



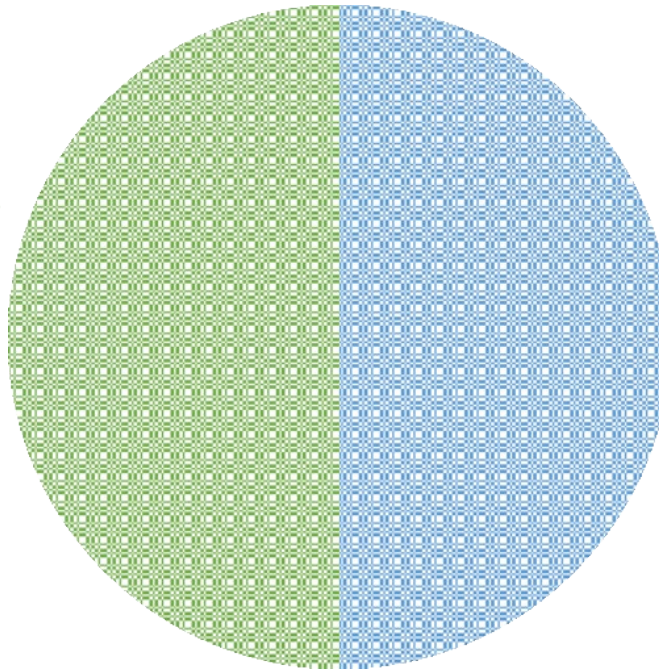
Property Tax in-lieu of Vehicle License Fee (VLF) Shortfall Overview

