



Joe Tessari
Mayor

April 26, 2017

Clint Lorimore
Mayor Pro Tem

Honorable Assembly Member Philil Ting, Chair Assembly Committee on Budget
State Capitol, Room 6026
Sacramento, CA 95814

Adam Rush
Council Member

Brandon Plott
Council Member

**RE: AB 48 (Ting). Local Government Finance: Property Tax Revenue
Allocation: Vehicle License Fee Adjustments.
NOTICE OF SUPPORT**

Todd Rigby
Council Member

Dear Assembly Member Ting:

On behalf of the City of Eastvale, I am pleased to express our support for AB 48 which would restore funding stability to four recently incorporated cities - Eastvale, Wildomar, Menifee and Jurupa Valley. These cities have been experiencing severe financial hardship since 2011, when the state swept all remaining shares of city vehicle license fee (VLF) revenues through the passage of SB 89.

While all cities were affected by the loss of city shares of VLF, these four cities were particularly hard hit due to prior legislative tinkering with local revenue sources. The four newly incorporation cities were much more reliant on the VLF than all of the state's other 478 cities and here is why:

Prior to 1998, cities had three sources of revenue: property tax; sales tax; and VLF revenue. (VLF originated as a local property tax levied on vehicles until 1933 when the state standardized collection.) Then in 1998, during a good-budget year for the state, some legislators became enamored with the idea of "cutting the car tax" from 2 percent to 0.65 percent with promises to backfill local agencies for their losses with shares of property tax from schools.

As state budget difficulties returned in the early 2000's legislators began to question the backfill to local agencies and also balked at the notion of allowing the triggers to be pulled which would allow VLF to be collected at its previous level of 2 percent. In 2004, an agreement was reached that was solidified in Proposition 1A; it allowed all cities and counties in existence on that date to swap dollar-for-dollar the amounts owed to them as VLF backfill for increased shares of local property tax for schools.

This fix left a major policy issue unresolved: there was no factor in the "swap" to address future incorporations or annexations. VLF had been previously allocated to cities on a per-capita basis. That meant that as new cities incorporated or otherwise added population they received increased shares of this pool of funds. These allocations also were a smart-growth incentive: more people in your city meant more revenue.

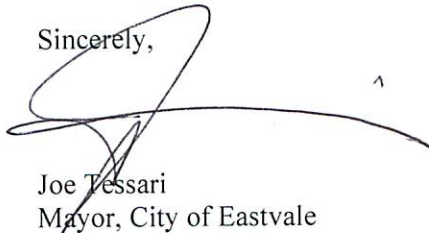
In 2006, the League worked with Assembly Member John Laird to fashion AB 1602, which addressed this problem by providing permanent increased shares of a small pool of remaining VLF to newly incorporated cities and cities that annexed inhabited areas. When the Legislature swept all of these funds in 2011 as part of a budget solution, the cities that had incorporated or annexed territory in heavy reliance of these funds were severely harmed, much more so than other cities in existence prior to 2004 that were able to take advantage of the swap. This revenue source was part of the feasibility study that was conducted per the Local Area Formation Commission (LAFCO) as part of incorporation.



AB 48 resolves this problem for the four cities with a statutory formula that provides cities that incorporated between 2004 and 2012 with shares of property tax to offset the amount of vehicle license fee revenue they would have received. In future years, the amount will be adjusted according to the same rules applied to other cities. In short, these cities will be treated equally with all other cities.

AB 48 would restore and stabilize funding for the affected cities and their residents with significant benefits to public safety for the City of Eastvale. This funding would allow us to add more police officers to increase our officer to resident ration which is approximately .49 per 1,000. For these reasons, we support AB 48. If you have any questions about our support for this bill, please call me at (951) 361-0900.

Sincerely,



Joe Tessari
Mayor, City of Eastvale

Cc: Members, Assembly Committee on Budget Senator Richard Roth

Assembly Member Sabrina Cervantes
Christian Griffith, Chief Consultant, Assembly Committee on Budget William Weber, Chief Consultant,
Assembly Republican Caucus