

**Assembly Bill No. 1457**

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Passed the Assembly    May 3, 2004

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*Chief Clerk of the Assembly*

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Passed the Senate    May 3, 2004

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*Secretary of the Senate*

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This bill was received by the Governor this \_\_\_\_\_ day of  
\_\_\_\_\_, 2004, at \_\_\_\_\_ o'clock \_\_M.

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*Private Secretary of the Governor*

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## CHAPTER \_\_\_\_\_

An act to amend Sections 10754, 11000, 11001.5 of the Revenue and Taxation Code, relating to local government finance, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

## LEGISLATIVE COUNSEL'S DIGEST

AB 1457, Committee on Budget. Local government financing.

(1) The Vehicle License Fee (VLF) 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 in the amount of 2% of the market value of that vehicle, as specified. Existing law requires the Controller to transfer revenues derived from the vehicle license fees into the Motor Vehicle License Fee Account in the Transportation Tax Fund and into the Local Revenue Fund, as specified.

The VLF Law offsets this amount by 67.5% for vehicle license fees with a final due date on or after July 1, 2001. Existing law requires the Controller, upon receipt of monthly notification from the Department of Motor Vehicles, to transfer, into the Motor Vehicle License Fee Account in the Transportation Tax Fund and into the Local Revenue Fund, an amount equal to those amounts necessary to reimburse local governments for losses resulting from the VLF offset. Existing law limits the amount of moneys available for reimbursement to local governments for those losses resulting from the VLF offset during the 2003–04 fiscal year to \$1,000. Existing law requires the Controller, on August 15, 2006, to transfer an amount equal to those moneys that, as a result of the \$1,000 limitation, were not otherwise transferred into that Transportation Tax Fund and into the Local Revenue Fund to reimburse local governments for the losses resulting from the VLF offset during the 2003–04 fiscal year.

This bill, notwithstanding any other provision of law, would require the Controller, during the 2003–04 fiscal year, to transfer from the General Fund to the credit of the Local Revenue Fund, as specified, an amount equal to the total amount of moneys that would have been transferred from the General Fund to the credit



of the Local Revenue Fund had there not been a limitation placed on the amount of moneys available to make those reimbursements during the 2003–04 fiscal year.

This bill would also require the Controller to transfer from the General Fund to the credit of the Local Revenue Fund an additional amount, as necessary, to ensure that the total amounts transferred from the General Fund into that fund during the 2002–03 fiscal year are equal to the amounts that are otherwise required to be transferred into that fund during that same period.

(2) The Controller is required to deposit 24.33% of the revenues collected under the VLF Law in the State Treasury to the credit of the Local Revenue Fund for allocation to cities and counties, as specified. For the 2003–04 fiscal year, that amount was increased to 28.07% of the revenues collected under the VLF Law. Effective March 1, 2004, the provision of law that required the Controller to make the specified deposits of revenues generated under the VLF Law in the State Treasury to the credit of the Local Revenue Fund became inoperative by operation of law on March 1, 2003.

This bill would, notwithstanding any other provision of law, for the period beginning on and after March 1, 2004, and ending on and including July 15, 2004, reinstate the operation of the statutory provision that requires the Controller to make the specified deposits of revenues collected under the VLF Law in the State Treasury to the credit of the Local Revenue Fund. This bill would provide that the total amount of the deposits made to the credit of the Local Revenue Fund during the 2003–04 fiscal year is to be an amount not less than 24.33% of the revenues collected under the VLF Law during that same period.

(3) This bill, by increasing the amount of moneys deposited into the Local Revenue Fund, a continuously appropriated fund, would make an appropriation.

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

Appropriation: yes.

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

SECTION 1. Section 10754 of the Revenue and Taxation Code is amended to read:



10754. (a) Notwithstanding any other provision of law, the total amount of the vehicle license fee otherwise required with respect to a vehicle shall be offset in accordance with those provisions set forth below that are operative pursuant to subdivision (b):

(1) (A) For any initial or original registration of any vehicle, never before registered in this state, for which the final due date for the license fee is on or after January 1 of any calendar year for which this paragraph is operative, and for any renewal of registration with an expiration date on or after January 1 of any calendar year for which this paragraph is operative, the department shall offset the total amount of fees otherwise due at the time of registration of that vehicle by an amount equal to 25 percent of the amount computed pursuant to Section 10752 or 10752.1, or Section 18115 of the Health and Safety Code.

(B) Upon proper payment of license fees to the Department of Motor Vehicles, the amount of the offset for each vehicle shall be transferred into the Motor Vehicle License Fee Account in the Transportation Tax Fund, and into the Local Revenue Fund, pursuant to Section 11000 or Section 11000.1, as applicable.

