

**Introduced by Senators Roth and Emmerson**

January 7, 2013

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

LEGISLATIVE COUNSEL'S DIGEST

SB 56, as amended, Roth. Local government ~~finance~~: *finance: vehicle license fee adjustments.*

*The Vehicle License Fee 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, as defined, from a Vehicle License Fee Property Tax Compensation Fund that exists in each county treasury. Existing law requires that these amounts be funded from ad valorem property tax revenues otherwise required to be allocated to educational entities.*

*This bill would, for the 2013–14 fiscal year, provide for a new vehicle license fee adjustment amount, as specified. This bill would also, for the 2013–14 fiscal year and for each fiscal year thereafter, provide for a vehicle license fee adjustment amount for certain cities incorporating after a specified date, as provided.*

*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.*

~~Existing law required, on and after July 1, 2004, and before July 1, 2011, that a specified portion of the motor vehicle license fee revenues deposited to the credit of the Motor Vehicle License Fee Account in the Transportation Tax Fund be allocated first to the County of Orange and next to each city and county meeting specified criteria, including each city that was incorporated from unincorporated territory after August 5, 2004. Existing law requires, on or after July 1, 2011, that the same portion of revenues be deposited into the Local Law Enforcement Services Account in the Local Revenue Fund 2011 for allocation to cities, counties, and cities and counties.~~

~~This bill would state the Legislature’s intent to enact legislation that would restore funding to cities that either were incorporated or annexed territory after 2004.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~-yes.  
 State-mandated local program: ~~no~~-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 provision of law, for the
- 4     2004–05 fiscal year and for each fiscal year thereafter, all of the
- 5     following apply:
- 6     (a) (1) (A) The auditor shall reduce the total amount of ad
- 7     valorem property tax revenue that is otherwise required to be
- 8     allocated to a county’s Educational Revenue Augmentation Fund
- 9     by the countywide vehicle license fee adjustment amount.
- 10    (B) If, for the fiscal year, after complying with Section 97.68
- 11    there is not enough ad valorem property tax revenue that is
- 12    otherwise required to be allocated to a county Educational Revenue
- 13    Augmentation Fund for the auditor to complete the allocation
- 14    reduction required by subparagraph (A), the auditor shall
- 15    additionally reduce the total amount of ad valorem property tax
- 16    revenue that is otherwise required to be allocated to all school

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

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

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

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

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

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

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

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

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

35 (i) The estimated total amount of revenue that would have been  
36 deposited to the credit of the Motor Vehicle License Fee Account  
37 in the Transportation Tax Fund, including any amounts that would  
38 have been certified to the Controller by the auditor of the County  
39 of Ventura under subdivision (j) of Section 98.02, as that section  
40 read on January 1, 2004, for distribution under the law as it read

1 on January 1, 2004, to the county, city and county, or city for the  
 2 2004–05 fiscal year if the fee otherwise due under the Vehicle  
 3 License Fee Law (Pt. 5 (commencing with Section 10701) of Div.  
 4 2) was 2 percent of the market value of a vehicle, as specified in  
 5 Section 10752 and 10752.1 as those sections read on January 1,  
 6 2004.

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

13 (B) (i) Subject to an adjustment under clause (ii), for the  
 14 2005–06 fiscal year, the sum of the following two amounts:

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

16 ~~(Ia)~~

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

29 ~~(Ib)~~

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

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

37 ~~(IIa)~~

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

39 ~~(IIb)~~

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

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

16 (I) If the amount described in subclause (I) of clause (i) for a  
17 particular city, county, or city and county is greater 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 increased by  
20 an amount equal to this difference.

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

26 (C) ~~For~~ *Except as otherwise provided under subparagraph (D),*  
27 *for the 2006–07 fiscal year and for each fiscal year thereafter, the*  
28 *sum of the following two amounts:*

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

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

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

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

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

7 *(D) Notwithstanding subparagraph (C), for the 2013–14 fiscal*  
8 *year, the vehicle license fee adjustment amount shall be equal to*  
9 *the sum of the following two 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 *2013–14 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 *(2) Notwithstanding paragraph (1), “vehicle license fee*  
20 *adjustment amount,” for a city incorporating after January 1,*  
21 *2011, but before January 1, 2013, means the following:*

22 *(A) For the 2013–14 fiscal year, the sum of the following two*  
23 *amounts:*

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

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

26 *(ia) The sum of the most recent vehicle license fee adjustment*  
27 *amounts determined for all cities in the county incorporated prior*  
28 *to 2005.*

29 *(ib) The population of the incorporating city.*

30 *(II) The denominator is the sum of the populations of all cities*  
31 *in the county incorporated prior to 2005.*

32 *(ii) Fifty percent of the amount determined in clause (i).*

33 *(B) For the 2014–15 fiscal year, the sum of the following two*  
34 *amounts:*

