



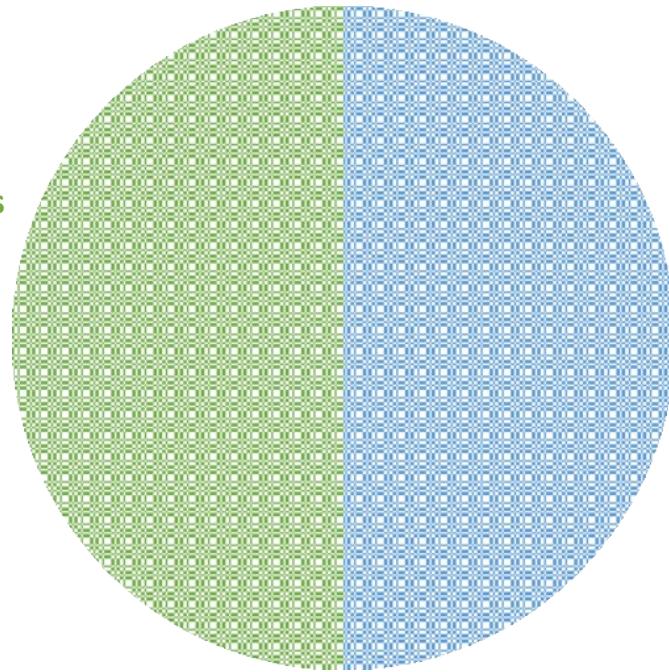
# **Property Tax in-lieu of Vehicle License Fee (VLF) Shortfall Overview**

**April 10, 2024**

## Local Property Tax Apportionment

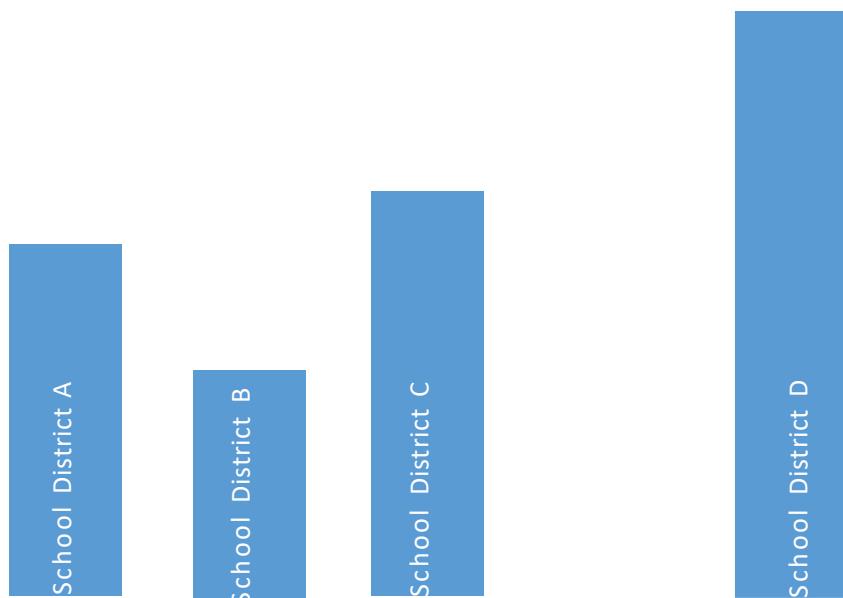
1% General Levy

- County
- Cities
- Special Districts



School Districts

# K-12 School District Funding



# K-12 School District Funding

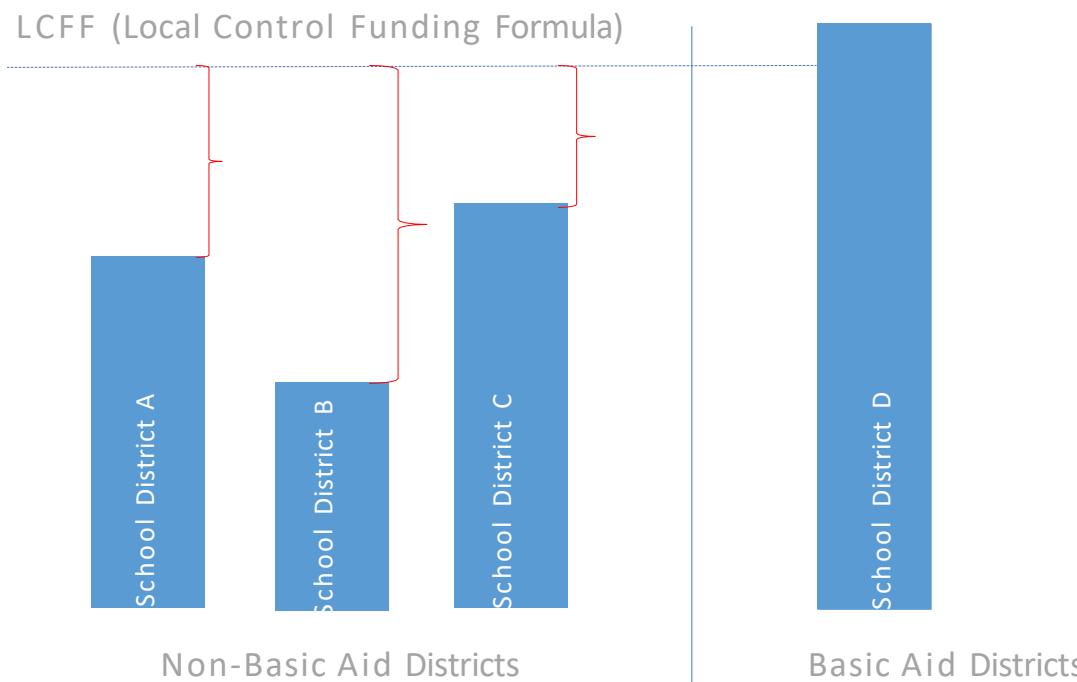
LCFF (Local Control Funding Formula)



