

Key Points on FY04-05 & FY05-06 VLF Adjustment Amount State Controller Calculated Numbers

17 October 2005

1. These calculations are per the law and were audited by special request of the Legislative Joint Audits committee by the Bureau of State Audits to ensure accuracy.
2. Column F of the spreadsheet is a true-up of for FY04-05 of Property tax in lieu of VLF. This results because the FY04-05 amounts for cities and counties are based on what the 2% VLF and old pre-2004 allocation formulas would have provided each city and county in FY04-05 had those remained in effect. The true-up reflects the calculation for FY04-05 now that we know what the actual FY04-05 VLF revenues were and therefore what the actual 2% FY04-05 VLF revenues would have been. What each city and county will get in the true-up (reflected in column F) is the 2% FY04-05 VLF amount (column A) minus the amount each agency got in VLF (column B), minus the amount of estimated property tax in lieu of VLF paid in FY04-05 (column E). This is a ONE-TIME settle-up payment. Cities and counties will NOT see a similar settle-up payment in future years.
3. Column K is the amount of FY05-06 property tax in lieu of VLF (known in the law as the "VLF Adjustment Amount") to be paid to each city and county. In FY05-06 this amount is equal to each agency's FY04-05 VLF Adjustment Amount (including the settle-up) increase by the growth in assessed valuation in the jurisdiction from the prior year.¹ Note that this is the actual amount that will be paid in FY05-06 for FY05-06. There will be no need for any settle-up in FY06-07 for FY05-06. In subsequent years each agency's VLF Adjustment Amount will increase in proportion to the change in Assessed Valuation in the jurisdiction from the prior year, but in the future those calculations will be made by county auditors. For example, if a city's AV (including growth in redevelopment tax increment) is expected to grow by 7% from the 2005 to the 2006 equalized assessment roll, that city's FY06-07 Property Tax in Lieu of VLF (VLF Adjustment Amount) will be 1.07 times the amount shown in column K (the FY05-06 amount).
4. In addition to the amounts shown on this schedule, cities and counties are receiving additional Property Tax in Lieu of VLF with supplemental property tax payments. The supplemental roll reflects increased AV. Consequently, added AV means additional Property Tax in Lieu of VLF. So for revenue estimating purposes, the example city above should estimate some supplemental property tax in lieu of VLF in addition to the 1.07 times prior year regular property tax in lieu of VLF.

mjgc

¹ Less the value of any AV in an annexed area at the time of annexation. See my write-up on annexation-incorporation issues with the VLF-PropTax swap.

Proposition 172: Text of Proposed Law

AMENDMENT TO ARTICLE XIII

SEC. 35. (a) The people of the State of California find and declare all of the following: L (1) Public safety services are critically important to the security and well-being of the State's citizens and to the growth and revitalization of the State's economic base. L (2) The protection of the public safety is the first responsibility of local government and local officials have an obligation to give priority to the provision of adequate public safety services.

(3) In order to assist local government in maintaining a sufficient level of public safety services, the proceeds of the tax enacted pursuant to this section shall be designated exclusively for public safety.

(b) In addition to any sales and use taxes imposed by the Legislature, the following sales and use taxes are hereby imposed:

(1) For the privilege of selling tangible personal property at retail, a tax is hereby imposed upon all retailers at the rate of percent of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in this State on and after January 1, 1994.

(2) An excise tax is hereby imposed on the storage, use, or other consumption in this state of tangible personal property purchased from any retailer on and after January 1, 1994, for storage, use, or other consumption in this State at the rate of percent of the sales price of the property.

(c) The Sales and Use Tax Law, including any amendments made thereto on or after the effective date of this section, shall be applicable to the taxes imposed by subdivision (b).

(d) (1) All revenues, less refunds, derived from the taxes imposed pursuant to subdivision (b) shall be transferred to the Local Public Safety Fund for allocation by the Legislature, as prescribed by statute, to counties in which either of the following occurs:

(A) The board of supervisors, by a majority vote of its membership, requests an allocation from the Local Public Safety Fund in a manner prescribed by statute.

(B) A majority of the county's voters voting thereon approve the addition of this section.

(2) Moneys in the Local Public Safety Fund shall be allocated for use exclusively for public safety services of local agencies.

(e) Revenues derived from the taxes imposed pursuant to subdivision (b) shall not be considered proceeds of taxes for purposes of Article XIII B or state General Fund proceeds of taxes within the meaning of Article XVI.

(f) Except for the provisions of Section 34, this section shall supersede any other provisions of this Constitution that are in conflict with the provisions of this section, including, but not limited to, Section 9 of Article II.