35 *(i) The product of the following two amounts:*

36 *(I) The amount described in clause (i) of subparagraph (A).*

37 *(II) The percentage change from the prior fiscal year to the*  
38 *current fiscal year in gross taxable assessed valuation within the*  
39 *jurisdiction of the entity, as reflected in the equalized assessment*  
40 *roll for those fiscal years.*

- 1     (ii) *Forty percent of the amount determined in clause (i).*
- 2     (C) *For the 2015–16 fiscal year, the sum of the following two*
- 3 *amounts:*
- 4     (i) *The product of the following two amounts:*
- 5         (I) *The amount described in clause (i) of subparagraph (B).*
- 6         (II) *The percentage change from the prior fiscal year to the*
- 7 *current fiscal year in gross taxable assessed valuation within the*
- 8 *jurisdiction of the entity, as reflected in the equalized assessment*
- 9 *roll for those fiscal years.*
- 10    (ii) *Thirty percent of the amount determined in clause (i).*
- 11    (D) *For the 2016–17 fiscal year, the sum of the following two*
- 12 *amounts:*
- 13    (i) *The product of the following two amounts:*
- 14         (I) *The amount described in clause (i) of subparagraph (C).*
- 15         (II) *The percentage change from the prior fiscal year to the*
- 16 *current fiscal year in gross taxable assessed valuation within the*
- 17 *jurisdiction of the entity, as reflected in the equalized assessment*
- 18 *roll for those fiscal years.*
- 19    (ii) *Twenty percent of the amount determined in clause (i).*
- 20    (E) *For the 2017–18 fiscal year, the sum of the following two*
- 21 *amounts:*
- 22    (i) *The product of the following two amounts:*
- 23         (I) *The amount described in clause (i) of subparagraph (D).*
- 24         (II) *The percentage change from the prior fiscal year to the*
- 25 *current fiscal year in gross taxable assessed valuation within the*
- 26 *jurisdiction of the entity, as reflected in the equalized assessment*
- 27 *roll for those fiscal years.*
- 28    (ii) *Ten percent of the amount determined in clause (i).*
- 29    (F) *For the 2018–19 fiscal year, the sum of the following two*
- 30 *amounts:*
- 31    (i) *The amount described in clause (i) of subparagraph (E).*
- 32    (ii) *The product of the following two amounts:*
- 33         (I) *The amount described in clause (i).*
- 34         (II) *The percentage change from the prior fiscal year to the*
- 35 *current fiscal year in gross taxable assessed valuation within the*
- 36 *jurisdiction of the entity, as reflected in the equalized assessment*
- 37 *roll for those fiscal years.*
- 38    (G) *For the 2019–20 fiscal year, and for each fiscal year*
- 39 *thereafter, the sum of the following two amounts:*

- 1 (i) *The vehicle license fee adjustment amount for the prior fiscal*  
2 *year.*
- 3 (ii) *The product of the following two amounts:*
- 4 (I) *The amount described in clause (i).*
- 5 (II) *The percentage change from the prior fiscal year to the*  
6 *current fiscal year in gross taxable assessed valuation within the*  
7 *jurisdiction of the entity, as reflected in the equalized assessment*  
8 *roll for those fiscal years.*
- 9 (3) *Notwithstanding paragraph (1), “vehicle license fee*  
10 *adjustment amount,” for a city incorporating after January 1,*  
11 *2010, but before January 1, 2011, means the following:*
- 12 (A) *For the 2013–14 fiscal year, the sum of the following two*  
13 *amounts:*
- 14 (i) *The quotient derived from the following fraction:*
- 15 (I) *The numerator is the product of the following two amounts:*
- 16 (ia) *The sum of the most recent vehicle license fee adjustment*  
17 *amounts determined for all cities in the county incorporated prior*  
18 *to 2005.*
- 19 (ib) *The population of the incorporating city.*
- 20 (II) *The denominator is the sum of the populations of all cities*  
21 *in the county incorporated prior to 2005.*
- 22 (ii) *Forty percent of the amount determined in clause (i).*
- 23 (B) *For the 2014–15 fiscal year, the sum of the following two*  
24 *amounts:*
- 25 (i) *The product of the following two amounts:*
- 26 (I) *The amount described in clause (i) of subparagraph (A).*
- 27 (II) *The percentage change from the prior fiscal year to the*  
28 *current fiscal year in gross taxable assessed valuation within the*  
29 *jurisdiction of the entity, as reflected in the equalized assessment*  
30 *roll for those fiscal years.*
- 31 (ii) *Thirty percent of the amount determined in clause (i).*
- 32 (C) *For the 2015–16 fiscal year, the sum of the following two*  
33 *amounts:*
- 34 (i) *The product of the following two amounts:*
- 35 (I) *The amount described in clause (i) of subparagraph (B).*
- 36 (II) *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.*
- 40 (ii) *Twenty percent of the amount determined in clause (i).*

