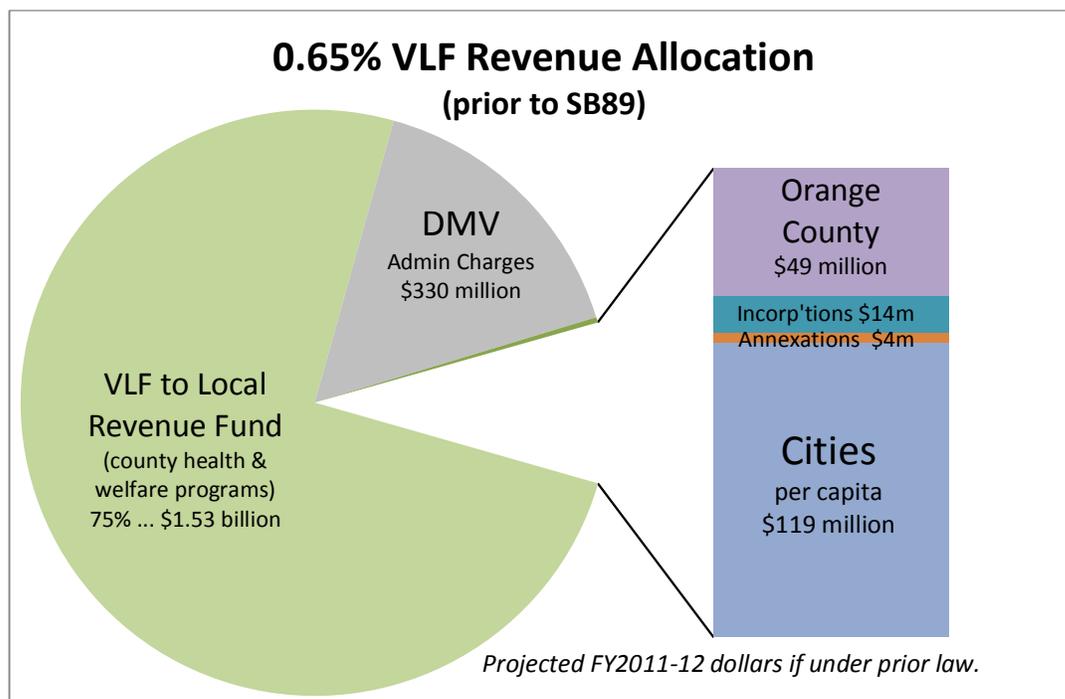


The Vehicle License Fee (Motor Vehicle In-Lieu Tax): Background

Californians have paid the vehicle license fee (VLF), also called the “motor vehicle in-lieu tax,” with their vehicle registrations since 1935. The California Constitution requires the proceeds of the 0.65% VLF to go to cities and counties only and prohibits the Legislature from directing that the funds be used to pay for new state mandates on local government after 2010.

Seventy-five percent of revenues from the 0.65% VLF are transferred to the state’s Local Revenue Fund to pay counties for various health and welfare services. Under the law through FY2010-11, the state Department of Motor Vehicles takes about 65% (over \$325 million) of the remaining funds for administrative charges, leaving just over \$180 million for cities and counties. Through FY2010-11, the funds were allocated as follows:

- \$49 million to Orange County. When VLF allocations were restructured in 2004, the County decided to continue to receive these revenues from VLF rather than receiving this amount in the form of additional property tax share. The payments are dedicated to the repayment of bankruptcy debt.
- Special allocations to newly incorporated cities (would have been \$14 million in FY2011-12). These special allocations compensate cities that have incorporated since 2004 for the lack of property tax share afforded other cities under the VLF-Property Tax Swap of 2004 due to the Legislature’s refusal to remedy the inequity from state funds.
- Special allocations to inhabited annexations (would have been \$4 million in 2011-12). These special allocations balance the fiscal disincentive of cities annexing inhabited areas as a result of the VLF – Property Tax Swap of 2004 due to the Legislature’s refusal to remedy the inequity from state funds.
- Remainder on a per capita basis to city general funds (about \$119 million in FY2011-12).



Supplemental Law Enforcement Funding (SLESF) and other State Law Enforcement Grants: Background

As a part of the 2009 state budget agreement, a number of law enforcement grant programs heretofore funded by the state general fund were instead funded in FY2009-10 and FY2010-11 by a 0.15% state VLF increase. This temporary tax ended on June 30, 2011. The 0.15 VLF rate was intended to generate around \$500 million, the approximate level of total funding of the grant programs in prior years. But the tax garnered just \$414 million in FY2009-10 and \$442 million in FY2010-11.

Most of the funding for these programs goes to county sheriffs, but two are of particular importance to cities:

- Citizens Option for Public Safety Frontline Law Enforcement grants
- Jail Detention Facility Grants to Sheriffs which, if funded, preempt county booking fee charges to cities and other local agencies.

The following table shows the law enforcement grant programs and allocations over the last two years.

