

LEAGUE OF CALIFORNIA CITIES
PROPOSED 1991 LEGISLATION
FOR INCREASED COUNTY FUNDING AND REPEAL OF BOOKING FEES AND
PROPERTY TAX ADMINISTRATION SURCHARGES
December 1990

Last week the Boards of Directors of the County Supervisors Association of California and the League of California Cities considered the following three point program to establish a stable funding base for state and local government services. While supported by the League, CSAC did not vote to endorse the program at this time. The League will continue to press CSAC for co-sponsorship. In the meantime, the League is asking individual cities to propose joint support of the program to their own Boards of Supervisors.

Already the Chairman of the Senate Education Committee has introduced legislation to repeal county authority to charge school districts for the cost of property tax administration.

This proposal, which will be introduced in both the Senate and the Assembly, is structured to correct the growing fiscal dysfunction between state and local government by accomplishing the following:

1. Short-term Action. A joint legislative package will be introduced to:
 - a. Provide approximately \$335 million in replacement revenue for county programs by freezing the vehicle license fee depreciation schedule for one additional year.
 - b. Retain County taxing authority (business license tax and utility user tax) enacted in SB 2557 last session.
 - c. Repeal all other provisions of SB 2557, including the authority for counties to charge booking fees and property tax administration surcharges.
2. Cooperation on State-County Fiscal Reform. Initiate a joint program to establish stable state and county financing by removing legislatively-enacted special interest exemptions to the sales tax revenue base which has eroded the fiscal integrity of this important revenue source for both state and local services.
3. Expanded County Revenue Authority. Support the expansion of county revenue authority to include the same broader taxing authority now given to charter cities.

PROPOSED LEGISLATION

SEC. 1. Section 2950 of the Government Code is amended to read as follows:

~~2950. Notwithstanding any other provision of law, a county may impose a fee upon a city, special district, school district, community college district, college, or university for reimbursement of county expenses incurred with respect to the booking or other processing of persons arrested by an employee of that city, special district, school district, community college district, college, or university, where the arrested persons are brought to the county jail for booking or detention. The fee imposed by a county pursuant to this section shall not exceed the actual administrative costs, including applicable overhead costs as permitted by federal circular A-87 standards, incurred in booking or otherwise processing arrested persons. A county may submit an invoice to a city, special district, school district, community college district, college, or university for these expenses incurred by the county on and after July 1, 1990.~~

SEC. 2. Section 97 of the Revenue and Taxation Code is amended to read as follows:

~~(e) (1) Notwithstanding any other provision of law, for the 1990-1991 fiscal year, for the purposes of the computations required by this section, the amount of property tax presumed to have been received by the county in the prior year shall be increased by the amount of 1989-90 property tax administrative costs proportionately attributable to incorporated cities as determined pursuant to paragraph (2).~~

~~(2) The auditor shall determine the 1989-90 fiscal year property tax administrative costs proportionately attributable to incorporated cities by adding the 1989-90 fiscal year property tax-related costs of the assessor, tax collector, and auditor, including applicable administrative overhead costs as permitted by federal Circular A-87 standards, and multiplying the sum of those amounts by the ratio of property tax revenue received by all incorporated cities divided by the total property tax revenue for all local jurisdictions in the county for that fiscal year.~~

~~(3) The county shall use the additional revenue received pursuant to this subdivision only to fund the actual costs of assessing, collecting, and allocating property taxes. At least once each fiscal year, the county auditor shall report the amount of these actual costs and allowable overhead costs to the legislative body and any other jurisdiction or person that request the information. To the extent that actual costs for assessing, collecting, and allocating property taxes plus allowable overhead costs are less than the amount determined pursuant to paragraph (2), the county auditor shall apportion the difference to each incorporated city as otherwise required by this section.~~

~~(4) The county may retain up to one-half of any increased property tax allocation to which a jurisdiction may be otherwise entitled, until the county receives its additional revenues pursuant to this section.~~

~~(5) It is the intent of the Legislature in enacting this subdivision to recognize that since the adoption of Article XIII A of the California Constitution by the voters, county governments have borne an unfair and disproportionate part of the financial burden of assessing, collecting, and allocating property tax revenues for cities. It is further the intent of the Legislature that the adjustments provided for by this subdivision shall constitute charges by a county for the assessment, collection, and allocation of property taxes and shall not exceed the actual costs reasonably borne by a county for those activities.~~

~~(f) The auditor may determine the 1989-90 fiscal year property tax administrative costs proportionately attributable to local jurisdictions other than the county or city and county, and cities by adding the property tax-related costs of the assessor, tax collector, and auditor, including applicable administrative overhead costs as permitted by federal Circular A-87 standards, and multiplying the sum of those amounts by the ratio of property tax revenue received by jurisdictions other than the county, city and county, and cities divided by the total property tax received by all local jurisdictions in the county for that fiscal year. Notwithstanding any other provision of law, this amount may be calculated for each fiscal year commencing with the 1989-90 fiscal year, and the auditor may, commencing in fiscal year 1990-91, submit an invoice to these jurisdictions for services rendered in the prior fiscal year.~~

SEC. 3. Section 97.43 of the Revenue and Taxation Code is amended to read as follows:

~~97.43. Notwithstanding any other provision of this article, a qualifying city shall not receive a property tax revenue allocation in the 1990-91 fiscal year which is greater than 90 percent of the allocation received by that qualifying city in the 1989-90 fiscal year.~~

SEC. 4. Section 11005 of the Revenue and Taxation Code is amended to read:

11005. (a) 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, commencing with the 1989-90 fiscal year, the Controller shall deduct that amount which is necessary to make the allocation provided for in Section 77202.5 of the Government Code. ~~Eighty-one and one-quarter~~ _____ percent of the balance of all motor vehicle license fees and any other money appropriated by law for expenditure pursuant to this section and deposited to the credit of the Motor Vehicle License Fee Account in the Transportation Tax Fund and remaining unexpended therein 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 the manner provided by subdivisions

~~(c) and (d)~~ (d) and (e).