Non-Basic Aid Districts

Basic Aid Districts

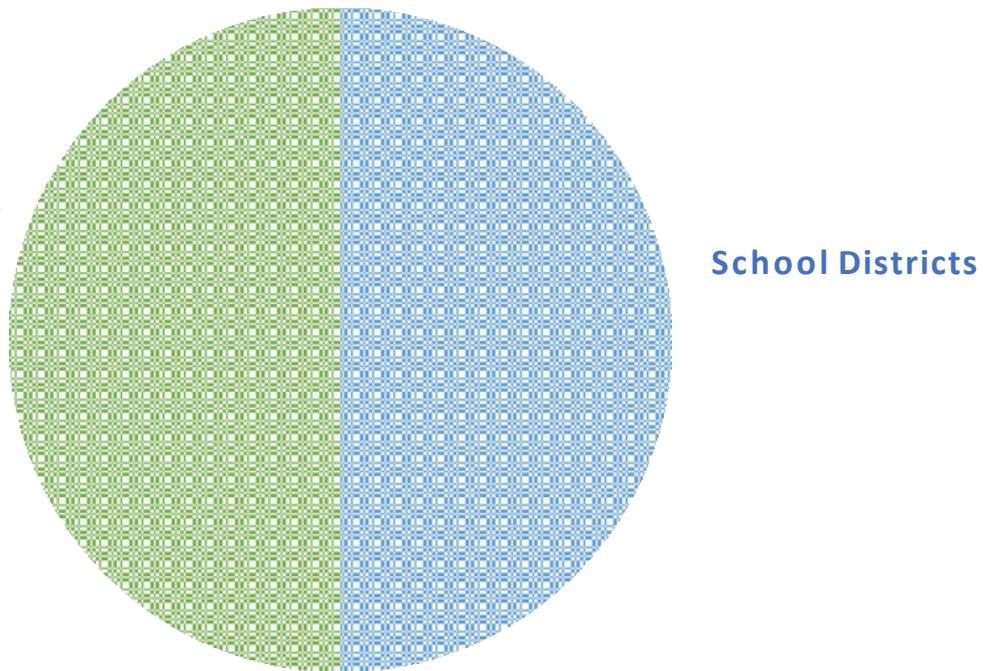
# K-12 School District Funding



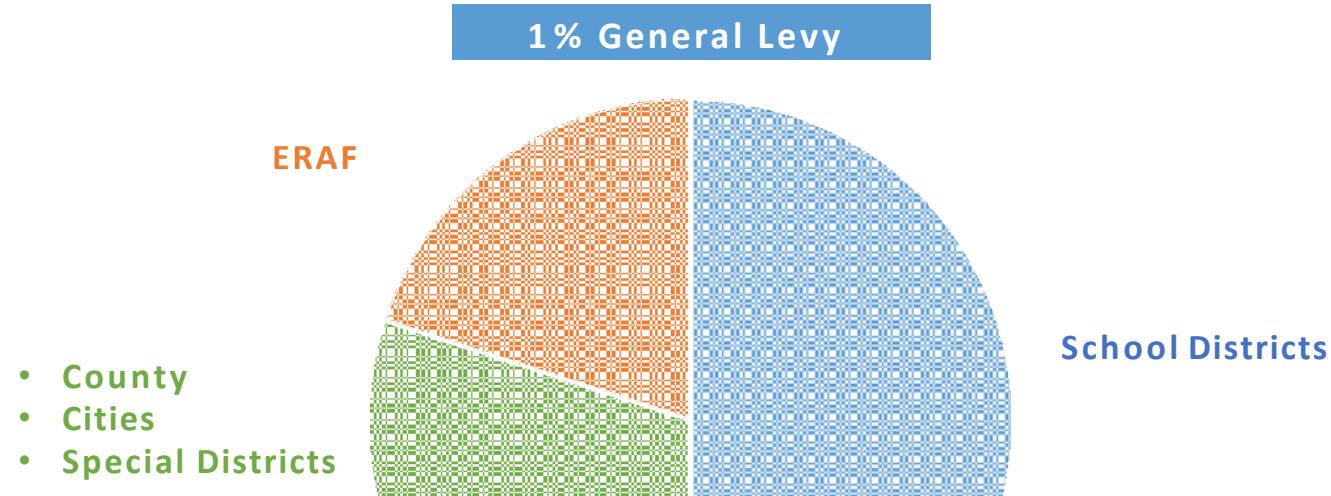
## ERAF (Education Revenue Augmentation Fund)