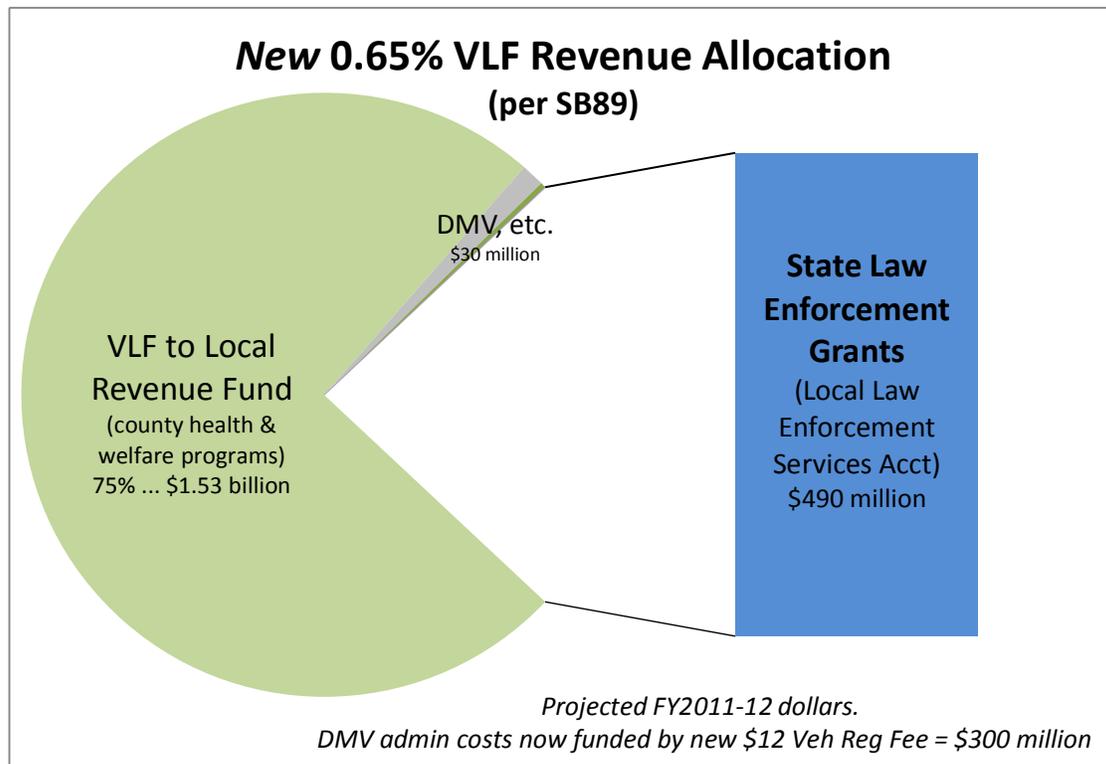
0.15% Law Enforcement VLF					
Local Safety and Public Protection Account in the Transportation Tax Fund					
Effective through June 30, 2011. Cal Rev&Tax Code §10752.2					
	<u>Actual 2009-10</u>	<u>Estm. 2010-11</u>			
Total Revenues from 0.15% VLF:	414,560,614	442,000,000	Apportionment		
				Of Rate	
Jail Detention Facility Grants	25,951,494	27,669,200		6.26%	
SLESF: jail constr/ops	9,095,045	9,697,038	5.15%	} 42.60%	
SLESF: Distr Atty	9,095,045	9,697,038	5.15%		^^
SLESF: COPs Frontline Law Enf	70,111,320	74,751,924	39.70%		^^
Juvenile Justice Crime Prevention	88,301,411	94,146,000	50.00%		^^
Small Rural Sheriffs	15,255,831	16,265,600			3.68%
Juvenile Probation	125,155,849	133,439,800		30.19%	
Juvenile Camps & Ranches	24,251,796	25,857,000		5.85%	
Cal Emergency Mngmt Agency*	47,342,822	50,476,400		11.42%	
	<u>414,560,614</u>	<u>442,000,000</u>		<u>100.00%</u>	

*Includes Cal-MMET, Vertical Prosecution Block Grants, Evidentiary Medical Training, Public Prosecutors and Public Defenders, Calif Gang Violence Suppression, CALGANG, MultiAgency Gang Enforcement Consortium, Rural Crime Prevention, Sexual Assault Felony Enforcement, High Tech Theft Apprehension & Prosecution.

SB89 City Motor Vehicle License Fees Shifted to Fund State Law Enforcement Grants

Legislative provisions in SB89 made public just hours before the legislative floor votes shift hundreds of millions of Vehicle License Fee revenues to fund the state law enforcement grants beginning FY2011-12. The scheme works as follows:

- The “Vehicle License Registration Fee” is increased by \$12 to produce approximately \$300 million in FY2011-12. This is a true fee¹ that funds state DMV vehicle license registration operations. This new funding source “frees up” \$300 million of Motor Vehicle License Fee (MVLFF) revenue that had been used to fund DMV operations.² This money is transferred to a new Local Law Enforcement Services Account (LLESA) to fund the law enforcement grants. This portion of the scheme was included in the early June budget that was vetoed by Governor Brown.
- In addition, beginning July 1, 2011, SB89 transfers the remaining MVLFF revenue (about \$190 million after the Local Revenue Fund allocation for county health and welfare programs) previously allocated to cities and the County of Orange to the LLESA.



Impacts of SB89

1. The SB89 VLF Shift Impacts Public Safety Services

MVLFF revenues go to city general funds. An average of over 60% - and often 2/3 or more—of city general fund revenues are spent on police and fire services. The recent economic downturn has forced most cities to make significant budget reductions. Having already made substantial reductions in non-safety programs (parks, libraries, streets), cities throughout California are now cutting police and fire staffing and service levels.

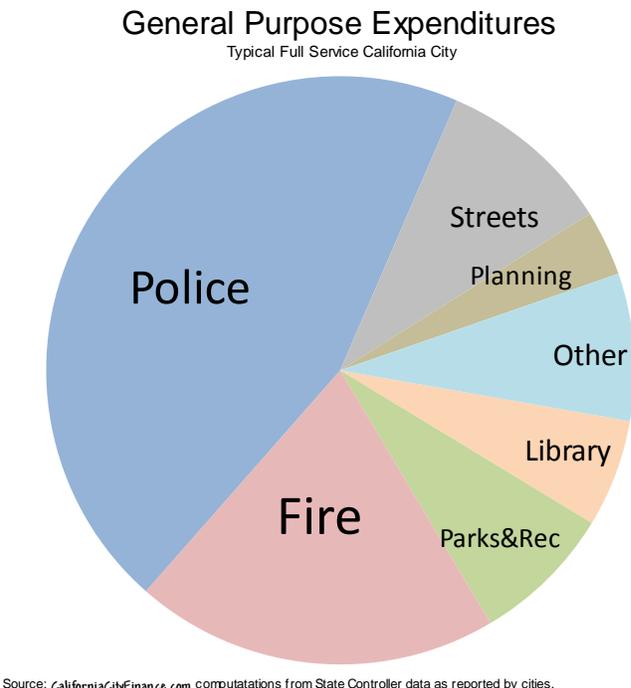
¹ The legal distinction is important. A fee increase may be approved by majority vote. A tax increase requires two-thirds approval of each house of the Legislature.

² DMV/FTB administrative charges to the 0.65% VLF would have been over \$330 million in FY2011-12, over 15% of total VLF revenues. These excessive charges most likely violate the provisions in Section 15 of Cal Constitution Article XI requiring VLF revenues to go to cities or counties, less *reasonable* administrative charges.

SB89 takes \$130 million of city general revenue (VLF) and shifts it to save state law enforcement grant programs. Less than \$100 million of these grant funds will come back to cities, earmarked for police services. But these funds will be entirely offset by the loss of city VLF.

