

## **Implementing SB130(Roth): Property Tax In Lieu of VLF for Menifee, Wildomar, Eastvale, and Jurupa Valley**

### **Background**

The state Vehicle License Fee (VLF) has been a significant source of general purpose revenue to cities since 1935 when it was established in lieu of the taxation of motor vehicles in the local property tax system. Section 15 of Article XI of the California Constitution requires that these revenues be allocated among cities and counties.

In 2004, the California Legislature approved a swap of city and county VLF revenues for additional property tax revenues as a part of a state-local budget agreement. That agreement also brought Proposition 1A constitutional protection of local revenues to the ballot. The legislation eliminated a state general fund backfill to cities and counties that had, since 1998, paid cities and counties for their revenue loss from the Legislature's VLF rate cuts.

The swap reduced city VLF allocations by about 90% and compensated with new property tax share, but failed to provide compensating property tax revenues to annexations and new incorporations. The substantial revenue loss effectively halted new incorporations and annexations of inhabited areas.

In 2006, the Governor signed AB1602(Laird) which provided special allocations, carved from the remaining city VLF revenues, to new incorporations and annexations. Since then, four cities (all in in Riverside County) incorporated and over 144 cities annexed inhabited areas with the understanding that these essential revenues would help fund municipal services.

In 2011, in conjunction with a hastily crafted annual budget bill, the Legislature passed SB89 taking these constitutionally guaranteed revenues and directing their use to fund state law enforcement programs which had previously been funded by the State. Dozens of cities that had annexed inhabited areas after 2004 lost millions of dollars in VLF allocations. The four cities in Riverside county that had incorporated assuming these substantial VLF revenues, Menifee, Wildomar, Eastvale, and Jurupa Valley, were thrown into financial turmoil. Virtually all annexations of urbanized areas and new city incorporations have been made financially unfeasible by the loss of huge amounts of revenues that previously would have gone to these areas.

### **SB130 (Roth)**

SB130 remedies the SB89 problem for the four cities by directing the Riverside County Auditor to establish a "VLF Adjustment Amount," property tax share in lieu of VLF for each of the cities much like what every other city in California receives. The cities will each receive a VLF Adjustment Amounts for FY2017-18 in proportion to the VLF Adjustment Amounts received by the other 24 cities in the county. The auditor will sum the total of the VLFAA amounts of each of the 24 cities, divide by the sum of populations in cities in the county and then determine an amount for each of the four cities by multiplying this per capita amount by the population of each city.

In FY2018-19 and subsequent years, the VLF Adjustment amounts will increase based on the growth in assessed valuation in the jurisdiction, just like all other cities. Each year, the County auditor allocated the VLF Adjustment amounts from property tax collections in two installments: half in January and half in May.

We have computed estimated allocations. We expect that the county auditor will make the official calculations along with other VLF Adjustment Amount calculations in October.

<b>VLF Adjustment Amounts for Menifee, Wildomar, Eastvale and Jurupa Valley</b>		
Estimated. Revenue and Taxation Code Sec 97.70(c)(2)(A)		
	<b><u>1-Jan-17</u></b>	<b><u>2016-17</u></b>
	<b>Population</b>	<b>VLFAA</b>
BANNING	31,068	2,222,606
BEAUMONT	46,179	3,768,042
BLYTHE	19,660	1,642,742
CALIMESA	8,637	761,487
CANYON LAKE	10,891	843,599
CATHEDRAL CITY	54,557	3,959,227
COACHELLA	45,551	4,002,278
CORONA	167,759	12,458,950
DESERT HOT SPRINGS	29,111	1,822,333
HEMET	81,868	6,025,053
INDIAN WELLS	5,450	400,445
INDIO	88,718	8,583,377
LA QUINTA	40,677	3,795,303
LAKE ELSINORE	62,092	4,507,301
MORENO VALLEY	206,750	17,430,250
MURRIETA	114,914	7,353,217
NORCO	26,882	2,334,905
PALM DESERT	50,740	3,952,594
PALM SPRINGS	47,379	4,471,829
PERRIS	75,739	5,783,829
RANCHO MIRAGE	18,295	1,421,157
RIVERSIDE	326,792	26,410,375
SAN JACINTO	47,925	3,104,949
TEMECULA	111,024	7,429,531
EASTVALE	64,613	
JURUPA VALLEY	101,315	
MENIFEE	90,660	
WILDOMAR	35,782	
	<b>2,011,028</b>	<b>134,485,379</b>
	PerCapita City VLFAA	<b>66.87</b>
	<b><u>SB130 VLFAA</u></b>	
	<b>Population</b>	<b>FY2017-18</b>
EASTVALE	64,613	4,320,926
JURUPA VALLEY	101,315	6,775,334
MENIFEE	90,660	6,062,792
WILDOMAR	35,782	2,392,884
	<b>Total</b>	<b>19,551,936</b>

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