

**ASSEMBLY BILL**

**No. 1521**

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**Introduced by Assembly Member Fox**

January 16, 2014

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An act to amend Section 97.70 of the Revenue and Taxation Code, relating to local government finance, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 1521, as introduced, Fox. Local government finance: property tax revenue allocations: vehicle license fee adjustments.

Existing property tax law requires the county auditor, in each fiscal year, to allocate property tax revenue to local jurisdictions in accordance with specified formulas and procedures, and generally provides that each jurisdiction shall be allocated an amount equal to the total of the amount of revenue allocated to that jurisdiction in the prior fiscal year, subject to certain modifications, and that jurisdiction's portion of the annual tax increment, as defined.

Existing property tax law also requires that, for purposes of determining property tax revenue allocations in each county for the 1992–93 and 1993–94 fiscal years, the amounts of property tax revenue deemed allocated in the prior fiscal year to the county, cities, and special districts be reduced in accordance with certain formulas. It requires that the revenues not allocated to the county, cities, and special districts as a result of these reductions be transferred to the Educational Revenue Augmentation Fund in that county for allocation to school districts, community college districts, and the county office of education.

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 additional property tax revenues in the form of a vehicle license fee adjustment amount, as defined, from a vehicle license fee property tax compensation fund that exists in each county treasury. Existing law requires that these additional allocations be funded from ad valorem property tax revenues otherwise required to be allocated to educational entities.

This bill would modify these reduction and transfer provisions, for the 2014–15 fiscal year and for each fiscal year thereafter, by providing for a vehicle license fee adjustment amount calculated on the basis of changes in assessed valuation.

By imposing additional duties upon local tax officials with respect to the allocation of ad valorem property tax revenues, this bill would impose a state-mandated local program.

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.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes.

State-mandated local program: yes.

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

- 1 SECTION 1. Section 97.70 of the Revenue and Taxation Code
- 2 is amended to read:
- 3 97.70. Notwithstanding any other law, for the 2004–05 fiscal
- 4 year and for each fiscal year thereafter, all of the following apply:
- 5 (a) (1) (A) The auditor shall reduce the total amount of ad
- 6 valorem property tax revenue that is otherwise required to be
- 7 allocated to a county’s Educational Revenue Augmentation Fund
- 8 by the countywide vehicle license fee adjustment amount.
- 9 (B) If, for the fiscal year, after complying with Section 97.68
- 10 there is not enough ad valorem property tax revenue that is
- 11 otherwise required to be allocated to a county Educational Revenue
- 12 Augmentation Fund for the auditor to complete the allocation
- 13 reduction required by subparagraph (A), the auditor shall

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

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

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

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

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

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

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

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

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

37 (i) The estimated total amount of revenue that would have been  
38 deposited to the credit of the Motor Vehicle License Fee Account  
39 in the Transportation Tax Fund, including any amounts that would  
40 have been certified to the Controller by the auditor of the County

1 of Ventura under subdivision (j) of Section 98.02, as that section  
 2 read on January 1, 2004, for distribution under the law as it read  
 3 on January 1, 2004, to the county, city and county, or city for the  
 4 2004–05 fiscal year if the fee otherwise due under the Vehicle  
 5 License Fee Law (Pt. 5 (commencing with Section 10701) of Div.  
 6 2) was 2 percent of the market value of a vehicle, as specified in  
 7 ~~Section~~ *Sections* 10752 and 10752.1 as those sections read on  
 8 January 1, 2004.

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

15 (B) (i) Subject to an adjustment under clause (ii), for the  
 16 2005–06 fiscal year, the sum of the following two amounts:

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

18 ~~(Ia)~~

19 (ia) The actual total amount of revenue that would have been  
 20 deposited to the credit of the Motor Vehicle License Fee Account  
 21 in the Transportation Tax Fund, including any amounts that would  
 22 have been certified to the Controller by the auditor of the County  
 23 of Ventura under subdivision (j) of Section 98.02, as that section  
 24 read on January 1, 2004, for distribution under the law as it read  
 25 on January 1, 2004, to the county, city and county, or city for the  
 26 2004–05 fiscal year if the fee otherwise due under the Vehicle  
 27 License Fee Law (Part 5 (commencing with Section 10701) of  
 28 Division 2) was 2 percent of the market value of a vehicle, as  
 29 specified in Sections 10752 and 10752.1 as those sections read on  
 30 January 1, 2004.

31 ~~(Ib)~~

32 (ib) The actual total amount of revenue that was distributed  
 33 from the Motor Vehicle License Fee Account in the Transportation  
 34 Tax Fund to the county, city and county, and each city in the county  
 35 for the 2004–05 fiscal year under Section 11005, as that section  
 36 read on the operative date of the act that amended this  
 37 ~~sub-subclause~~ *subsubclause*.