April 10, 2024

Local Property Tax Apportionment

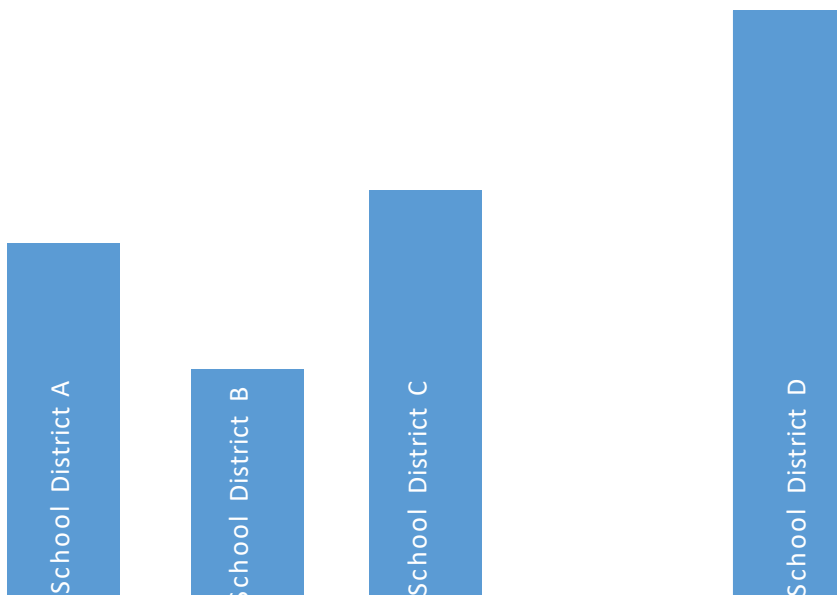
1% General Levy

- County
- Cities
- Special Districts



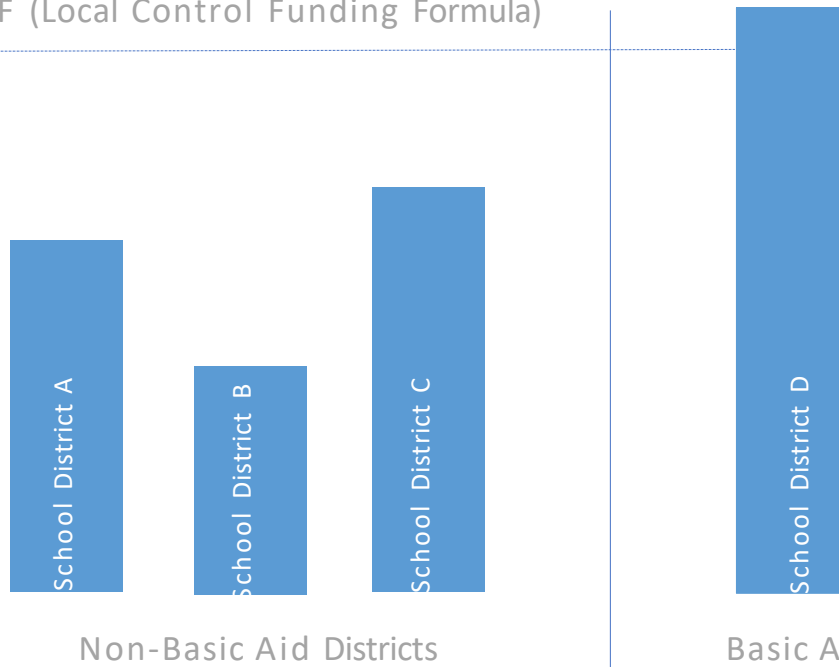
School Districts

K-12 School District Funding



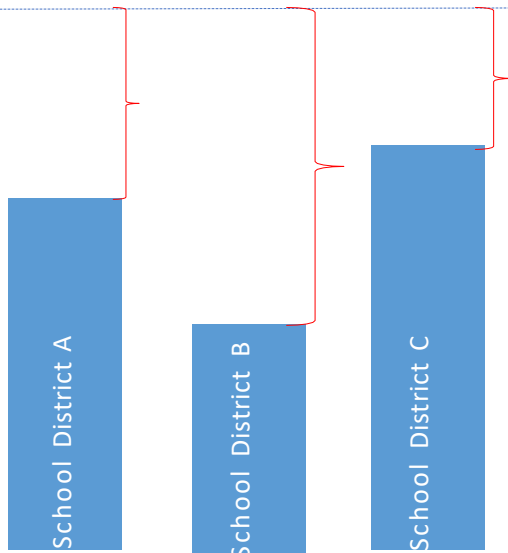
K-12 School District Funding

LCFF (Local Control Funding Formula)



K-12 School District Funding

LCFF (Local Control Funding Formula)



Non-Basic Aid Districts

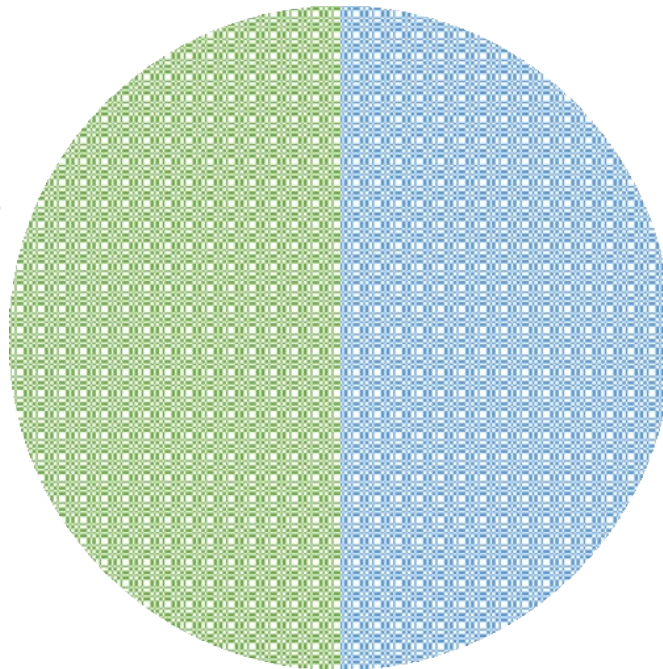


Basic Aid Districts

ERAF (Education Revenue Augmentation Fund)

