Annexations and Incorporations: Lingering Impacts of the VLF Swap / State Shifts
Vehicle Lic Fee $ Allocation

Prior to 2004

The city VLF was allocated by the Controller from a statewide pool according to statute essentially on a population basis.
The VLF – Property Tax Swap of 2004

The VLF – Property Tax Swap eliminated the state general fund backfill for the VLF tax cut and replaced that funding with additional property tax share for each city and county. This new property tax in lieu of VLF grows annually in tandem with each jurisdiction's AV growth. This it is true property tax and is completely divorced from VLF collections or revenue trends.
The VLF – Property Tax Swap did not provide a mechanism to provide VLF-PropTax (the successor to VLF) to new cities or inhabited annexations.
Vehicle Lic Fee $ Allocation
Special Allocations for New Cities & Annexations

AB1602 (Laird 2006)

$ PropTax in lieu of VLF

5yr “Bump” $ VLF

VLF $50+ per resident
@ time of annexation

VLF $50+ per resident

AB1602 established special allocations to new cities and annexations, carved from the remaining VLF, to compensate for the lack of VLF-PropTax.

City

Annexation

New City
Incorporating After 2004

CaliforniaCityFinance.com
Vehicle Lic Fee $ Allocation

SB89 Eliminated All City VLF (Diverted to Law Enforcement Grants)

$ PropTax in lieu of VLF

VLF $50+ per resident @ time of annexation

5yr “Bump” $ VLF

$50+ per resident

New City Incorporating After 2004

City

Annexation