2. SB89 Makes New City Incorporations Fiscally Unviable and Severely Imperils Four Recently Incorporated Cities.

Following the VLF Swap in 2004, special legislation was enacted to remedy a fiscal disincentive for new incorporations created by the swap. The law did not provide a property tax in lieu of VLF share for cities incorporating after 2004. A special allocation from city VLF funds was established to compensate for this. Newly incorporated cities ALSO receive an artificially inflated population factor in the VLF allocation during their first five years for start-up costs. Consequently, VLF is an especially critical revenue source for these new cities.



Source: CaliforniaCityFinance.com computations from State Controller data as reported by cities.

The elimination of discretionary MVLF revenue for cities and these special allocations has the effect of making these new cities fiscally unviable.

3. SB89 Makes Annexations of Inhabited Areas Fiscally Unviable

Prior to the VLF swap, the additional population added to a city as a result of the annexation of an inhabited area provided the city with greater per capita VLF revenue. This is critical funding for the municipal services that must be provided to the area (police, fire, parks, library, planning, streets, etc.). A provision of the 2004 VLF Swap law denies cities the growth in property tax revenue³ attributable to the development pre-existing in an annexation. Special legislation was enacted after the 2004 swap to remedy this disincentive to annex inhabited areas with a special ongoing additional allocation of revenues for annexations.

4. SB89 Unfairly Costs Orange County \$50 million per year.

In the 2004 VLF - Property Tax Swap, the state's backfill to local governments for the VLF tax cut was eliminated and instead counties and cities received additional property tax share. Counties gave up all of their discretionary per capita VLF for property tax share, except Orange County. Because a portion of their VLF revenue allocation was pledged to bonded debt related to the county's bankruptcy proceedings, Orange County chose NOT to receive \$54 million per year in property tax revenue, but to instead continue to receive these funds from the VLF. (Under the law, the \$54 million amount is adjusted for the change in VLF revenue collections, which have declined since 2004.)

mjgc

³ Specifically the property tax in lieu of VLF amount.

Estimated VLF Revenue Allocations

May 15, 2011

	<u>Actual</u> <u>FY2006-07</u>	<u>Actual</u> <u>FY2007-08</u>	<u>Actual</u> <u>FY2008-09</u>	<u>Actual</u> <u>FY2009-10</u>	<u>Estimated</u> <u>FY2010-11</u>	<u>Projected</u> <u>FY2011-12</u>
Gross MVLF Revenues*	574,456,000	567,364,000	516,882,000	486,460,000	493,277,750	511,718,469
DMV Admin Costs	325,423,000	368,357,000	358,679,000	329,093,990	307,736,000	325,053,000
FTB Admin Costs	4,048,000	4,409,000	5,346,000	4,176,953	5,475,000	5,662,000
SCO Admin Costs	576,000	447,000	563,000	(256,422)	13,000	15,000
Other Charges	81,000	89,000	82,000	70,919	80,000	80,000
Net MVLF after admin charges	\$ 199,324,000	\$ 194,063,000	\$ 153,204,000	\$ 153,374,559	\$ 179,973,750	\$ 180,908,469
Orange County R&T11005(a)	55,862,000	54,934,000	49,997,000	47,777,000	48,134,000	49,096,680
Recent New Cities R&T11005(b)	6,667,000	2,713,000	1,415,000	569,000	-	-
Newly Incorporated R&T11005(c)	-	-	7,767,000	6,634,000	8,828,000	13,995,883
Annexing Cities R&T11005(d)	1,530,000	3,606,000	3,964,000	4,463,000	4,160,000	4,160,000
Net to Cities under R&T11005(e)	\$ 135,265,000	\$ 132,810,000	\$ 90,061,000	\$ 93,931,559	\$ 118,851,750	\$ 113,655,906
Cities Population**	31,138,012	31,138,012	31,591,553	31,807,364	32,077,881	32,334,504
R&T11005(e) per capita	\$ 4.34	\$ 4.27	\$ 2.85	\$ 2.95	\$ 3.71	\$ 3.52

*net of County Health & Welfare allocations

**includes R&T11003 "bumped" populations

CaliforniaCityFinance.com

Loss of City MVLF, Restoration of COPS (SLESA) Funds - Estimated FY2011-12 Impact

Does NOT include positive impact of NO Booking fees

City	County	Population*	Lost Motor Vehicle License Fee (general purpose)				COPS (SLESA)
			New Incorp R&T11005(c)	New Annex R&T11005(d)	Per Capita R&T11005(e)	Total	
RANCHO CORDOVA	Sacramento	62,899	-	-	220,147	220,147	100,000
SACRAMENTO	Sacramento	486,189	-	-	1,701,662	1,701,662	763,317
HOLLISTER	San Benito	37,301	-	436	130,554	130,990	100,000
SAN JUAN BAUTISTA	San Benito	1,895	-	-	6,633	6,633	100,000
ADELANTO	San Bernardino	28,540	-	-	99,890	99,890	100,000
APPLE VALLEY	San Bernardino	70,297	-	-	246,040	246,040	110,366
BARSTOW	San Bernardino	24,281	-	10,074	84,984	95,057	100,000
BIG BEAR LAKE	San Bernardino	6,278	-	-	21,973	21,973	100,000
CHINO	San Bernardino	84,742	-	1,701	296,597	298,298	133,045
CHINO HILLS	San Bernardino	78,971	-	-	276,399	276,399	123,984
COLTON	San Bernardino	51,918	-	8,896	181,713	190,609	100,000
FONTANA	San Bernardino	190,356	-	731,560	666,246	1,397,806	298,859
GRAND TERRACE	San Bernardino	12,717	-	-	44,510	44,510	100,000
HESPERIA	San Bernardino	88,479	-	11,688	309,677	321,364	138,912
HIGHLAND	San Bernardino	52,503	-	-	183,761	183,761	100,000
LOMA LINDA	San Bernardino	22,760	-	-	79,660	79,660	100,000
MONTCLAIR	San Bernardino	37,535	-	32,620	131,373	163,993	100,000
NEEDLES	San Bernardino	5,809	-	-	20,332	20,332	100,000
ONTARIO	San Bernardino	174,536	-	-	610,876	610,876	274,022
RANCHO CUCAMONGA	San Bernardino	178,904	-	131	626,164	626,295	280,879
REDLANDS	San Bernardino	71,926	-	349	251,741	252,090	112,924
RIALTO	San Bernardino	100,260	-	-	350,910	350,910	157,408
SAN BERNARDINO	San Bernardino	205,493	-	108,851	719,226	828,076	322,624
TWENTYNINE PALMS	San Bernardino	30,832	-	-	107,912	107,912	100,000
UPLAND	San Bernardino	76,106	-	2,442	266,371	268,813	119,486
VICTORVILLE	San Bernardino	112,097	-	-	392,340	392,340	175,992
YUCAIPA	San Bernardino	52,063	-	-	182,221	182,221	100,000
YUCCA VALLEY	San Bernardino	21,292	-	-	74,522	74,522	100,000
CARLSBAD	San Diego	106,804	-	-	373,814	373,814	167,682
CHULA VISTA	San Diego	237,595	-	-	831,583	831,583	373,024
CORONADO	San Diego	26,973	-	-	94,406	94,406	100,000
DEL MAR	San Diego	4,660	-	-	16,310	16,310	100,000
EL CAJON	San Diego	99,637	-	262	348,730	348,991	156,430
ENCINITAS	San Diego	65,171	-	218	228,099	228,317	102,318

