

AMENDED IN ASSEMBLY APRIL 29, 2008

AMENDED IN SENATE JANUARY 18, 2008

AMENDED IN SENATE JANUARY 7, 2008

**SENATE BILL**

**No. 301**

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**Introduced by Senator Romero**

(Coauthors: Assembly Members Dymally, *Huff*, and Laird)

February 15, 2007

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An act to amend Sections 11005 and 11005.3 of the Revenue and Taxation Code, relating to local government finance.

LEGISLATIVE COUNSEL'S DIGEST

SB 301, as amended, Romero. Local government finance.

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. Under existing law, the Controller is required to allocate VLF revenues in the Motor Vehicle License Fee Account in a specified order to, among others, each city that was incorporated from an unincorporated territory after August 5, 2004, but before July 1, 2009. Existing law also requires cities that were incorporated before August 5, 2004, be allocated additional VLF revenues in an amount determined pursuant to a specified formula. For purposes of this formula, existing law specifies that the population of a city that is incorporated before August 5, 2004, is that city's actual population, as defined, residing in areas annexed after August 5, 2004, but before July 1, 2009.

This bill would ~~require that cities that are incorporated from an unincorporated territory after August 5, 2004, but~~ *delete the requirement that a city be incorporated before July 1, 2014, 2009, in order to be*

allocated VLF revenues. This bill would specify, for purposes of this formula used to determine additional VLF revenues for cities that were incorporated before August 5, 2004, that the city's actual population is the population residing in areas annexed after August 5, 2004.

Existing law, for purposes of these allocations of VLF revenues, establishes a formula to determine the population of a city that was incorporated from an unincorporated territory after August 5, 2004, and before July 1, 2009, and provides that the population of a city that was incorporated from an unincorporated territory after July 1, 2009, shall be its actual population.

This bill would ~~instead~~ extend *indefinitely* the formulary method used to determine the population of a city that was incorporated from an unincorporated territory after August 5, 2004, ~~and before July 1, 2014,~~ and would ~~provide that~~ *delete* the method for determining the population of a city that was unincorporated from an incorporated territory after July 1, ~~2014,~~ ~~would be its actual population~~ 2009.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

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

1 SECTION 1. Section 11005 of the Revenue and Taxation Code  
2 is amended to read:  
3 11005. After payment of refunds therefrom and after making  
4 the deductions authorized by Section 11003 and reserving the  
5 amount determined necessary by the Pooled Money Investment  
6 Board to meet the transfers ordered or proposed to be ordered  
7 pursuant to Section 16310 of the Government Code, commencing  
8 with the 2004–05 fiscal year, the balance of all motor vehicle  
9 license fees and any other money appropriated by law for  
10 expenditure pursuant to this section and deposited to the credit of  
11 the Motor Vehicle License Fee Account in the Transportation Tax  
12 Fund and remaining unexpended therein at the close of business  
13 on the last day of the calendar month, shall be allocated by the  
14 Controller by the 10th day of the following month in accordance  
15 with the following:  
16 (a) First, to the County of Orange. For the 2004–05 fiscal year,  
17 that county shall be allocated fifty-four million dollars  
18 (\$54,000,000) in monthly installments. For the 2005–06 fiscal year  
19 and each fiscal year thereafter, that county shall receive, in monthly

1 installments, an amount equal to the amount allocated under this  
2 section for the prior fiscal year, adjusted for the percentage change  
3 in the amount of revenues credited to the Motor Vehicle License  
4 Fee Account in the Transportation Tax Fund from the revenues  
5 credited to that account in the prior fiscal year. Moneys allocated  
6 to the County of Orange under this subdivision shall be used first  
7 for the service of indebtedness as provided in paragraph (1) of  
8 subdivision (a) of Section 11001.5. Any amounts in excess of the  
9 amount required for this service of indebtedness may be used by  
10 that county for any lawful purpose.

11 (b) Second, to each city, the population of which is determined  
12 under Section 11005.3 on August 5, 2004, in an amount equal to  
13 the additional amount of vehicle license fee revenue, including  
14 offset transfers, that would be allocated to that city under Sections  
15 11000 and 11005, as those sections read on January 1, 2004, as a  
16 result of that city's population being determined under subdivision  
17 (a) or (b) of Section 11005.3.

18 (c) Third, to each city that was incorporated from an  
19 unincorporated territory after August 5, 2004, ~~but before July 1,~~  
20 ~~2014,~~ in an amount equal to the product of the following two  
21 amounts:

22 (1) The quotient derived from the following fraction:

23 (A) The numerator is the product of the following two amounts:

24 (i) Fifty dollars (\$50) per year.

25 (ii) The fraction determined as the total amount of vehicle  
26 license fee revenue collected during the most recent fiscal year  
27 divided by the total amount of vehicle license fee revenue collected  
28 during the 2004–05 fiscal year.

29 (B) The denominator is the fraction determined as the actual  
30 population, as defined in subdivision (e) of Section 11005.3, of  
31 all cities during the most recent fiscal year, divided by the actual  
32 population, as defined in subdivision (e) of Section 11005.3, of  
33 all cities in the 2004–05 fiscal year.

34 (2) The city's population determined in accordance with Section  
35 11005.3.