1% General Levy

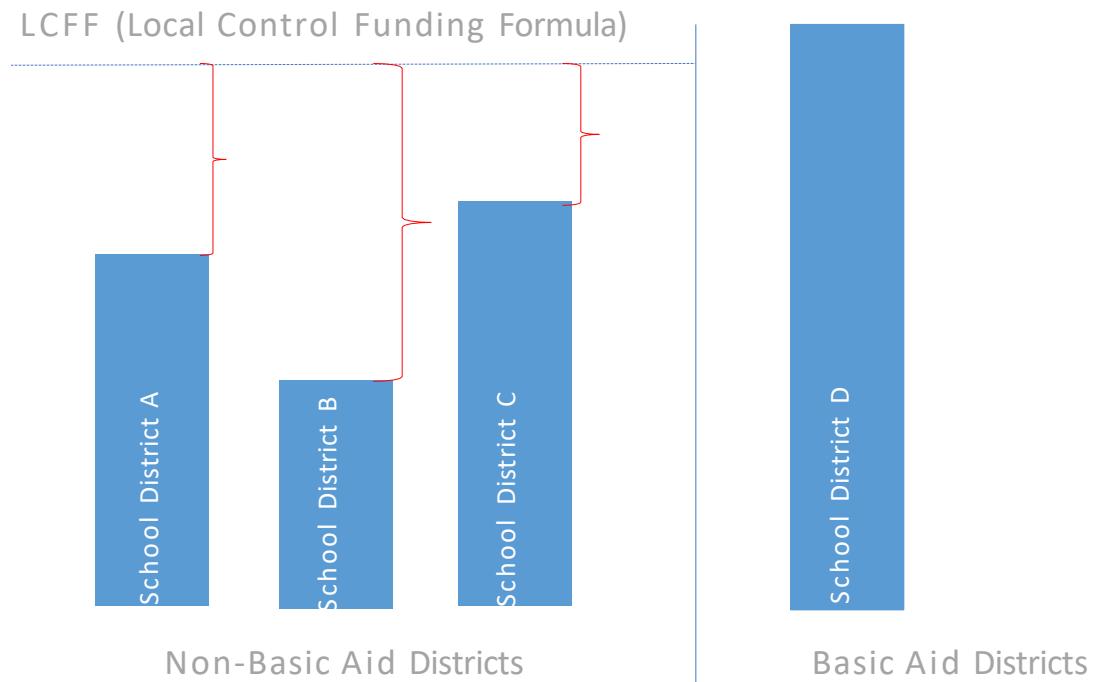
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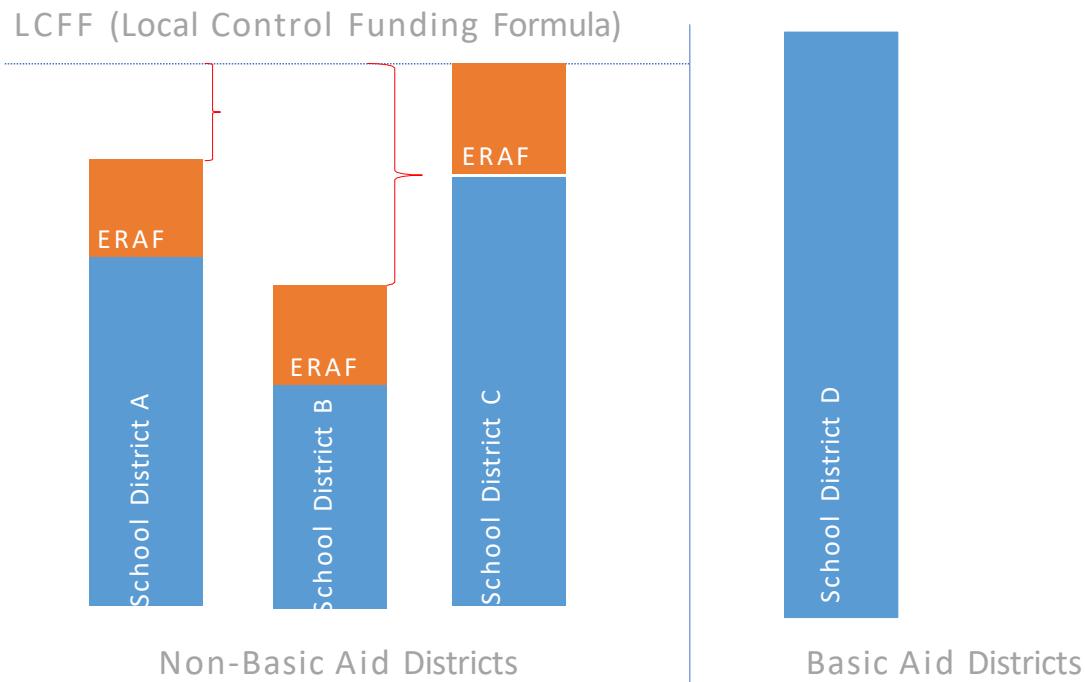
## ERAF (Education Revenue Augmentation Fund)