Loss of City MVLF, Restoration of COPS (SLESA) Funds - Estimated FY2011-12 Impact

Does NOT include positive impact of NO Booking fees

City	County	Population*	Lost Motor Vehicle License Fee (general purpose)				COPS (SLESA)
			New Incorp R&T11005(c)	New Annex R&T11005(d)	Per Capita R&T11005(e)	Total	
PORTOLA	Plumas	2,248	-	-	7,868	7,868	100,000
BANNING	Riverside	28,751	-	-	100,629	100,629	100,000
BEAUMONT	Riverside	34,217	-	12,516	119,760	132,276	100,000
BLYTHE	Riverside	22,625	-	-	79,188	79,188	100,000
CALIMESA	Riverside	7,555	-	-	26,443	26,443	100,000
CANYON LAKE	Riverside	11,225	-	-	39,288	39,288	100,000
CATHEDRAL CITY	Riverside	52,841	-	218	184,944	185,162	100,000
COACHELLA	Riverside	42,591	-	1,047	149,069	150,115	100,000
CORONA	Riverside	150,416	-	-	526,456	526,456	236,153
DESERT HOT SPRINGS	Riverside	26,811	-	-	93,839	93,839	100,000
EASTVALE	Riverside	66,614	2,905,040	-	233,149	3,138,189	104,584
HEMET	Riverside	75,820	-	2,704	265,370	268,074	119,037
INDIAN WELLS	Riverside	5,144	-	-	18,004	18,004	100,000
INDIO	Riverside	83,675	-	26,559	292,863	319,421	131,370
JURUPA	Riverside	132,000	5,756,538	-	462,000	6,218,538	207,240
LA QUINTA	Riverside	44,421	-	6,498	155,474	161,971	100,000
LAKE ELSINORE	Riverside	50,983	-	3,663	178,441	182,104	100,000
MENIFEE	Riverside	88,468	3,645,994	-	309,638	3,955,631	138,895
MORENO VALLEY	Riverside	188,537	-	-	659,880	659,880	296,003
MURRIETA	Riverside	101,487	-	-	355,205	355,205	159,335
NORCO	Riverside	27,370	-	-	95,795	95,795	100,000
PALM DESERT	Riverside	52,067	-	-	182,235	182,235	100,000
PALM SPRINGS	Riverside	48,040	-	-	168,140	168,140	100,000
PERRIS	Riverside	55,133	-	-	192,966	192,966	100,000
RANCHO MIRAGE	Riverside	17,180	-	-	60,130	60,130	100,000
RIVERSIDE	Riverside	304,051	-	69,340	1,064,179	1,133,519	477,360
SAN JACINTO	Riverside	36,933	-	392	129,266	129,658	100,000
TEMECULA	Riverside	105,029	-	413,206	367,602	780,808	164,896
WILDOMAR	Riverside	40,926	1,688,311	-	143,240	1,831,551	100,000
CITRUS HEIGHTS	Sacramento	88,115	-	-	308,403	308,403	138,341
ELK GROVE	Sacramento	143,885	-	-	503,598	503,598	225,899
FOLSOM	Sacramento	72,590	-	-	254,065	254,065	113,966
GALT	Sacramento	24,264	-	-	84,924	84,924	100,000
ISLETON	Sacramento	844	-	-	2,954	2,954	100,000

COPS, Booking Fees, and the VLF Sweep in the FY 2011-12 Budget:

Please note, the Governor has not yet signed this legislation. If your city has lost funding through the sweep, fax a letter TODAY to the Governor asking him to VETO this bill to preserve your general fund dollars.

Summary of the Legislation:

SB 89 (Committee on Budget and Fiscal Review)

Public Safety Realignment #1: VLF Financing

Effective July 1, 2011, redirects approximately \$130 million in annual city general fund revenue from the 0.65% Motor Vehicle License Fee (MVLF) into a new state Local Law Enforcement Services Account, created by the public safety realignment funding bill, SB93/AB118. Also increases vehicle registration fees by \$12 dollars to fund Department of Motor Vehicle administrative costs, freeing up \$300 million previously charged to the MVLF. Eliminates allocations to cities (\$130 million) and the County of Orange (\$50 million) from the MVLF including the VLF per capita allocation, special allocations to cities incorporated since 2004 and cities annexing since 2004.

Bill Language: http://ct2k2.capitoltrack.com/Bills/sen/sb_0051-0100/sb_89_bill_20110628_enrolled.html

AB 118 (Committee on Budget)

Public Safety Realignment #2: Sales Tax Financing and Allocations

Converts approximately \$5 billion in state sales tax to local sales tax to pay for public safety realignment program, as enacted by AB 109 (Chapter 15, Statutes of 2011). Provides specific per county allocation funding various accounts for county law enforcement, corrections, court operations, mental health, child welfare, rehabilitation, juvenile justice, parole, probation, and community corrections programs. Also provides funding for law enforcement grants including Citizens Option for Public Safety (Supplemental Law Enforcement Services), Juvenile Justice, and booking fee subventions (Jail Detention Facility grants) from \$489 million of Motor Vehicle License Fee revenue diverted from cities (\$130+ million), the County of Orange (\$50 million) and DMV administration (\$300 million – now paid from the new \$12 vehicle registration fee).