(b) ~~Eighteen and three-quarters~~ _____ percent of the balance shall be allocated, as follows:

(1) (A) Commencing with the 1988-89 fiscal year, the Controller shall allocate to each city that existed but did not levy a property tax in the 1977-78 fiscal year, other than for voter-approved indebtedness, an amount equal to the total amount which each of those cities would have received in that fiscal year pursuant to Section 25761 of the Business and Professions Code, Section 4306 of the Public Utilities Code, and Section 26483 of this Code, as if those sections were operative in that fiscal year in the form in which they existed on June 1, 1981. For the 1991-92 and 1992-93 fiscal years, the Controller shall increase the amount for each city computed pursuant to this paragraph by the percent by which the revenue to the Motor Vehicle License Fee Account increased between the 1989-90 and 1990-91 fiscal years. For each fiscal year thereafter, the Controller shall increase the amount for each city computed pursuant to this paragraph by the percent by which the revenue to the Motor Vehicle License Fee Account increased over the revenue for the previous fiscal year.

(B) (i) For each fiscal year following the 1988-89 fiscal year in which a city subject to subparagraph (A) receives a distribution of property tax revenue pursuant to Section 97.35, 97.37, or 97.38, the amount to be allocated to the city pursuant to subparagraph (A) shall be reduced by the amount of the distribution made pursuant to those sections.

(ii) No allocation shall be made to a city pursuant to subparagraph (A) in the first fiscal year in which the amount distributed to a city pursuant to Section 97.35, 97.37, or 97.38 equals or exceeds the amount that would have been allocated to that city pursuant to subparagraph (A) or in any fiscal year thereafter.

(iii) Any amount not allocated to a city pursuant to subparagraph (A) as a result of the operation of this subparagraph shall be allocated to eligible cities in accordance with clause (iv).

(iv) Commencing with the 1989-90 fiscal year, the Controller shall allocate the amount determined in clause (iii) for each fiscal year to each eligible city in the proportion that the population of each eligible city bears to total population of all eligible cities.

For purposes of this clause, "eligible city" means any city which incorporated prior to June 5, 1987, and had an amount of property tax revenue allocated to it pursuant to subdivision (a) of Section 97 in the 1987-88 fiscal year in accordance with the method described in subdivision (c) of Section 97.35.

The auditor shall notify the controller of his or her determination of those cities within the county which are eligible cities.

(2) Each month the Controller shall allocate the remainder of the amount determined pursuant to this subdivision to counties and cities and counties in an amount

for each county and city and county equal to the revenue received in the 1982-83 fiscal year pursuant to former Section 16111, subdivision (c) of former Section 16113, and former Section 16113.7 of the Government Code. These amounts shall be determined by the Controller with the concurrence of the Director of Finance. The Controller shall allocate any remaining amount determined pursuant to this subdivision to 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 the counties and cities and counties of the state, as determined pursuant to subdivision (d) (e).

(c) percent of the balance shall be allocated to counties and cities and counties as follows:

(1) Commencing with the 1991-92 fiscal year, the Controller shall allocate to each county and city and county an amount equal to the total amount which each county and city and county would have received in that fiscal year but for the enactment of the Budget Act of 1990. For each fiscal year thereafter, the Controller with the concurrence of the Director of Finance shall increase the amount for each county and city and county computed pursuant to this paragraph by the percent by which the revenue to the Motor Vehicle License Fee Account increased over the revenue for the previous fiscal year.

(2) The Controller shall allocate the remainder of the amount determined pursuant to this subdivision to counties and cities and counties as follows:

(A) Fifty percent shall be allocated pursuant to Chapter 2.6 (commencing with Section 16266) of Part 1.5 of Division 4 of Title 2 of the Government Code.

(B) Fifty percent shall be allocated to counties and cities and counties in the proportion that the population of each county of city and county bears to the total population of all the counties and cities and counties, as determined by the population research unit. For the purpose of this paragraph, the population of each county of 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.

(d) Fifty percent of the payments required by subdivision (a) 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 the purpose of this subdivision, the population of each city or city and county is that 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. 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 being 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 subdivision, 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.

(d) (e) Fifty percent of the payments required by subdivision (a) shall be paid to the counties and cities and counties of the state in the proportion that the population of each county or city and county bears to the total population of all the counties and cities and counties of the state, as determined by the population research unit. For the purpose of this subdivision, 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

(e) (f) Money disbursed by the Controller to cities and counties pursuant to this section may be used for county or city purposes and may, but need not necessarily, be used for purposes of general interest and benefit to the state.

(f) (g) Population changes based on a federal special census or a subsequent census validated by the Department of Finance shall be accepted by the Controller only if certified to him at the request of the city, city and county, or county for which the census was made and shall become effective on the first day of the month following receipt of the certification.

SEC. 5. The Legislature finds and declares that the enactment of this act is consistent with the requirements of Section 15 or Article XI of the Constitution.

SEC. 6. 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:

Counties face severe fiscal problems in providing basic public assistance, public health, and justice programs that require additional revenues. In order for the changes made by this act in the determination of vehicle license fees, it is necessary that this act take effect immediately.