## K-12 School District Funding - ERAF

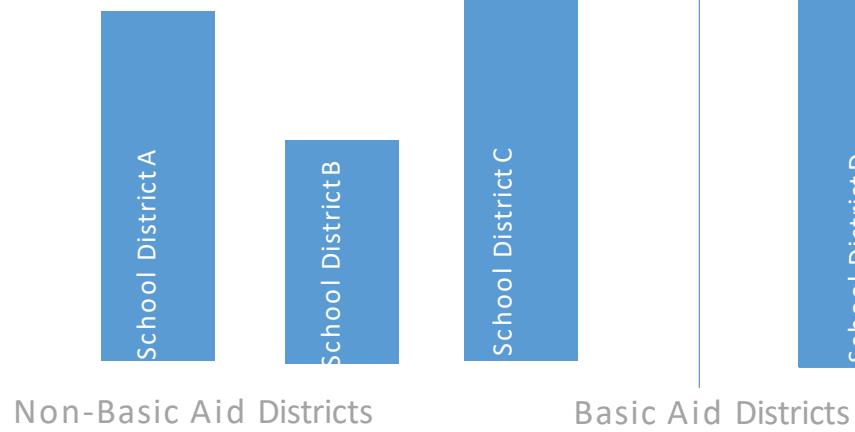


## K-12 School District Funding - ERAF

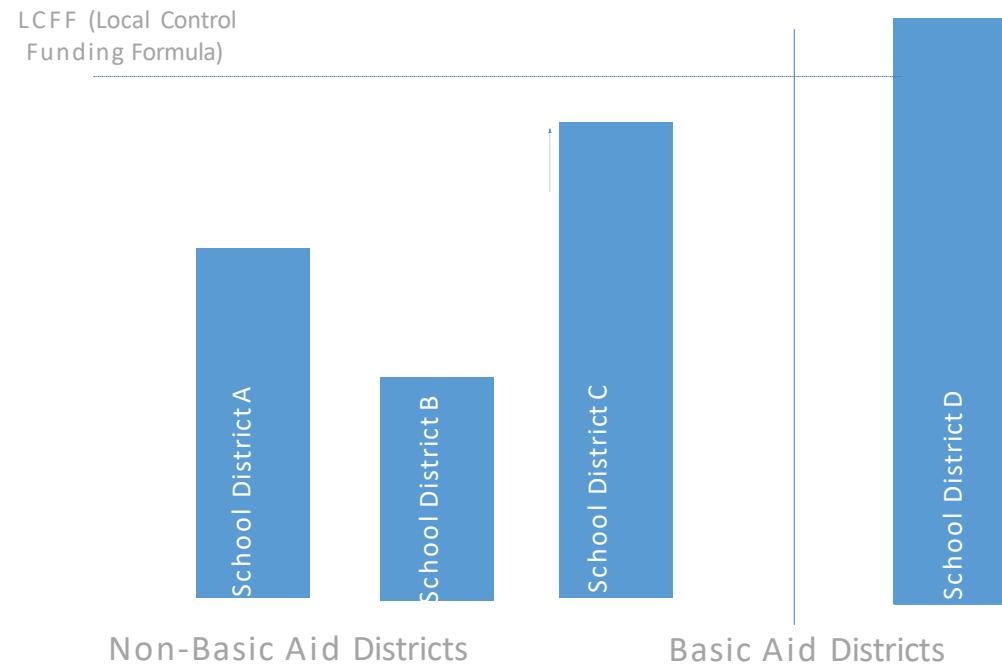


## Key Factors for a School District Turning Basic Aid

LCFF (Local Control  
Funding Formula)