Bill Language: http://ct2k2.capitoltrack.com/Bills/asm/ab_0101-0150/ab_118_bill_20110628_enrolled.html

Frequently Asked Questions

Q) Will my city get its COPS/SLESF (Citizens Option for Public Safety / Supplemental Law Enforcement Services) money?

A) Yes, ABx1 18 provides for full COPS funding. HOWEVER, some of these revenues are derived from your cities' general fund vehicle license fee share. So while you would maintain the COPS funding that is in place in FY2010-11, you are losing general purpose VLF revenue to do so. In addition, the earmarking of VLF revenues for law enforcement and the allocation of VLF revenues to non-city/county agencies is likely to be challenged as unconstitutional.

Q) What happened to the COPS funding formulas?

A) They are the same as before. COPS grants are allocated on a per capita basis with a minimum \$100,000 grant.

Q) What happened to the booking fees we get charged at the county jail facilities?

A) AB 118 includes funding for all the law enforcement grants previously funded from the 0.15% temporary VLF including Jail Detention Facility grants allocated to county sheriffs. With these grants in place, cities will not be charged booking fees.

Q) What is the concern over the vehicle license fee “sweep”?

A) The vehicle license fee “sweep” refers to the obliteration of cities’ general fund revenues provided through the VLF formula, per Senate Bill 89. The legislation instead shifts these funds to a new Local Law Enforcement Services Account. Assembly Bill 118 allocates these revenues to fund the law enforcement grant programs previously funded by the 0.15% temporary state VLF which expired June 30, 2011. As a result cities are losing significant general fund revenues.

Q) What do the spreadsheet columns mean?

A) Under the Section “Lost Motor Vehicle License Fee”

- 1st column: Revenue and Taxation Code Section 11005(c) A special allocation to cities that incorporated after 2004
- 2nd column: Revenue and Taxation Code Section 11005(d) A special allocation to cities that annexed areas after 2004
- 3rd column: Revenue and Taxation Code Section 11005(e) Per capita allocation to cities of the remainder of MVLF revenues
- 4th column: Total allocation from the VLF

Under the Section “New \$ for COPS (SLESA)”

- This is an estimate of how much your city will get for the COPS grant, per the provisions of Assembly Bill 118

Q) What should I do next if my city has lost funding?

A) If your city would lose funding under this legislation, fax a letter TODAY to the Governor asking him to veto this bill and preserve your general fund dollars. (See sample letter for VETO request on Senate Bill 89)

Also, call your legislators and tell them exactly how much money your city has lost through their direct actions on Senate Bill 89 (using the 4th column on the Lost Motor Vehicle License Fee spreadsheet).

Senate Bill No. 89

CHAPTER 35

An act to amend Sections 10752.2, 11001.5, 11003, and 11005 of, and to amend and repeal Sections 10752 and 10752.1 of, the Revenue and Taxation Code, to amend Section 9250 of the Vehicle Code, and to amend Section 17604 of the Welfare and Institutions Code, relating to vehicles, and making an appropriation therefor, to take effect immediately, bill related to the budget.

[Approved by Governor June 30, 2011. Filed with
Secretary of State June 30, 2011.]

LEGISLATIVE COUNSEL'S DIGEST

SB 89, Committee on Budget and Fiscal Review. Vehicles: vehicle license fee and registration fee.

(1) Existing law requires the amount appropriated by the Legislature for the use of the Department of Motor Vehicles (DMV) and the Franchise Tax Board (FTB) for the enforcement of the Vehicle License Fee Law to be calculated as specified and transferred from the Motor Vehicle License Fee Account in the Transportation Tax Fund to the Motor Vehicle Account in the State Transportation Fund.

This bill would instead require the Legislature to determine and appropriate annually an amount for the use of the DMV and the FTB for the enforcement of the Vehicle License Fee Law. The bill would deem, for the 2011–12 fiscal year, \$25,000,000 as the cost to the DMV for the collection of the motor vehicle license fee.

(2) Existing law requires the moneys in the Motor Vehicle License Fee Account in the Transportation Tax Fund that remain unexpended at the close of business on the last day of each calendar month to be allocated by the Controller by the 10th day of the following month for specified purposes.

This bill would instead require the Controller, on and after July 1, 2011, to allocate those moneys to the Local Law Enforcement Services Account in the Local Revenue Fund 2011 for allocation to cities, counties, and cities and counties.

(3) Existing law requires the DMV to charge a registration fee of \$31 on every vehicle or trailer coach, as specified.

This bill would require the DMV, on July 1, 2011, and thereafter, to charge a registration fee of \$43 on every vehicle or trailer coach, as specified, with the proceeds from the increase to be used only in connection with the regulation of vehicles.

(4) The Vehicle License Fee Law, in lieu of any ad valorem property tax upon vehicles, imposes an annual license fee for any vehicle subject to registration in this state in the amount of 1% of the market value of that

vehicle, as provided, for a specified amount of time. Existing law also, until June 30, 2011, imposes an additional tax equal to 0.15% of the market value of specified vehicles, as determined by the DMV, to the vehicle license fee, to be deposited in the General Fund and transferred to the Local Safety and Protection Account. Existing law requires all moneys in the Local Safety and Protection Account to be continuously appropriated, without regard to fiscal year, to the Controller for allocation.

This bill would specify that those rates apply to all initial and renewal registrations due on and after May 1, 2009, but before July 1, 2011. This bill would also specify that all revenues derived from the additional 0.15% tax rate received after June 30, 2011, are deemed to have been received during the 2010–11 fiscal year for purposes of allocation by the Controller.

(5) Existing law requires that, in accordance with a specified schedule, the Controller allocate moneys to each county, city, or city and county, as general purpose revenues, from the Vehicle License Fee Account of the Local Revenue Fund.

This bill would require the Controller to calculate the difference between the total amount of vehicle license fee proceeds deposited to the credit of the Local Revenue Fund and deposited into the Vehicle License Fee Account for the period of July 16, 2009, to July 15, 2010, inclusive, and the amount deposited for the period of July 16, 2010, to July 15, 2011, inclusive. This bill would deem, of vehicle license fee proceeds deposited into the Vehicle License Fee Account after July 15, 2011, an amount equal to that difference to have been deposited during the period of July 16, 2010, to July 15, 2011, inclusive, and allocated to cities, counties, and a city and county as if those proceeds had been received during the 2010–11 fiscal year.