(C) During any period in which insufficient moneys are available to be transferred from the General Fund to fully fund the offsets required by subparagraph (A), within 90 days of a reduction of funding, the department shall reduce the amount of each offset computed pursuant to that subparagraph by multiplying that amount by the ratio of the amount of moneys actually available to be transferred from the General Fund to pay for those offsets to the amount of moneys that is necessary to fully fund those offsets.

(2) (A) For any initial or original registration of any vehicle, never before registered in this state, for which the final due date for the license fee is on or after January 1 of any calendar year for which this paragraph is operative, and for any renewal of registration with an expiration date on or after January 1 of any calendar year for which this paragraph is operative, the department shall offset the total amount of fees otherwise due at the time of registration of that vehicle by an amount equal to 35 percent of the amount computed pursuant to Section 10752 or 10752.1, or Section 18115 of the Health and Safety Code.



(B) Upon proper payment of license fees to the Department of Motor Vehicles, the amount of the offset for each vehicle shall be transferred into the Motor Vehicle License Fee Account in the Transportation Tax Fund, and into the Local Revenue Fund, pursuant to Section 11000 or Section 11000.1, as applicable.

(C) During any period in which insufficient moneys are available to be transferred from the General Fund to fully fund the offsets required by subparagraph (A), within 90 days of a reduction of funding, the department shall reduce the amount of each offset computed pursuant to that subparagraph by multiplying that amount by the ratio of the amount of moneys actually available to be transferred from the General Fund to pay for those offsets to the amount of moneys that is necessary to fully fund those offsets.

(3) (A) For any initial or original registration of any vehicle, never before registered in this state, for which the final due date for the license fee is on or after January 1 of any calendar year for which this paragraph is operative, and for any renewal of registration with an expiration date on or after January 1 of any calendar year for which this paragraph is operative, the department shall offset the total amount of fees otherwise due at the time of registration of that vehicle by an amount equal to  $67\frac{1}{2}$  percent of the amount computed pursuant to Section 10752 or 10752.1, or Section 18115 of the Health and Safety Code.

(B) Upon proper payment of license fees to the Department of Motor Vehicles, the amount of the offset for each vehicle shall be transferred into the Motor Vehicle License Fee Account in the Transportation Tax Fund, and into the Local Revenue Fund, pursuant to Section 11000 or Section 11000.1, as applicable.

(C) During any period in which insufficient moneys are available to be transferred from the General Fund to fully fund the offsets required by subparagraph (A), within 90 days of a reduction in funding, the department shall reduce the amount of each offset computed pursuant to that subparagraph by multiplying that amount by the ratio of the amount of moneys actually available to be transferred from the General Fund to pay for those offsets to the amount of moneys that is necessary to fully fund those offsets.

(D) (i) The Controller shall on August 15, 2006, transfer from the General Fund to the credit of the Motor Vehicle License Fee



Account in the Transportation Tax Fund amounts equal to the total amount of offsets that were applied to new vehicle registrations before October 1, 2003, and that were applied to vehicle license fees with a due date before October 1, 2003, that were not transferred into the Motor Vehicle License Fee Account in the Transportation Tax Fund due to the operation of Item 9100-102-0001 of Section 2.00 of the Budget Act of 2003. The amount of this transfer shall include transfers not made for offsets applied on or after June 20, 2003. The transferred moneys shall be allocated from the Motor Vehicle License Fee Account in the Transportation Tax Fund in the manner as otherwise specified by law for the allocation of moneys from that account. The Controller may make the transfer required by this subparagraph prior to August 15, 2006, if that transfer is authorized by the Legislature.

(ii) The Controller, with the approval of the Department of Finance, may advance from the Motor Vehicle License Fee Account in the Transportation Tax Fund to any county or city that entity's share of the vehicle license fee revenues that are required to be transferred under clause (i), if that entity demonstrates that it will experience a hardship if the advance is not made. For purposes of this clause, those circumstances demonstrating that a county or city will experience a "hardship," include, but are not limited to, the following:

(I) A county or city that has pledged its share of vehicle license fee revenues as security for any indebtedness that, as a result of the delay of the disbursement, will compromise its ability to repay that indebtedness.

(II) A county's or city's share of vehicle license fee revenues, as determined by the Controller, exceeds 37 percent of that entity's general revenue. In the case of a county, the Controller shall make the required calculation of that entity's general revenue based on information derived from the State of California Counties Annual Report for the 2000–01 fiscal year. In the case of a city, the Controller shall make the required calculation based on information derived from the State of California Cities Annual Report for the 2000–01 fiscal year.

(III) A city that is newly incorporated that is entitled to the allocations of vehicle license fee revenues authorized by Section 11005.3.