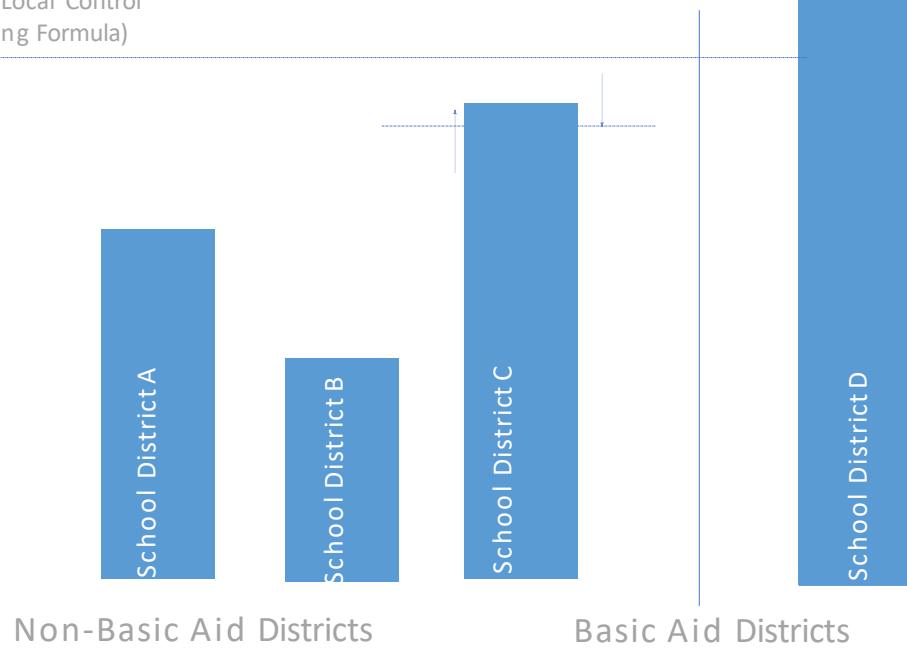


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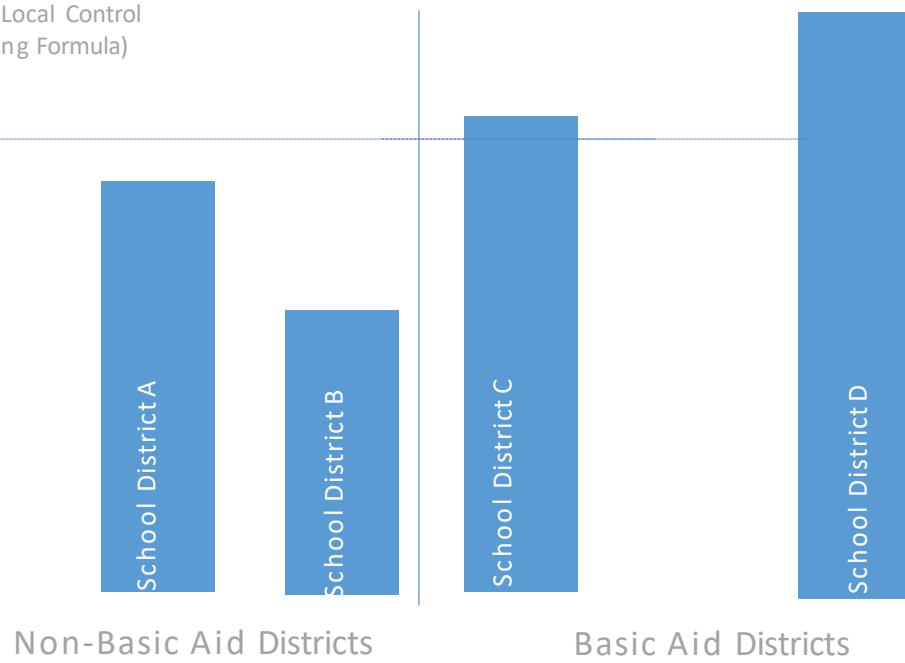
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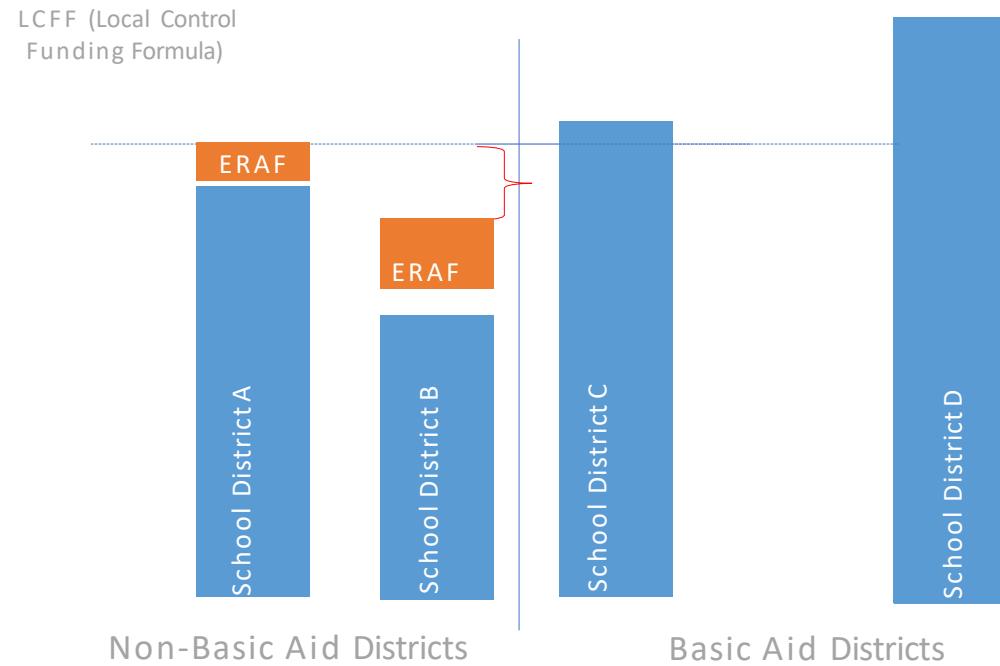