(6) This bill would state the intent of the Legislature that the DMV, in conjunction with the Department of Finance, should develop a method to allocate costs and develop a cost model allocating the costs associated with the registration of a vehicle by the DMV to the vehicle registration fee and to identify costs attributable to the collection of other specified fees.

(7) This bill would appropriate \$1,000 from the Motor Vehicle Account in the State Transportation Fund to the Department of Motor Vehicles for certain administrative costs, thereby making an appropriation.

(8) This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

Appropriation: yes.

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

SECTION 1. It is the intent of the Legislature that the Department of Motor Vehicles, in conjunction with the Department of Finance, develop a method to allocate costs and develop a cost model that would allocate the cost associated with the registration of a vehicle by the Department of Motor Vehicles to the vehicle registration fee authorized by Section 9250 of the Vehicle Code. The method should also identify costs attributable to specific

additional activities of the Department of Motor Vehicles in collecting vehicle license fees, weight fees, and other fees. This methodology should be submitted to the Legislature for consideration in further revisions of Section 11003 of the Revenue and Taxation Code.

SEC. 2. Section 10752 of the Revenue and Taxation Code, as amended by Section 4 of Chapter 18 of the Third Extraordinary Session of the Statutes of 2009, is amended to read:

10752. (a) The annual amount of the license fee for any vehicle, other than a trailer or semitrailer, as described in subdivision (a) of Section 5014.1 of the Vehicle Code or a commercial motor vehicle described in Section 9400.1 of the Vehicle Code, or a trailer coach that is required to be moved under permit as authorized in Section 35790 of the Vehicle Code, shall be a sum equal to the following percentage of the market value of the vehicle as determined by the department:

(1) Sixty-five hundredths of 1 percent on and after January 1, 2005, and before May 19, 2009.

(2) One percent for initial and renewal registrations due on and after May 19, 2009, but before July 1, 2011.

(3) Sixty-five hundredths of 1 percent for initial and renewal registrations due on and after July 1, 2011.

(b) The annual amount of the license fee for any commercial vehicle as described in Section 9400.1 of the Vehicle Code, shall be a sum equal to 0.65 percent of the market value of the vehicle as determined by the department.

(c) Notwithstanding Chapter 5 (commencing with Section 11001) or any other law to the contrary, all revenues (including penalties), less refunds, attributable to that portion of the rate imposed pursuant to this section in excess of 0.65 percent shall be deposited into the General Fund.

SEC. 3. Section 10752 of the Revenue and Taxation Code, as added by Section 5 of Chapter 18 of the Third Extraordinary Session of the Statutes of 2009, is repealed.

SEC. 4. Section 10752.1 of the Revenue and Taxation Code, as amended by Section 6 of Chapter 18 of the Third Extraordinary Session of the Statutes of 2009, is amended to read:

10752.1. (a) The annual amount of the license fee for a trailer coach which is required to be moved under permit as authorized in Section 35790 of the Vehicle Code shall be a sum equal to the following percentage of the market value of the vehicle as determined by the department:

(1) Sixty-five hundredths of 1 percent on and after January 1, 2005, and before May 19, 2009.

(2) One percent for initial and renewal registrations due on and after May 19, 2009, but before July 1, 2011.

(3) Sixty-five hundredths of 1 percent for initial and renewal registrations due on and after July 1, 2011.

(b) Notwithstanding Chapter 5 (commencing with Section 11001) or any other law to the contrary, all revenues (including penalties), less refunds,

attributable to that portion of the rate imposed pursuant to this section in excess of 0.65 percent shall be deposited in the General Fund.

SEC. 5. Section 10752.1 of the Revenue and Taxation Code, as added by Section 7 of Chapter 18 of the Third Extraordinary Session of the Statutes of 2009, is repealed.

SEC. 6. Section 10752.2 of the Revenue and Taxation Code is amended to read:

10752.2. (a) For initial or renewal registrations due on and after May 19, 2009, but before July 1, 2011, in addition to the annual license fee for a vehicle, other than a commercial motor vehicle described in Section 9400.1 of the Vehicle Code, imposed pursuant to Sections 10752 and 10752.1, a sum equal to 0.15 percent of the market value of the vehicle as determined by the department, shall be added to that annual fee.

(b) Notwithstanding Chapter 5 (commencing with Section 11001) or any other law to the contrary, all revenues (including penalties), less refunds, derived from fees collected pursuant to subdivision (a) shall be deposited in the General Fund and transferred to the Local Safety and Protection Account, which is hereby established in the Transportation Tax Fund. Notwithstanding Section 13340 of the Government Code, all moneys in the account are hereby continuously appropriated, without regard to fiscal year, to the Controller for allocation pursuant to Sections 29553, 30061, and 30070 of the Government Code, Section 13821 of the Penal Code, and Sections 18220 and 18220.1 of the Welfare and Institutions Code. All revenue derived from subdivision (a) that is received after June 30, 2011, shall be deemed to have been received during the 2010–11 fiscal year for purposes of allocation by the Controller.

(c) (1) In 2010 and each calendar year thereafter, the Director of Finance shall, no later than January 10 and upon the enactment of the Budget Act during the calendar year, make a written determination of whether any of the moneys derived from fees collected pursuant to subdivision (a) are being allocated by the state for any purpose not authorized by subdivision (b), and shall immediately submit his or her written determination to all of the following:

- (A) The Director of the Department of Motor Vehicles.
- (B) The Joint Legislative Budget Committee.
- (C) The Senate and Assembly Appropriations Committees.
- (D) The Senate and Assembly Revenue and Taxation Committees.

(2) If the Director of Finance determines that any moneys derived from fees collected pursuant to subdivision (a) are being allocated by the state for a purpose not authorized by subdivision (b), the Director of the Department of Motor Vehicles shall, upon receipt of the written determination, immediately cease collection of the fees imposed by subdivision (a), and shall resume collection of those fees only upon his or her receipt of written determination provided under paragraph (1) that specifies that none of the moneys derived from fees collected pursuant to subdivision (a) are being allocated by the state for a purpose not authorized by subdivision (a).

