

ASSEMBLY BILL

No. 448

Introduced by Assembly Member Brown
(Coauthor: Senator Leyva)

February 23, 2015

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 448, as introduced, Brown. 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 2015–16 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

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

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

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

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

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

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

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

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

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

39 (i) The estimated total amount of revenue that would have been
40 deposited to the credit of the Motor Vehicle License Fee Account

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

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

17 (B) (i) Subject to an adjustment under clause (ii), for the
 18 2005–06 fiscal year, the sum of the following two amounts:

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

20 ~~(Ia)~~

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

33 ~~(Ib)~~

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

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

1 ~~(Ha)~~

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

3 ~~(Hb)~~

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

17 (ii) The amount described in clause (i) shall be adjusted as
18 follows:

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

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

29 (C) For the 2006–07 fiscal year ~~and for each year, to the~~
30 ~~2014–15 fiscal year thereafter, year, inclusive,~~ the sum of the
31 following two amounts:

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

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

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

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. For the first fiscal year for which a

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

10 *(D) For the 2015–16 fiscal year, the sum of the following two*
 11 *amounts:*

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

15 *(ii) The product of the following two amounts:*

16 *(I) The amount described in clause (i).*

17 *(II) The percentage change from the 2004–05 fiscal year to the*
 18 *2015–16 fiscal year, inclusive, in gross taxable assessed valuation*
 19 *within the jurisdiction of the entity, as reflected in the equalized*
 20 *assessment roll for those fiscal years.*

21 *(E) For the 2016–17 fiscal year and each fiscal year thereafter,*
 22 *the sum of the following two amounts:*

23 *(i) The vehicle license fee adjustment amount for the prior fiscal*
 24 *year.*

25 *(ii) The product of the following two amounts:*

26 *(I) The amount described in clause (i).*

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

31 (2) For the 2013–14 fiscal year, the vehicle license fee
 32 adjustment amount that is determined under subparagraph (C) of
 33 paragraph (1) for the County of Orange shall be increased by
 34 fifty-three million dollars (\$53,000,000). For the 2014–15 fiscal
 35 year and each fiscal year thereafter, the calculation of the vehicle
 36 license fee adjustment amount for the County of Orange under
 37 subparagraph ~~(C)~~ (C), (D), or (E), as applicable, of paragraph (1)
 38 shall be based on a prior fiscal year amount that reflects the full
 39 amount of this one-time increase of fifty-three million dollars
 40 (\$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 cities that annexed inhabited areas that
19 lost revenue as a result of the passage of Senate Bill 89 of the
20 2011–12 Regular Session (Chapter 35 of the Statutes of 2011), it
21 is necessary that this act take effect immediately.