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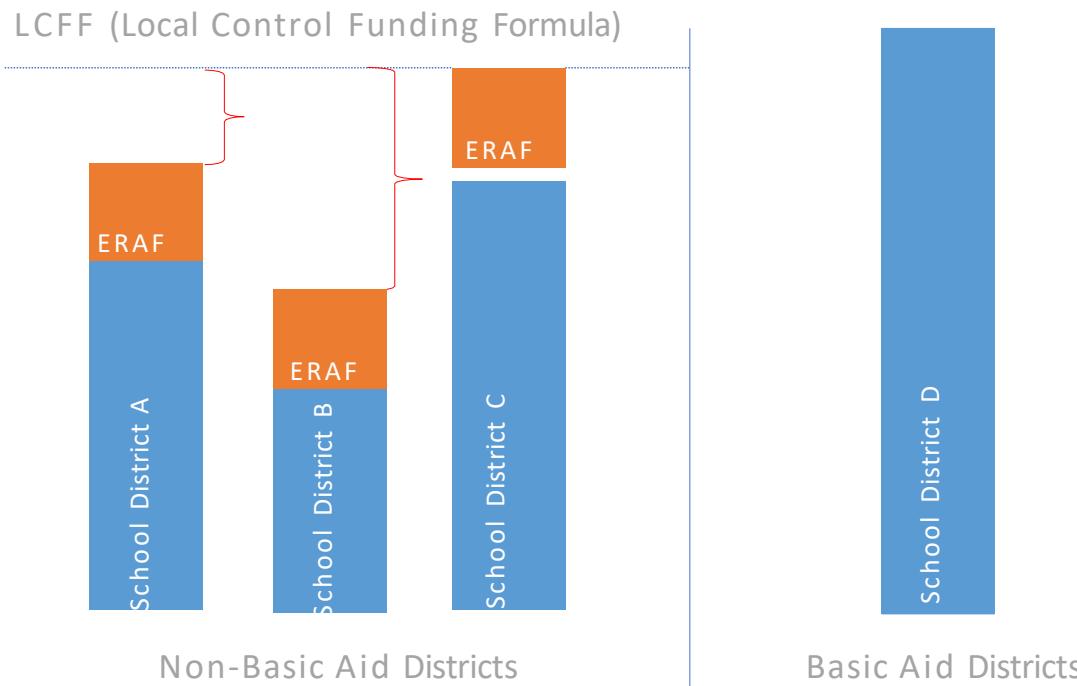
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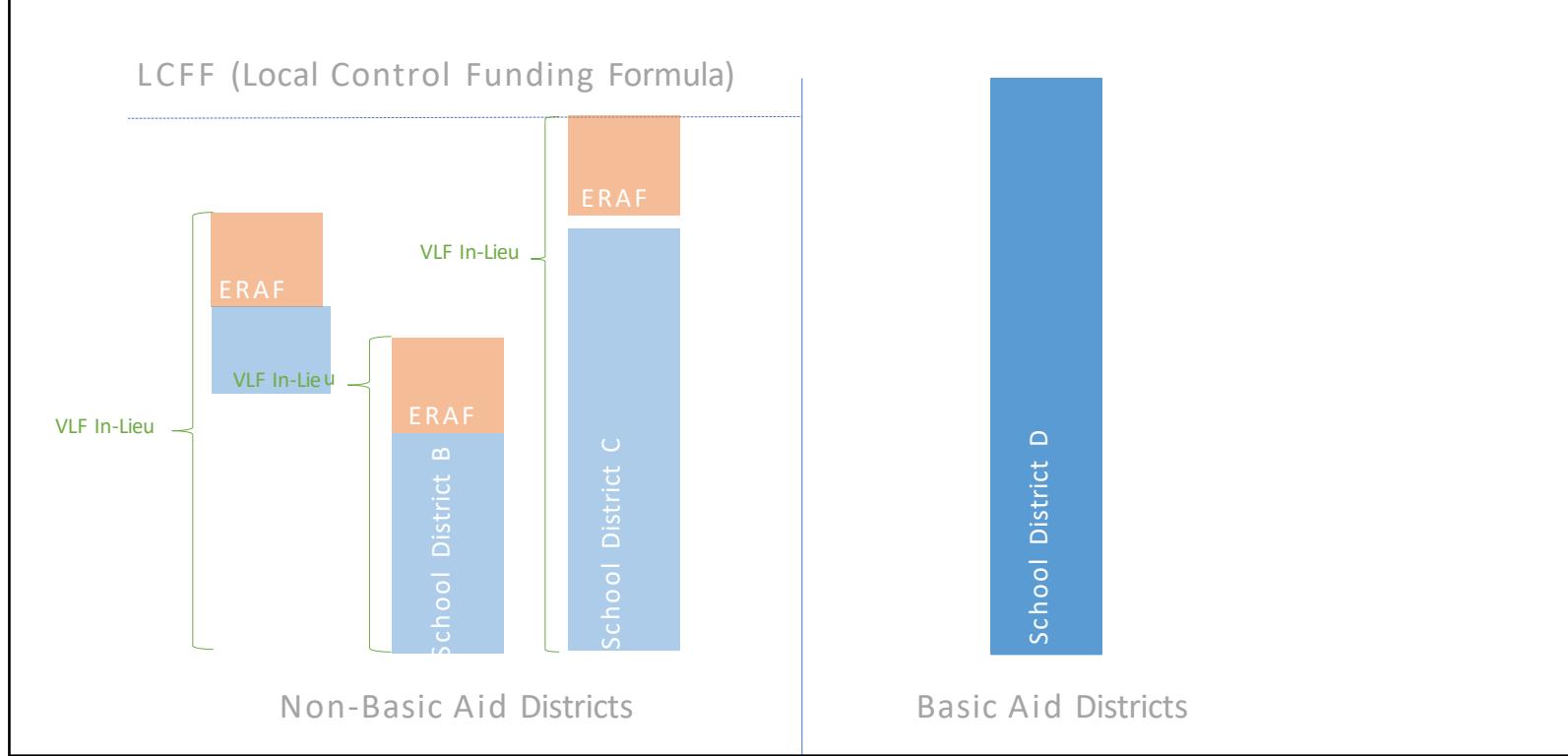
## In-Lieu Vehicle License Fee (VLF)

- Part of budget compromise of 2004
- Created State's In-lieu VLF payment obligation to counties and cities (VLF no longer tied to vehicle registration collected by State)
- VLF growth tied to local assessed value growth

