divided by the actual*
 11 *population, as defined in subdivision (d) of Section 11005.3, of all*
 12 *cities in the 2004–05 fiscal year.*
 13 (B) *The actual population, as defined in subdivision (d) of*
 14 *Section 11005.3, residing in areas annexed after August 5, 2004,*
 15 *as of the date of annexation.*
 16 (a)
 17 (b) *On and after July 1, 2011, and before July 1, 2012, to the*
 18 *Local Law Enforcement Services Account in the Local Revenue*
 19 *Fund 2011, as established by Section 30025 of the Government*
 20 *Code, for allocation to cities, counties, and cities and counties.*
 21 (b)
 22 (c) *On or after July 1, 2004, but before July 1, 2011:*
 23 (1) *First, to the County of Orange. For the 2004–05 fiscal year,*
 24 *that county shall be allocated fifty-four million dollars*
 25 *(\$54,000,000) in monthly installments. For the 2005–06 fiscal year*
 26 *and each fiscal year thereafter, that county shall receive, in monthly*
 27 *installments, an amount equal to the amount allocated under this*
 28 *section for the prior fiscal year, adjusted for the percentage change*
 29 *in the amount of revenues credited to the Motor Vehicle License*
 30 *Fee Account in the Transportation Tax Fund from the revenues*
 31 *credited to that account in the prior fiscal year. Moneys allocated*
 32 *to the County of Orange under this subdivision shall be used first*
 33 *for the service of indebtedness as provided in paragraph (1) of*
 34 *subdivision (a) of Section 11001.5. Any amounts in excess of the*
 35 *amount required for this service of indebtedness may be used by*
 36 *that county for any lawful purpose.*
 37 (2) *Second, to each city, the population of which is determined*
 38 *under Section 11005.3 on August 5, 2004, in an amount equal to*
 39 *the additional amount of vehicle license fee revenue, including*
 40 *offset transfers, that would be allocated to that city under Sections*

1 11000 and 11005, as those sections read on January 1, 2004, as a
2 result of that city's population being determined under subdivision
3 (a) or (b) of Section 11005.3.

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

7 (A) The quotient derived from the following fraction:

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

9 (I) Fifty dollars (\$50) per year.

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

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

19 (B) The city's population determined in accordance with Section
20 11005.3.

21 (4) Fourth, to each city that was incorporated before August 5,
22 2004, in an amount equal to the product of the following two
23 amounts:

24 (A) The quotient derived from the following fraction:

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

26 (I) Fifty dollars (\$50) per year.

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

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

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

39 (5) Fifth, to the cities and cities and counties of this state in the
40 proportion that the population of each city or city and county bears

1 to the total population of all cities and cities and counties in this
2 state, as determined by the Demographic Research Unit of the
3 Department of Finance. For the purpose of this subdivision, the
4 population of each city or city and county shall be determined in
5 accordance with Section 11005.3.

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