SEC. 7. 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, and on and after July 1, 2004, 74.9 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 in accordance with the following:

(A) Before July 1, 2011, first allocated to the County of Orange as provided in subdivision (b) of Section 11005 and as necessary for the service of indebtedness as pledged by Sections 25350.6 and 53585.1 of the Government Code and in accordance with written instructions provided by the Controller under Sections 25350.7, 25350.9, and 53585.1 of the Government Code, and the balance shall be allocated to each city and city and county as otherwise provided by law.

(B) On and after July 1, 2011, allocated pursuant to subdivision (a) of Section 11005.

(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) (1) 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 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 the 2004–05 fiscal year and in any fiscal year thereafter shall be allocated to cities, counties, and cities and counties as follows:

(A) (i) Fifty percent shall be paid to the cities and cities and counties of this state in the proportion that the population of each city or city and county bears to the total population of all cities and cities and counties in this state, as determined by the population research unit of the Department of Finance. For purposes of this subparagraph, the population of each city or city and county is that population determined by the last federal decennial or special census, or a subsequent census validated by the population research unit or

subsequent estimate prepared pursuant to Section 2107.2 of the Streets and Highways Code.

(ii) In the case of a city incorporated subsequent to the last federal census, or a subsequent census validated by the population research unit, the population research unit shall determine the population of the city. In the case of unincorporated territory annexed to a city subsequent to the last federal census, or a subsequent census validated by the population research unit, the population research unit shall determine the population of the annexed territory by the use of any federal decennial or special census, or estimate prepared pursuant to Section 2107.2 of the Streets and Highways Code. In the case of the consolidation of one city with another subsequent to the last federal census, or a subsequent census validated by the population research unit, the population of the consolidated city, for the purpose of this subparagraph, is the aggregate population of the respective cities as determined by the last federal census, or a subsequent census or estimate validated by the population research unit.

(B) Fifty percent shall be paid to the counties and cities and counties in the proportion that the population of each county or city and county bears to the total population of all counties and cities and counties, as determined by the population research unit. For purposes of this subparagraph, the population of each county or city and county is that determined by the last federal census, or subsequent census validated by the population research unit, or as determined by Section 11005.6 of the Revenue and Taxation Code.

(2) The amendments made to this section by the act that added this paragraph are operative upon the enactment of that act. However, the amendments made by the act that added this paragraph apply to revenues in the Vehicle License Collection Account in excess of fourteen million dollars (\$14,000,000) in the 2004–05 fiscal year and any fiscal year thereafter.

(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.

(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.

(e) This section does not amend nor is it intended 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. 8. Section 11003 of the Revenue and Taxation Code is amended to read:

11003. (a) Subject to subdivision (b), the Legislature shall annually determine and appropriate an amount for the use of the Department of Motor Vehicles and the Franchise Tax Board for the enforcement of this part.

(b) For the 2011–12 fiscal year, twenty-five million dollars (\$25,000,000) shall be deemed to be the cost to the Department of Motor Vehicles of collecting the motor vehicle license fees that are collected with the motor vehicle registration fees and other fees.

SEC. 9. Section 11005 of the Revenue and Taxation Code is amended to read:

11005. After payment of refunds therefrom and after making the deductions authorized by Section 11003 and reserving the amount determined necessary by the Pooled Money Investment Board to meet the transfers ordered or proposed to be ordered pursuant to Section 16310 of the Government Code, the balance of all motor vehicle license fees and any other money appropriated by law for expenditure pursuant to this section, deposited to the credit of the Motor Vehicle License Fee Account in the Transportation Tax Fund, and remaining unexpended in that account at the close of business on the last day of the calendar month, shall be allocated by the Controller by the 10th day of the following month in accordance with the following:

(a) On and after July 1, 2011, to the Local Law Enforcement Services Account in the Local Revenue Fund 2011, as established by Section 30025 of the Government Code, for allocation to cities, counties, and cities and counties.

(b) On or after July 1, 2004, but before July 1, 2011:

(1) First, to the County of Orange. For the 2004–05 fiscal year, that county shall be allocated fifty-four million dollars (\$54,000,000) in monthly installments. For the 2005–06 fiscal year and each fiscal year thereafter, that county shall receive, in monthly installments, an amount equal to the amount allocated under this section for the prior fiscal year, adjusted for the percentage change in the amount of revenues credited to the Motor Vehicle License Fee Account in the Transportation Tax Fund from the revenues credited to that account in the prior fiscal year. Moneys allocated to the County of Orange under this subdivision shall be used first for the service of indebtedness as provided in paragraph (1) of subdivision (a) of

Section 11001.5. Any amounts in excess of the amount required for this service of indebtedness may be used by that county for any lawful purpose.

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

(3) Third, to each city that was incorporated from an unincorporated territory after August 5, 2004, in an amount equal to the product of the following two amounts:

(A) The quotient derived from the following fraction:

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

(I) Fifty dollars (\$50) per year.

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

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

(B) The city's population determined in accordance with Section 11005.3.

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

(A) The quotient derived from the following fraction:

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

(I) Fifty dollars (\$50) per year.

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

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

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

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

SEC. 10. Section 9250 of the Vehicle Code is amended to read:

9250. (a) A registration fee of thirty-one dollars (\$31) shall be paid to the department for the registration of every vehicle or trailer coach of a type subject to registration under this code, except those vehicles that are expressly exempted under this code from the payment of registration fees. This subdivision applies to all of the following:

(1) The initial or original registration, on or after January 1, 2004, but before July 1, 2011, of any vehicle not previously registered in this state.

(2) The renewal of registration of any vehicle for which the registration period expires on or after January 1, 2004, but before July 1, 2011, regardless of whether a renewal application was mailed to the registered owner prior to January 1, 2004.

(b) A registration fee of forty-three dollars (\$43) shall be paid to the department for the registration of each vehicle or trailer coach of a type subject to registration under this code, except those vehicles that are expressly exempted under this code from the payment of registration fees. This subdivision applies to all of the following:

(1) The initial or original registration, on or after July 1, 2011, of any vehicle not previously registered in this state.

(2) The renewal of registration of any vehicle for which the registration period expires on or after July 1, 2011, regardless of whether a renewal application was mailed to the registered owner prior to July 1, 2011.

(c) The registration fee imposed under this section applies to all vehicles described in Section 5004, whether or not special identification plates are issued to that vehicle.