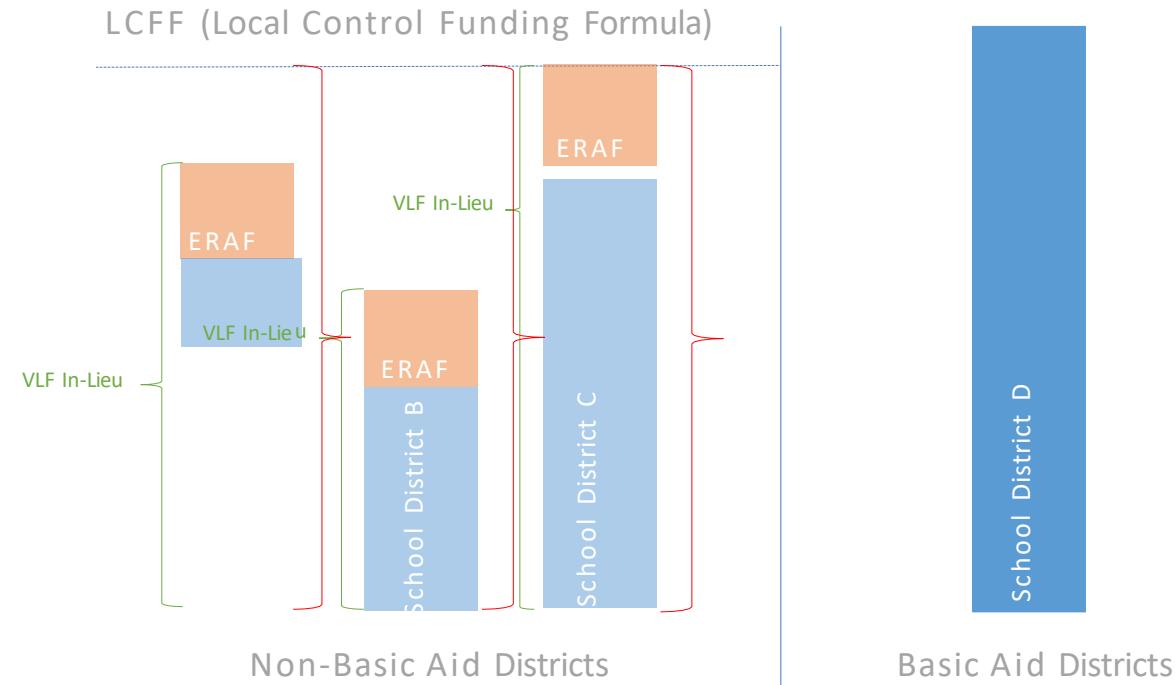
## In-Lieu VLF Funding Sources



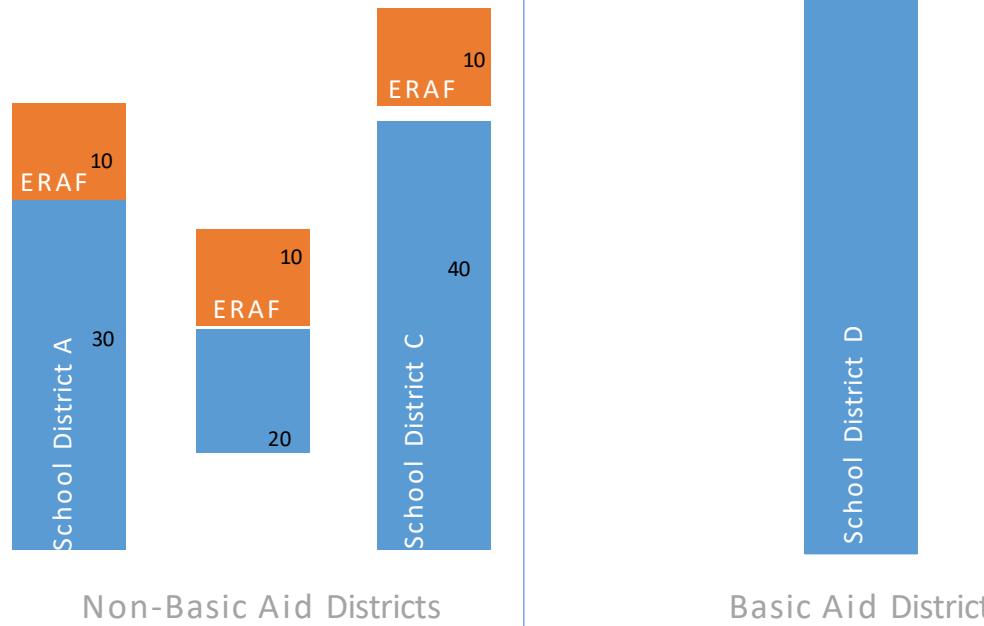
# In-Lieu VLF Funding Sources



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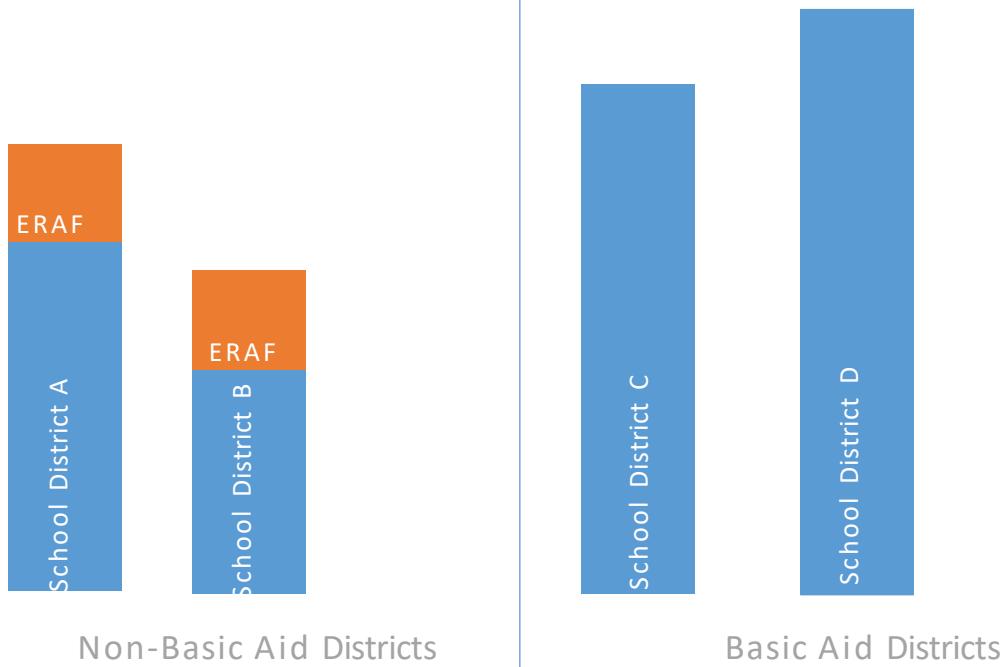


