

AMENDED IN ASSEMBLY APRIL 16, 2018

AMENDED IN ASSEMBLY APRIL 2, 2018

CALIFORNIA LEGISLATURE—2017–18 REGULAR SESSION

ASSEMBLY BILL

No. 2268

Introduced by Assembly Member Reyes

February 13, 2018

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

LEGISLATIVE COUNSEL'S DIGEST

AB 2268, as amended, Reyes. 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 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. Existing law, for the 2006–07 fiscal year, and for each fiscal year thereafter, requires the vehicle license fee adjustment amount to be the sum of the vehicle license fee adjustment amount for the prior fiscal year, if specified provisions did not apply, and the product of that sum and the percentage change from the prior fiscal year in the gross taxable valuation within the jurisdiction of the entity. Existing law establishes a separate vehicle license fee adjustment amount for a city that was incorporated after January 1, ~~2014~~, 2004, or on or before January 1, 2012.

This bill, for the 2018–19 fiscal year, would instead require the vehicle license fee adjustment amount to be the sum of the vehicle license fee adjustment amount in the 2017–18 fiscal year, the product of that sum and the percentage change in gross taxable assessed valuation within the jurisdiction of that entity between the 2017–18 fiscal year to the 2018–19 fiscal year, and the product of the amount of specified motor vehicle license fee revenues that the Controller allocated to the applicable city in July 2010 and 1.17. This bill, for the 2019–20 fiscal year, and for each fiscal year thereafter, would require the vehicle license fee adjustment amount to be the sum of the vehicle license fee adjustment amount for the prior fiscal year and the product of the amount as so described and the percentage change from the prior fiscal year in gross taxable assessed valuation within the jurisdiction of the entity.

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 the statutory provisions noted above.

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. 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
14 additionally reduce the total amount of ad valorem property tax
15 revenue that is otherwise required to be allocated to all school
16 districts and community college districts in the county for that
17 fiscal year by an amount equal to the difference between the
18 countywide vehicle license fee adjustment amount and the amount
19 of ad valorem property tax revenue that is otherwise required to
20 be allocated to the county Educational Revenue Augmentation
21 Fund for that fiscal year. This reduction for each school district
22 and community college district in the county shall be the percentage
23 share of the total reduction that is equal to the proportion that the
24 total amount of ad valorem property tax revenue that is otherwise
25 required to be allocated to the school district or community college
26 district bears to the total amount of ad valorem property tax revenue
27 that is otherwise required to be allocated to all school districts and
28 community college districts in a county. For purposes of this
29 subparagraph, “school districts” and “community college districts”
30 do not include any districts that are excess tax school entities, as
31 defined in Section 95.

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

- 1 (b) (1) The auditor shall allocate moneys in the Vehicle License
2 Fee Property Tax Compensation Fund according to the following:
- 3 (A) Each city in the county shall receive its vehicle license fee
4 adjustment amount.
- 5 (B) Each county and city and county shall receive its vehicle
6 license fee adjustment amount.
- 7 (2) The auditor shall allocate one-half of the amount specified
8 in paragraph (1) on or before January 31 of each fiscal year, and
9 the other one-half on or before May 31 of each fiscal year.
- 10 (c) For purposes of this section, all of the following apply:
- 11 (1) “Vehicle license fee adjustment amount” for a particular
12 city, county, or a city and county means, subject to an adjustment
13 under paragraph (2) and Section 97.71, all of the following:
- 14 (A) For the 2004–05 fiscal year, an amount equal to the
15 difference between the following two amounts:
- 16 (i) The estimated total amount of revenue that would have been
17 deposited to the credit of the Motor Vehicle License Fee Account
18 in the Transportation Tax Fund, including any amounts that would
19 have been certified to the Controller by the auditor of the County
20 of Ventura under subdivision (j) of Section 98.02, as that section
21 read on January 1, 2004, for distribution under the law as it read
22 on January 1, 2004, to the county, city and county, or city for the
23 2004–05 fiscal year if the fee otherwise due under the Vehicle
24 License Fee Law (Part 5 (commencing with Section 10701) of
25 Division 2) was 2 percent of the market value of a vehicle, as
26 specified in Sections 10752 and 10752.1 as those sections read on
27 January 1, 2004.
- 28 (ii) The estimated total amount of revenue that is required to be
29 distributed from the Motor Vehicle License Fee Account in the
30 Transportation Tax Fund to the county, city and county, and each
31 city in the county for the 2004–05 fiscal year under Section 11005,
32 as that section read on the operative date of the act that amended
33 this clause.
- 34 (B) (i) Subject to an adjustment under clause (ii), for the
35 2005–06 fiscal year, the sum of the following two amounts:
- 36 (I) The difference between the following two amounts:
- 37 (ia) The actual 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 (Part 5 (commencing with Section 10701) of
6 Division 2) was 2 percent of the market value of a vehicle, as
7 specified in Sections 10752 and 10752.1 as those sections read on
8 January 1, 2004.