(d) Trailer coaches are subject to the registration fee provided in subdivision (a) or (b) for each unit of the trailer coach.

(e) The amounts collected pursuant to the increase in the registration fee as specified in subdivision (b) shall be used only for costs incurred in connection with the regulation of vehicles, including administrative costs for vehicle registration.

SEC. 11. Section 17604 of the Welfare and Institutions Code is amended to read:

17604. (a) All motor vehicle license fee revenues collected in the 1991–92 fiscal year that are deposited to the credit of the Local Revenue Fund shall be credited to the Vehicle License Fee Account of that fund.

(b) (1) For the 1992–93 fiscal year and fiscal years thereafter, from vehicle license fee proceeds from revenues deposited to the credit of the Local Revenue Fund, the Controller shall make monthly deposits to the Vehicle License Fee Account of the Local Revenue Fund until the deposits equal the amounts that were allocated to counties, cities, and cities and counties as general purpose revenues in the prior fiscal year pursuant to this chapter from the Vehicle License Fee Account in the Local Revenue Fund and the Vehicle License Fee Account and the Vehicle License Fee Growth Account in the Local Revenue Fund.

(2) Any excess vehicle fee revenues deposited into the Local Revenue Fund pursuant to Section 11001.5 of the Revenue and Taxation Code shall

be deposited in the Vehicle License Fee Growth Account of the Local Revenue Fund.

(3) The Controller shall calculate the difference between the total amount of vehicle license fee proceeds deposited to the credit of the Local Revenue Fund, pursuant to paragraph (1) of subdivision (a) of Section 11001.5 of the Revenue and Taxation Code, and deposited into the Vehicle License Fee Account for the period of July 16, 2009, to July 15, 2010, inclusive, and the amount deposited for the period of July 16, 2010, to July 15, 2011, inclusive.

(4) Of vehicle license fee proceeds deposited to the Vehicle License Fee Account after July 15, 2011, an amount equal to the difference calculated in paragraph (3) shall be deemed to have been deposited during the period of July 16, 2010, to July 15, 2011, inclusive, and allocated to cities, counties, and a city and county as if those proceeds had been received during the 2010–11 fiscal year.

(c) (1) On or before the 27th day of each month, the Controller shall allocate to each county, city, or city and county, as general purpose revenues the amounts deposited and remaining unexpended and unreserved on the 15th day of the month in the Vehicle License Fee Account of the Local Revenue Fund, in accordance with paragraphs (2) and (3).

(2) For the 1991–92 fiscal year, allocations shall be made in accordance with the following schedule:

Jurisdiction	Allocation Percentage
Alameda	4.5046
Alpine	0.0137
Amador	0.1512
Butte	0.8131
Calaveras	0.1367
Colusa.....	0.1195
Contra Costa	2.2386
Del Norte	0.1340
El Dorado	0.5228
Fresno	2.3531
Glenn	0.1391
Humboldt	0.8929
Imperial	0.8237
Inyo	0.1869
Kern	1.6362
Kings	0.4084
Lake	0.1752
Lassen	0.1525
Los Angeles	37.2606
Madera	0.3656
Marin.....	1.0785
Mariposa	0.0815

Mendocino	0.2586
Merced	0.4094
Modoc	0.0923
Mono	0.1342
Monterey	0.8975
Napa	0.4466
Nevada	0.2734
Orange	5.4304
Placer	0.2806
Plumas	0.1145
Riverside	2.7867
Sacramento	2.7497
San Benito	0.1701
San Bernardino.....	2.4709
San Diego	4.7771
San Francisco	7.1450
San Joaquin	1.0810
San Luis Obispo	0.4811
San Mateo	1.5937
Santa Barbara	0.9418
Santa Clara	3.6238
Santa Cruz	0.6714
Shasta	0.6732
Sierra	0.0340
Siskiyou.....	0.2246
Solano	0.9377
Sonoma	1.6687
Stanislaus	1.0509
Sutter	0.4460
Tehama	0.2986
Trinity	0.1388
Tulare	0.7485
Tuolumne	0.2357
Ventura	1.3658
Yolo	0.3522
Yuba	0.3076
Berkeley	0.0692
Long Beach	0.2918
Pasadena	0.1385

(3) For the 1992–93, 1993–94, and 1994–95 fiscal year and fiscal years thereafter, allocations shall be made in the same amounts as were distributed from the Vehicle License Fee Account and the Vehicle License Fee Growth Account in the prior fiscal year.

(4) For the 1995–96 fiscal year, allocations shall be made in the same amounts as distributed in the 1994–95 fiscal year from the Vehicle License

Fee Account and the Vehicle License Fee Growth Account after adjusting the allocation amounts by the amounts specified for the following counties:

Alpine	\$(11,296)
Amador	25,417
Calaveras	49,892
Del Norte	39,537
Glenn	(12,238)
Lassen	17,886
Mariposa	(6,950)
Modoc	(29,182)
Mono	(6,950)
San Benito	20,710
Sierra	(39,537)
Trinity	(48,009)

(5) For the 1996–97 fiscal year and fiscal years thereafter, allocations shall be made in the same amounts as were distributed from the Vehicle License Fee Account and the Vehicle License Fee Growth Account in the prior fiscal year.

Initial proceeds deposited in the Vehicle License Fee Account in the 2003–04 fiscal year in the amount that would otherwise have been transferred pursuant to Section 10754 of the Revenue and Taxation Code for the period June 20, 2003, to July 15, 2003, inclusive, shall be deemed to have been deposited during the period June 16, 2003, to July 15, 2003, inclusive, and allocated to cities, counties, and a city and county during the 2002–03 fiscal year.

(d) The Controller shall make monthly allocations from the amount deposited in the Vehicle License Collection Account of the Local Revenue Fund to each county in accordance with a schedule to be developed by the State Department of Mental Health in consultation with the California Mental Health Directors Association, which is compatible with the intent of the Legislature expressed in the act adding this subdivision.

SEC. 12. There is hereby appropriated one thousand dollars (\$1,000) from the Motor Vehicle Account in the State Transportation Fund to the Department of Motor Vehicles for administrative costs in connection with the registration of vehicles.

SEC. 13. This act is a bill providing for appropriations related to the Budget Bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution, has been identified as related to the budget in the Budget Bill, and shall take effect immediately.