## Vehicle License Fee Shortfall

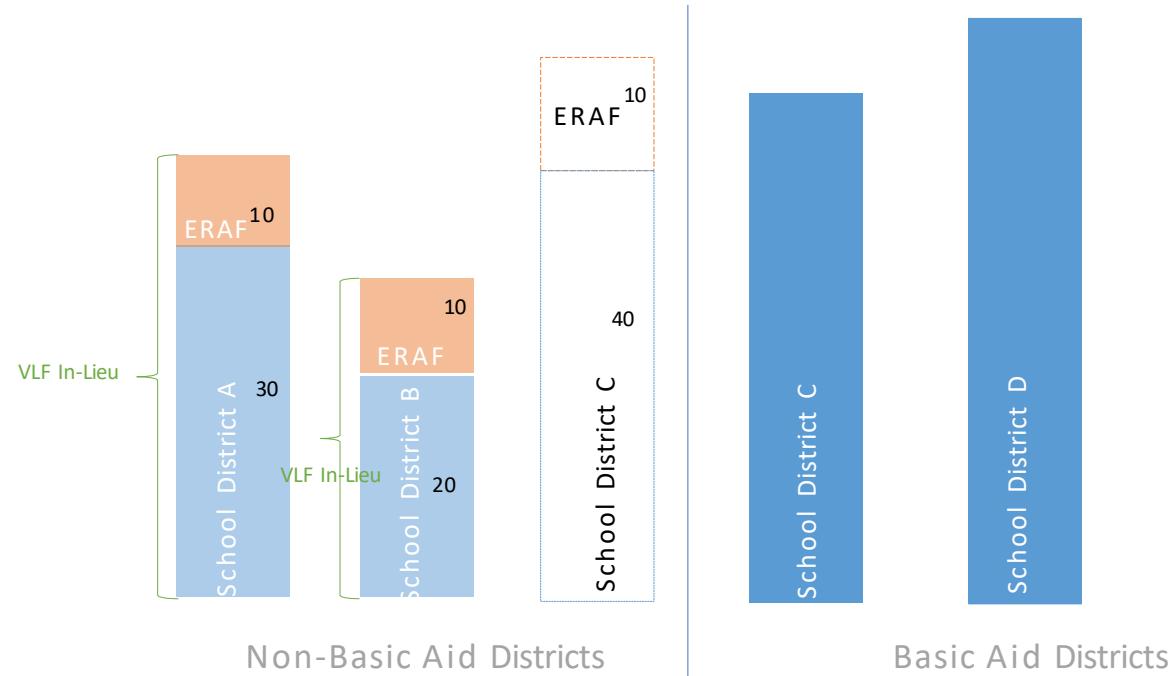


VLF Funding Example 1:  
VLF Obligation – \$110M  
Available Sources - \$120M

## Vehicle License Fee Shortfall



## Vehicle License Fee Shortfall



VLF Funding Example 2:  
VLF Obligation - \$110M  
Available Sources - \$70M  
Shortfall: \$40M

## What Happens When There Is a VLF Shortfall?

- The VLF Swap Statute does not specify how the State funds its in-lieu VLF obligation when the specified funding sources are insufficient to fully satisfy amounts owed to the cities and county.
- If there is a shortfall, the county auditor controller files a claim with the State/DOF requesting payment to county and cities
  - Statewide, only 3 counties (and cities within) experience VLF shortfalls: San Mateo, Alpine and Mono
  - All other 55 counties (and cities within) receive their full annual VLF revenue amounts from the State through the funding mechanism specified in the VLF Swap Statute
- Historically, the State has always made counties and cities whole by reimbursing any in-lieu VLF shortfalls through a special appropriation in the State budget.
- In years when the State has failed to include VLF shortfall amounts in the proposed budget, the counties and cities have relied on their state delegations to advocate for the inclusion of the reimbursement in the enacted State budget.

## VLF Shortfall Data for San Mateo County

- Historical countywide (cities and county) VLF shortfalls and method of payment:

- FY 2011-12 = \$432,286 = Funding included in Governor's FY 2013-14 proposed budget
- FY 2019-20 = \$10,098,355 = Funding included in Governor's FY 2021-22 proposed budget\*
- FY 2020-21 = \$96,051,945 = Funding included in Governor's FY 2022-23 proposed budget
- FY 2021-22 = \$32,440,253 = Funding included in Legislature's FY 2023-24 approved budget

\*amount was subsequently revised

- Current unpaid countywide VLF shortfalls

- FY 2022-23 = \$70,048,146 = No funding included in Governor's FY 2024-25 proposed budget
- FY 2023-24 = \$114,390,900 = Estimated shortfall for current year ending on June 30, 2024\*\*

\*\*estimate is subject to change as more information becomes available

- Projected future countywide shortfall amounts

- Future (FY 2024-25 to 2031-32) shortfall amounts are estimated to total between \$52 to \$332 million per year

# VLF Shortfalls (in millions)

**2023 Actual**

**2024 Estimate**

**2025-2024 Projection**

Agency	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
County	\$41	\$67	\$31	\$83	\$113	\$145	\$150	\$170	\$159	\$197
SSF	3	5	2	6	8	11	11	12	11	14
All other cities	26	42	19	51	70	89	92	104	98	121
<b>Total</b>	<b>\$70</b>	<b>\$114</b>	<b>\$52</b>	<b>\$140</b>	<b>\$191</b>	<b>\$245</b>	<b>\$253</b>	<b>\$286</b>	<b>\$268</b>	<b>\$332</b>