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

39 ~~(IIa)~~

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

1 ~~(Hb)~~

2 (ib) The percentage change from the prior fiscal year to the  
3 current fiscal year in gross taxable assessed valuation within the  
4 jurisdiction of the entity, as reflected in the equalized assessment  
5 roll for those fiscal years. For the first fiscal year for which a  
6 change in a city’s jurisdictional boundaries first applies, the  
7 percentage change in gross taxable assessed valuation from the  
8 prior fiscal year to the current fiscal year shall be calculated solely  
9 on the basis of the city’s previous jurisdictional boundaries, without  
10 regard to the change in that city’s jurisdictional boundaries. For  
11 each following fiscal year, the percentage change in gross taxable  
12 assessed valuation from the prior fiscal year to the current fiscal  
13 year shall be calculated on the basis of the city’s current  
14 jurisdictional boundaries.

15 (ii) The amount described in clause (i) shall be adjusted as  
16 follows:

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

22 (II) If the amount described in subclause (I) of clause (i) for a  
23 particular city, county, or city and county is less than the amount  
24 described in subparagraph (A) for that city, county, or city and  
25 county, the amount described in clause (i) shall be decreased by  
26 an amount equal to this difference.

27 ~~(C) For the 2006–07 fiscal year and for each fiscal year~~  
28 ~~thereafter, year, to the 2013–14 fiscal year, inclusive,~~ the sum of  
29 the following two amounts:

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

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

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

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

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

8 (D) For the 2014–15 fiscal year, the sum of the following two  
9 amounts:

10 (i) The amount described in clause (i) of subparagraph (B) if  
11 Section 97.71 and clause (ii) of subparagraph (B) did not apply  
12 for that fiscal year, for that city, county, and city and county.

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

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

15 (II) The percentage change from the 2004–05 fiscal year to the  
16 2014–15 fiscal year, inclusive, in gross taxable assessed valuation  
17 within the jurisdiction of the entity, as reflected in the equalized  
18 assessment roll for those fiscal years.

19 (E) For the 2015–16 fiscal year and each fiscal year thereafter,  
20 the sum of the following two amounts:

21 (i) The vehicle license fee adjustment amount for the prior fiscal  
22 year.

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

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

25 (II) The percentage change from the immediately preceding  
26 fiscal year to the current fiscal year in gross taxable assessed  
27 valuation within the jurisdiction of the entity, as reflected in the  
28 equalized assessment roll for those fiscal years.

29 (2) ~~For the 2013–14 fiscal year, the~~The vehicle license fee  
30 adjustment amount that is determined under subparagraph (C) of  
31 paragraph (1) for the 2013–14 fiscal year, subparagraph (D) of  
32 paragraph (1) for the 2014–15 fiscal year, and subparagraph (E)  
33 of paragraph (1) for the 2015–16 fiscal year, for the County of  
34 ~~Orange~~ Orange, shall be increased by fifty-three million dollars  
35 (\$53,000,000). For the ~~2014–15~~ 2016–17 fiscal year and each  
36 fiscal year thereafter, the calculation of the vehicle license fee  
37 adjustment amount for the County of Orange under subparagraph  
38 ~~(C)~~(E) of paragraph (1) shall be based on a prior fiscal year amount  
39 that reflects the full amount of this one-time increase of fifty-three  
40 million dollars (\$53,000,000).

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

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

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

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

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

23 (1) Reduce any allocations of excess, additional, or remaining  
24 funds that would otherwise have been allocated to county  
25 superintendents of schools, cities, counties, and cities and counties  
26 pursuant to clause (i) of subparagraph (B) of paragraph (4) of  
27 subdivision (d) of Sections 97.2 and 97.3 or Article 4 (commencing  
28 with Section 98) had this section not been enacted. The allocations  
29 required by this section shall be adjusted to comply with this  
30 paragraph.

31 (2) Require an increased ad valorem property tax revenue  
32 allocation or increased tax increment allocation to a community  
33 redevelopment agency.

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

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

39 (g) Tax exchange or revenue sharing agreements, entered into  
40 prior to the operative date of this section, between local agencies

1 or between local agencies and nonlocal agencies are deemed to be  
2 modified to account for the reduced vehicle license fee revenues  
3 resulting from the act that added this section. These agreements  
4 are modified in that these reduced revenues are, in kind and in lieu  
5 thereof, replaced with ad valorem property tax revenue from a  
6 Vehicle License Fee Property Tax Compensation Fund or an  
7 Educational Revenue Augmentation Fund.

8 SEC. 2. If the Commission on State Mandates determines that  
9 this act contains costs mandated by the state, reimbursement to  
10 local agencies and school districts for those costs shall be made  
11 pursuant to Part 7 (commencing with Section 17500) of Division  
12 4 of Title 2 of the Government Code.

13 SEC. 3. This act is an urgency statute necessary for the  
14 immediate preservation of the public peace, health, or safety within  
15 the meaning of Article IV of the Constitution and shall go into  
16 immediate effect. The facts constituting the necessity are:

17 In order to provide timely fiscal relief to preserve the public  
18 peace, health, and safety in incorporated cities and cities that  
19 annexed inhabited areas that lost revenue as a result of the passage  
20 of Senate Bill 89 of the 2011–12 Regular Session (Chapter 35 of  
21 the Statutes of 2011), it is necessary that this act take effect  
22 immediately.