(iii) The sum of twenty million three hundred sixty-five thousand dollars (\$20,365,000) is hereby appropriated from the General Fund to the Motor Vehicle License Fee Account in the Transportation Tax Fund for the purposes of making the advances authorized by clause (ii).

(iv) For purposes of Section 15 of Article XI of the California Constitution, the transfers required to be made by this subparagraph shall constitute successor taxes that are otherwise required to be allocated to counties and cities, and as successor taxes, the obligation to make those transfers as required by this subparagraph may not be extinguished nor disregarded in any manner that adversely affects the security of, or the ability of, a county or city to pay the principal and interest on any debts or obligations that were funded or secured by that city's or county's allocated share of motor vehicle license fee revenues.

(b) The offset provisions set forth in subdivision (a) shall be operative as provided by the following:

(1) Paragraph (1) of subdivision (a) shall be operative for vehicle license fees with a final due date in the calendar year beginning on January 1, 1999.

(2) Paragraph (2) of subdivision (a) shall be operative for vehicle license fees with a final due date on or after January 1, 2000, and before July 1, 2001.

(3) Paragraph (3) of subdivision (a) shall be operative for vehicle license fees with a final due date on or after July 1, 2001.

(c) (1) For purposes of this section, "department" means the Department of Motor Vehicles with respect to a vehicle license fee offset for a vehicle subject to registration under the Vehicle Code, and the Department of Housing and Community Development with respect to a vehicle license fee offset for a manufactured home, mobilehome, or commercial coach described in Section 18115 of the Health and Safety Code.

(2) For purposes of this section, the "final due date" for a license fee is the last date upon which that fee may be paid without being delinquent.

SEC. 2. Section 11000 of the Revenue and Taxation Code is amended to read:

11000. (a) Beginning on the operative date of Section 9551.2 of the Vehicle Code, the Controller shall do both of the following:



(1) Transfer from the General Fund to the Motor Vehicle License Fee Account in the Transportation Tax Fund an amount equal to 75.67 percent of the amount of offsets that are applied by the department pursuant to Sections 9551.2 and 9554.1 of the Vehicle Code.

(2) (A) Transfer from the General Fund to the Local Revenue Fund, established pursuant to Section 17600 of the Welfare and Institutions Code, an amount equal to 24.33 percent of the amount of offsets that are applied by the department pursuant to Sections 9551.2 and 9554.1 of the Vehicle Code.

(B) (i) Notwithstanding any other provision of law, it is the intent of the Legislature that the total amount transferred by the Controller to the Local Revenue Fund during the 2002–03 fiscal year be an amount equal to the total amount as otherwise required by subparagraph (A) to be transferred into that fund during that same period. The department shall calculate and notify the Controller of the additional amounts that are required by this clause to be transferred to the Local Revenue Fund. The amounts transferred to the Local Revenue Fund pursuant to this clause shall be deemed to have been transferred and allocated during the 2002–03 fiscal year.

(ii) Notwithstanding any other provision of law, it is the intent of the Legislature that the total amount transferred by the Controller to the Local Revenue Fund for the period beginning on and after July 1, 2003, and ending on and including June 30, 2004, be an amount equal to the total amount that would have been transferred to the Local Revenue Fund during that same period, as otherwise required by subparagraph (A), in the absence of the limitation, pursuant to Item 9100-102-0001 of Section 2.00 of the Budget Act of 2003, of the amount of moneys available to make those reimbursements during that same period. The department shall calculate and notify the Controller of the additional amounts that are required by this clause to be transferred to the Local Revenue Fund. The amounts transferred to the Local Revenue Fund pursuant to this clause shall be deemed to have been transferred and allocated during the 2003–04 fiscal year.

(iii) The additional transfers to the Local Revenue Fund that are required to be made pursuant to clauses (i) and (ii) shall be accomplished by increasing the transfers that are otherwise required to be made from the General Fund to the Local Revenue





Fund, pursuant to subparagraph (A), by an amount that is sufficient to meet the transfers required by clauses (i) and (ii), and by decreasing the amount of transfers that are otherwise required to be made from the General Fund to the Motor Vehicle License Fee Account in the Transportation Tax Fund, pursuant to paragraph (1), by an amount equal to the increases in the transfers made from the General Fund to the Local Revenue Fund as required by this clause. It is the intent of the Legislature that this clause is to be administered in a manner that does not have a net impact on the General Fund. An amount equal to any reductions in General Fund transfers to the credit of Motor Vehicle License Fee Account in the Transportation Tax Fund that occur by operation of this clause shall be included in the amount required by clause (i) of subparagraph (D) of paragraph (3) of subdivision (a) of Section 10754 to be repaid to that account on August 15, 2006.