36 (d) Fourth, to each city that was incorporated before August 5,  
37 2004, in an amount equal to the product of the following two  
38 amounts:

39 (1) The quotient derived from the following fraction:

40 (A) The numerator is the product of the following two amounts:

- 1 (i) Fifty dollars (\$50) per year.
- 2 (ii) The fraction determined as the total amount of vehicle
- 3 license fee revenue collected during the most recent fiscal year
- 4 divided by the total amount of vehicle license fee revenue collected
- 5 during the 2004–05 fiscal year.

6 (B) The denominator is the fraction determined as the actual  
 7 population, as defined in subdivision (e) of Section 11005.3, of  
 8 all cities during the most recent fiscal year, divided by the actual  
 9 population, as defined in subdivision (e) of Section 11005.3, of  
 10 all cities in the 2004–05 fiscal year.

11 (2) The actual population, as defined in subdivision (e) of  
 12 Section 11005.3, residing in areas annexed after August 5, 2004,  
 13 as of the date of annexation.

14 (e) Fifth, to the cities and cities and counties of this state in the  
 15 proportion that the population of each city or city and county bears  
 16 to the total population of all cities and cities and counties in this  
 17 state, as determined by the Demographic Research Unit of the  
 18 Department of Finance. For the purpose of this subdivision, the  
 19 population of each city or city and county shall be determined in  
 20 accordance with Section 11005.3.

21 SEC. 2. Section 11005.3 of the Revenue and Taxation Code  
 22 is amended to read:

23 11005.3. (a) In the case of a city that incorporated on or after  
 24 January 1, 1987, and before August 5, 2004, the Controller shall  
 25 determine that the population of the city for its first 10 full fiscal  
 26 years, and any portion of the first year in which the incorporation  
 27 is effective if less than a full fiscal year, is the greater of either:

28 (1) The number of registered voters in the city multiplied by  
 29 three. The number of registered voters shall be calculated as of the  
 30 effective date of the incorporation of the city.

31 (2) The actual population, as defined in subdivision (e).

32 (b) In the case of a city that incorporated on or after January 1,  
 33 1987, and before August 5, 2004, and for which the application  
 34 for incorporation was filed with the executive officer of the local  
 35 agency formation commission pursuant to subdivision (a) of  
 36 Section 56828 of the Government Code on or after January 1,  
 37 1991, the Controller shall determine that the population of the city  
 38 for its first seven full fiscal years, and any portion of the first year  
 39 in which the incorporation is effective if less than a full fiscal year,  
 40 is the greater of either:

1 (1) The number of registered voters in the city multiplied by  
2 three. The number of registered voters shall be calculated as of the  
3 effective date of the incorporation of the city.

4 (2) The actual population, as defined in subdivision (e).

5 (c) In the case of a city that was incorporated from  
6 unincorporated territory after August 5, 2004, ~~and before July 1,~~  
7 ~~2014,~~ the Controller shall determine the population of the city as  
8 follows:

9 (1) For its first 12 months, 150 percent of the city’s actual  
10 population.

11 (2) For its 13th through 24th months, 140 percent of the city’s  
12 actual population.

13 (3) For its 25th through 36th months, 130 percent of the city’s  
14 actual population.

15 (4) For its 37th through 48th months, 120 percent of the city’s  
16 actual population.

17 (5) For its 49th through 60th months, 110 percent of the city’s  
18 actual population.

19 (6) After its 60th month, the city’s actual population.

20 ~~(d) In the case of a city that was incorporated from~~  
21 ~~unincorporated territory on or after July 1, 2014, the city’s~~  
22 ~~population shall be its actual population.~~

23 ~~(e)~~

24 (d) For purposes of this section, “actual population” means the  
25 population determined by the last federal decennial or special  
26 census, or a subsequent census validated by the Demographic  
27 Research Unit of the Department of Finance or subsequent estimate  
28 prepared pursuant to Section 2107.2 of the Streets and Highways  
29 Code.

30 ~~(f)~~

31 (e) In the case of unincorporated territory being annexed to a  
32 city, during the 10-year, seven-year, or five-year period following  
33 incorporation, as the case may be, subsequent to the last federal  
34 census, or a subsequent census validated by the Demographic  
35 Research Unit of the Department of Finance, the unit shall  
36 determine the population of the annexed territory by the use of  
37 any federal decennial or special census or any estimate prepared  
38 pursuant to Section 2107.2 of the Streets and Highways Code. The  
39 population of the annexed territory as determined by the  
40 Demographic Research Unit shall be added to the city’s population

1 as previously determined by the Controller pursuant to paragraph  
2 (1) or (2) of subdivision (a), paragraph (1) or (2) of subdivision  
3 (b), or subdivision (c), as applicable.

4 ~~(g)~~

5 (f) After the 10-year, seven-year, or five-year period following  
6 incorporation, as the case may be, the Controller shall determine  
7 the population of the city as the city's actual population, as defined  
8 in subdivision ~~(e)~~ (d).

9 ~~(h)~~

10 (g) The amendments made to this section by the act adding this  
11 subdivision shall not apply with respect to either of the following:

12 (1) Any city that has adopted an ordinance or resolution,  
13 approved a ballot measure, or is subject to a consent decree or  
14 court order, that annually limits the number of housing units that  
15 may be constructed within the city.

16 (2) Any city that has not prepared and adopted a housing element  
17 in compliance with Section 65585 of the Government Code.

18 ~~(i)~~

19 (h) This section shall become operative July 1, 1991.