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

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

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

17 (ib) The percentage change from the prior fiscal year to the
18 current fiscal year in gross taxable assessed valuation within the
19 jurisdiction of the entity, as reflected in the equalized assessment
20 roll for those fiscal years. For the first fiscal year for which a
21 change in a city’s jurisdictional boundaries first applies, the
22 percentage change in gross taxable assessed valuation from the
23 prior fiscal year to the current fiscal year shall be calculated solely
24 on the basis of the city’s previous jurisdictional boundaries, without
25 regard to the change in that city’s jurisdictional boundaries. For
26 each following fiscal year, the percentage change in gross taxable
27 assessed valuation from the prior fiscal year to the current fiscal
28 year shall be calculated on the basis of the city’s current
29 jurisdictional boundaries.

30 (ii) The amount described in clause (i) shall be adjusted as
31 follows:

32 (I) If the amount described in subclause (I) of clause (i) for a
33 particular city, county, or city and county is greater than the amount
34 described in subparagraph (A) for that city, county, or city and
35 county, the amount described in clause (i) shall be increased by
36 an amount equal to this difference.

37 (II) If the amount described in subclause (I) of clause (i) for a
38 particular city, county, or city and county is less than the amount
39 described in subparagraph (A) for that city, county, or city and

1 county, the amount described in clause (i) shall be decreased by
2 an amount equal to this difference.

3 (C) For the 2006–07 fiscal year and until the 2017–18 fiscal
4 year, inclusive, the sum of the following two amounts:

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

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

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

10 (II) The percentage change from the prior fiscal year to the
11 current fiscal year in gross taxable assessed valuation within the
12 jurisdiction of the entity, as reflected in the equalized assessment
13 roll for those fiscal years. For the first fiscal year for which a
14 change in a city’s jurisdictional boundaries first applies, the
15 percentage change in gross taxable assessed valuation from the
16 prior fiscal year to the current fiscal year shall be calculated solely
17 on the basis of the city’s previous jurisdictional boundaries, without
18 regard to the change in that city’s jurisdictional boundaries. For
19 each following fiscal year, the percentage change in gross taxable
20 assessed valuation from the prior fiscal year to the current fiscal
21 year shall be calculated on the basis of the city’s current
22 jurisdictional boundaries.

23 (D) For the 2018–19 fiscal year, the sum of the following three
24 amounts:

25 (i) The vehicle license fee adjustment amount for the 2017–18
26 fiscal year.

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

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

29 (II) The percentage change from the 2017–18 fiscal year to the
30 2018–19 fiscal year in gross taxable assessed valuation within the
31 jurisdiction of the entity, as reflected in the equalized assessment
32 roll for those fiscal years.

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

34 (I) The amount that was allocated in July 2010 by the Controller
35 to the city pursuant to subdivision ~~(c)~~ or (d) of Section 11005, ~~as~~
36 ~~applicable~~, as that section read on July 1, 2010.

37 (II) 1.17.

38 (E) The 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 vehicle license fee adjustment amount for the prior fiscal
5 year.
- 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 role for those fiscal years.
- 10 (2) Notwithstanding paragraph (1), “vehicle license fee
11 adjustment amount,” for a city incorporating after January 1, 2004,
12 and on or before January 1, 2012, means the following:
- 13 (A) For the 2017–18 fiscal year, the quotient derived from the
14 following fraction:
- 15 (i) The numerator is the product of the following two amounts:
- 16 (I) The sum of the most recent vehicle license fee adjustment
17 amounts determined for all cities in the county.
- 18 (II) The population of the incorporating city.
- 19 (ii) The denominator is the sum of the populations of all cities
20 in the county.
- 21 (B) For the 2018–19 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.
- 25 (ii) The product of the following two amounts:
- 26 (I) The amount described in clause (i).
- 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 (3) 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 subparagraphs (C), (D), and (E) of paragraph (1) shall be based
38 on a prior fiscal year amount that reflects the full amount of this
39 one-time increase of fifty-three million dollars (\$53,000,000).

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

5 (5) 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.