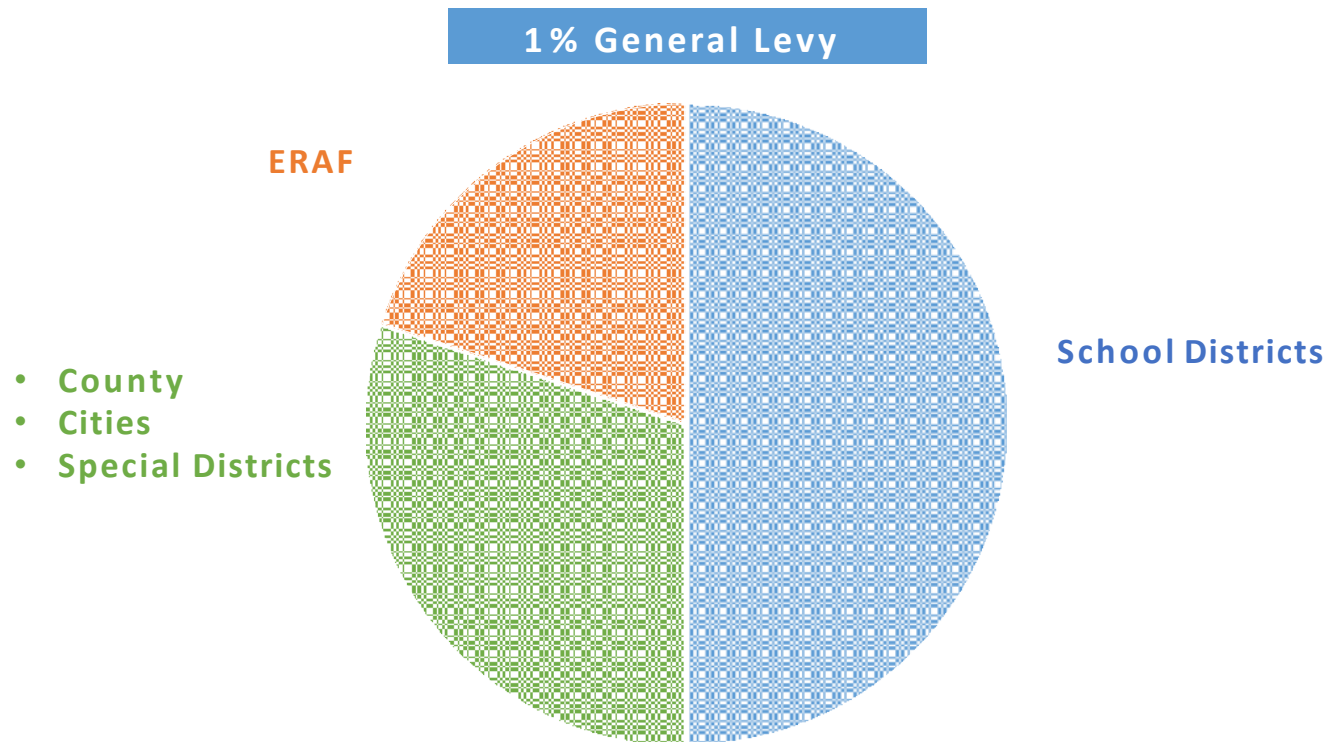
1% General Levy

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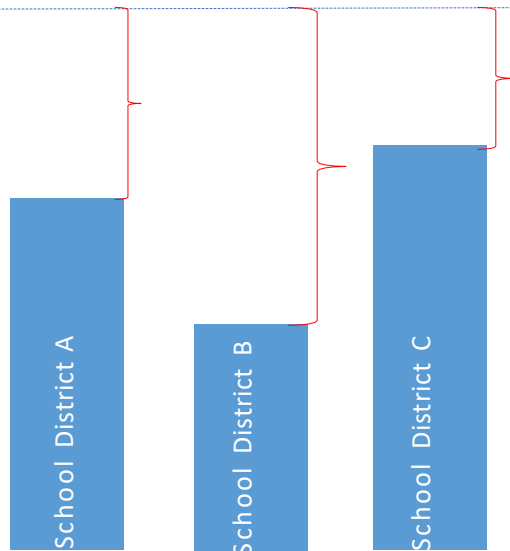
School Districts