- 1 (D) For the 2016–17 fiscal year, the sum of the following two
- 2 amounts:
- 3 (i) The product of the following two amounts:
- 4 (I) The amount described in clause (i) of subparagraph (C).
- 5 (II) The percentage change from the prior fiscal year to the
- 6 current fiscal year in gross taxable assessed valuation within the
- 7 jurisdiction of the entity, as reflected in the equalized assessment
- 8 roll for those fiscal years.
- 9 (ii) Ten percent of the amount determined in clause (i).
- 10 (E) For the 2017–18 fiscal year, the sum of the following two
- 11 amounts:
- 12 (i) The amount described in clause (i) of subparagraph (D).
- 13 (ii) The product of the following two amounts:
- 14 (I) The amount described in clause (i).
- 15 (II) The percentage change from the prior fiscal year to the
- 16 current fiscal year in gross taxable assessed valuation within the
- 17 jurisdiction of the entity, as reflected in the equalized assessment
- 18 roll for those fiscal years.
- 19 (F) For the 2018–19 fiscal year, and for each fiscal year
- 20 thereafter, 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 prior fiscal year to the
- 26 current fiscal year in gross taxable assessed valuation within the
- 27 jurisdiction of the entity, as reflected in the equalized assessment
- 28 roll for those fiscal years.
- 29 (4) Notwithstanding paragraph (1), “vehicle license fee
- 30 adjustment amount,” for a city incorporating after January 1,
- 31 2008, but before January 1, 2009, means the following:
- 32 (A) For the 2013–14 fiscal year, the sum of the following two
- 33 amounts:
- 34 (i) The quotient derived from the following fraction:
- 35 (I) The numerator is the product of the following two amounts:
- 36 (ia) The sum of the most recent vehicle license fee adjustment
- 37 amounts determined for all cities in the county incorporated prior
- 38 to 2005.
- 39 (ib) The population of the incorporating city.

- 1 (II) *The denominator is the sum of the populations of all cities*
- 2 *in the county incorporated prior to 2005.*
- 3 (ii) *Twenty percent of the amount determined in clause (i).*
- 4 (B) *For the 2014–15 fiscal year, the sum of the following two*
- 5 *amounts:*
- 6 (i) *The product of the following two amounts:*
- 7 (I) *The amount described in clause (i) of subparagraph (A).*
- 8 (II) *The percentage change from the prior fiscal year to the*
- 9 *current fiscal year in gross taxable assessed valuation within the*
- 10 *jurisdiction of the entity, as reflected in the equalized assessment*
- 11 *roll for those fiscal years.*
- 12 (ii) *Ten percent of the amount determined in clause (i).*
- 13 (C) *For the 2015–16 fiscal year, the sum of the following two*
- 14 *amounts:*
- 15 (i) *The amount described in clause (i) of subparagraph (B).*
- 16 (ii) *The product of the following two amounts:*
- 17 (I) *The amount described in clause (i).*
- 18 (II) *The percentage change from the prior fiscal year to the*
- 19 *current fiscal year in gross taxable assessed valuation within the*
- 20 *jurisdiction of the entity, as reflected in the equalized assessment*
- 21 *roll for those fiscal years.*
- 22 (D) *For the 2016–17 fiscal year, and for each fiscal year*
- 23 *thereafter, the sum of the following two amounts:*
- 24 (i) *The vehicle license fee adjustment amount for the prior fiscal*
- 25 *year.*
- 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.*
- 32 ~~(2)~~
- 33 (5) *“Countywide vehicle license fee adjustment amount” means,*
- 34 *for any fiscal year, the total sum of the amounts described in*
- 35 ~~paragraph (1)~~ *paragraphs (1) to (4), inclusive, for a county or city*
- 36 *and county, and each city in the county.*
- 37 ~~(3)~~
- 38 (6) *On or before June 30 of each fiscal year, the auditor shall*
- 39 *report to the Controller the vehicle license fee adjustment amount*
- 40 *for the county and each city in the county for that fiscal year.*

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

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

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

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

24 (2) Require an increased ad valorem property tax revenue  
25 allocation or increased tax increment allocation to a community  
26 redevelopment agency.

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

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

32 (g) Tax exchange or revenue sharing agreements, entered into  
33 prior to the operative date of this section, between local agencies  
34 or between local agencies and nonlocal agencies are deemed to be  
35 modified to account for the reduced vehicle license fee revenues  
36 resulting from the act that added this section. These agreements  
37 are modified in that these reduced revenues are, in kind and in lieu  
38 thereof, replaced with ad valorem property tax revenue from a  
39 Vehicle License Fee Property Tax Compensation Fund or an  
40 Educational Revenue Augmentation Fund.

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

6     ~~SECTION 1. It is the intent of the Legislature to enact~~  
7 ~~legislation that would restore funding to cities that either were~~  
8 ~~incorporated or annexed territory after 2004.~~