(b) The department shall notify the Controller of the total amount of the offsets applied by the department pursuant to Section 9551.2 of the Vehicle Code concurrently with the department's transfer for deposit of vehicle license fee revenues as required by law.

(c) For purposes of Section 15 of Article XI of the California Constitution, the General Fund revenues that are transferred as required by paragraph (1) of subdivision (a) shall constitute successor tax revenues to the vehicle license fees offset in this part and shall be allocated in the same manner as revenue derived from taxes imposed pursuant to this part.

(d) For purposes of Article 1 (commencing with Section 25350) of Chapter 5 of Part 2 of Division 2 of Title 3 of the Government Code, Section 11003, and Chapter 6 (commencing with Section 17600) of Part 5 of Division 9 of the Welfare and Institutions Code, the General Fund transfer amounts specified in paragraphs (1) and (2) of subdivision (a) are hereby deemed to be vehicle license fee proceeds and vehicle license fee revenues. These General Fund transfer amounts are subject to the same pledges, liens and encumbrances, and priorities set forth in Section 25350 and following of, Section 53584 and following of, and Section 5450 and following of, the Government Code.

(e) Nothing in this section amends or intends to amend or impair Section 25350 and following of, Section 53584 and



following of, the Government Code, or any other statute dealing with the interception of funds.

SEC. 3. Section 11001.5 of the Revenue and Taxation Code is amended to read:

11001.5. (a) (1) Notwithstanding Section 11001, and except as provided in paragraph (2) and in subdivisions (b) and (d), 24.33 percent of the moneys collected by the department under this part shall be reported monthly to the Controller, and at the same time, deposited in the State Treasury to the credit of the Local Revenue Fund, as established pursuant to Section 17600 of the Welfare and Institutions Code. All other moneys collected by the department under this part shall continue to be deposited to the credit of the Motor Vehicle License Fee Account in the Transportation Tax Fund and allocated to each city, county, and city and county as otherwise provided by law.

(2) For the period beginning on and after July 1, 2003, and ending on February 29, 2004, the Controller shall deposit an amount equal to 28.07 percent of the moneys collected by the department under this part in the State Treasury to the credit of the Local Revenue Fund. All other moneys collected by the department under this part shall continue to be deposited to the credit of the Motor Vehicle License Fee Account in the Transportation Tax Fund and allocated to each city, county, and city and county as otherwise provided by law.

(b) Notwithstanding Section 11001, net funds collected as a result of procedures developed for greater compliance with vehicle license fee laws in order to increase the amount of vehicle license fee collections shall be reported monthly to the Controller, and at the same time, deposited in the State Treasury to the credit of the Vehicle License Fee Collection Account of the Local Revenue Fund as established pursuant to Section 17600 of the Welfare and Institutions Code. All revenues in excess of fourteen million dollars (\$14,000,000) in any fiscal year shall be allocated to cities and counties as specified in subdivisions (c) and (d) of Section 11005.

(c) Notwithstanding Section 11001, 25.72 percent of the moneys collected by the department on or after August 1, 1991, and before August 1, 1992, under this part shall be reported monthly to the Controller, and at the same time, deposited in the State Treasury to the credit of the Local Revenue Fund, as



established pursuant to Section 17600 of the Welfare and Institutions Code. All other moneys collected by the department under this part shall continue to be deposited to the credit of the Motor Vehicle License Fee Account in the Transportation Tax Fund and allocated to each city, county, and city and county as otherwise provided by law.

(d) Notwithstanding any other provision of law, both of the following apply:

(1) This section is operative for the period beginning on and after March 1, 2004, and ending on and including, July 15, 2004.

(2) It is the intent of the Legislature that the total amount deposited by the Controller in the State Treasury to the credit of the Local Revenue Fund for the 2003–04 fiscal year be equal to the total amount that would have been deposited to the credit of the Local Revenue Fund if paragraph (1) of subdivision (a) was applied during that entire fiscal year. The department shall calculate and notify the Controller of the adjustment amounts that are required by this paragraph to be deposited in the State Treasury to the credit of the Local Revenue Fund. The amounts deposited in the State Treasury to the credit of the Local Revenue Fund pursuant to this paragraph shall be deemed to have been deposited during the 2003–04 fiscal year.

SEC. 4. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to timely guarantee the proper reimbursement of local governments for the revenue losses associated with the application of vehicle license fee offsets and in order to timely guarantee the proper and necessary allocation of moneys derived from the vehicle license fee to local governments, it is necessary that this act take effect immediately.



Approved \_\_\_\_\_, 2004

\_\_\_\_\_  
*Governor*