ERAF (Education Revenue Augmentation Fund)



K-12 School District Funding - ERAF

LCFF (Local Control Funding Formula)



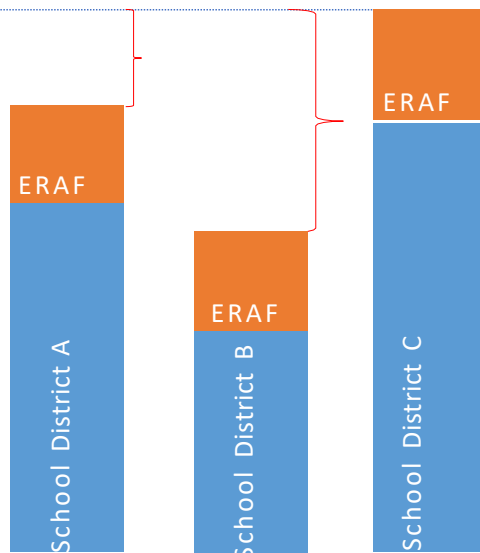
Non-Basic Aid Districts



Basic Aid Districts

K-12 School District Funding - ERAF

LCFF (Local Control Funding Formula)

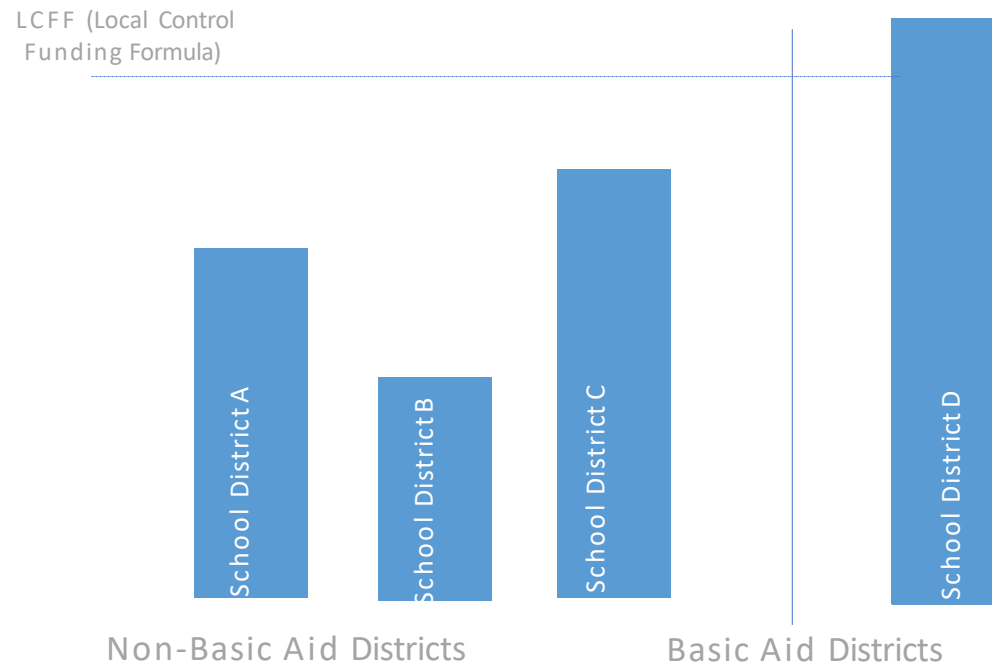


Non-Basic Aid Districts



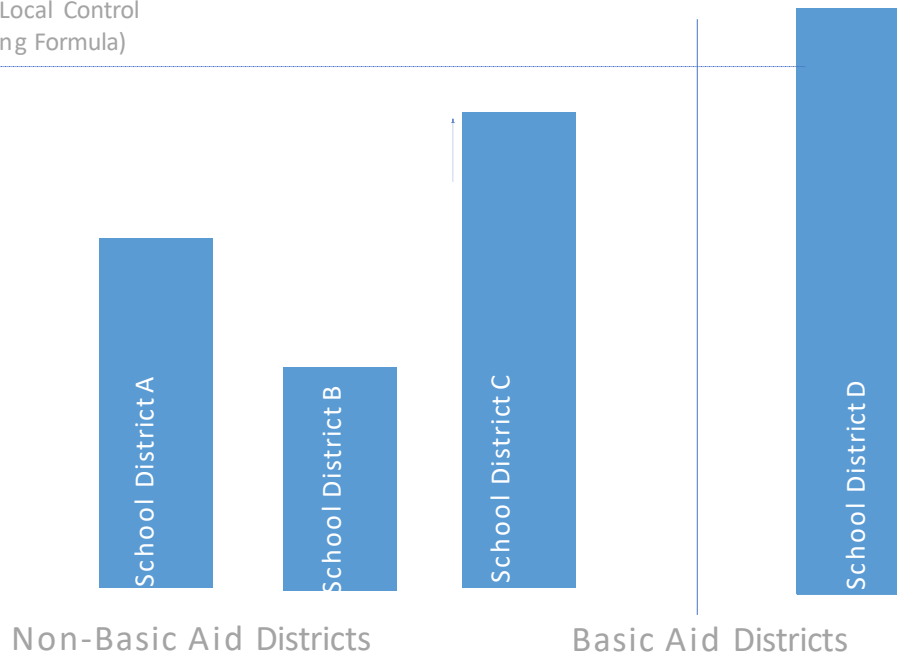
Basic Aid Districts

Key Factors for a School District Turning Basic Aid

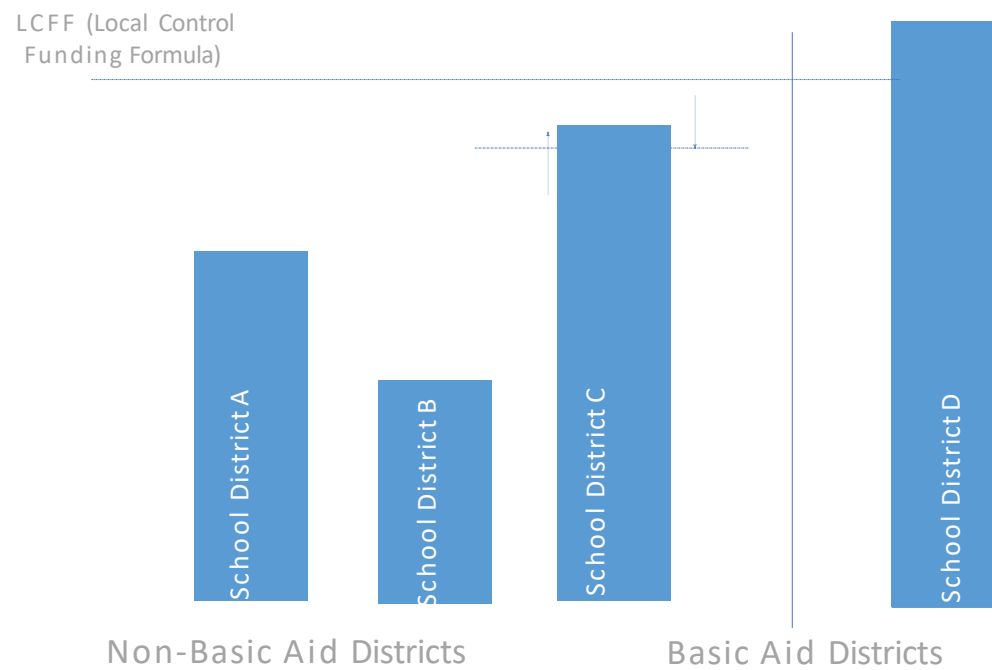


Key Factors for a School District Turning Basic Aid

LCFF (Local Control
Funding Formula)

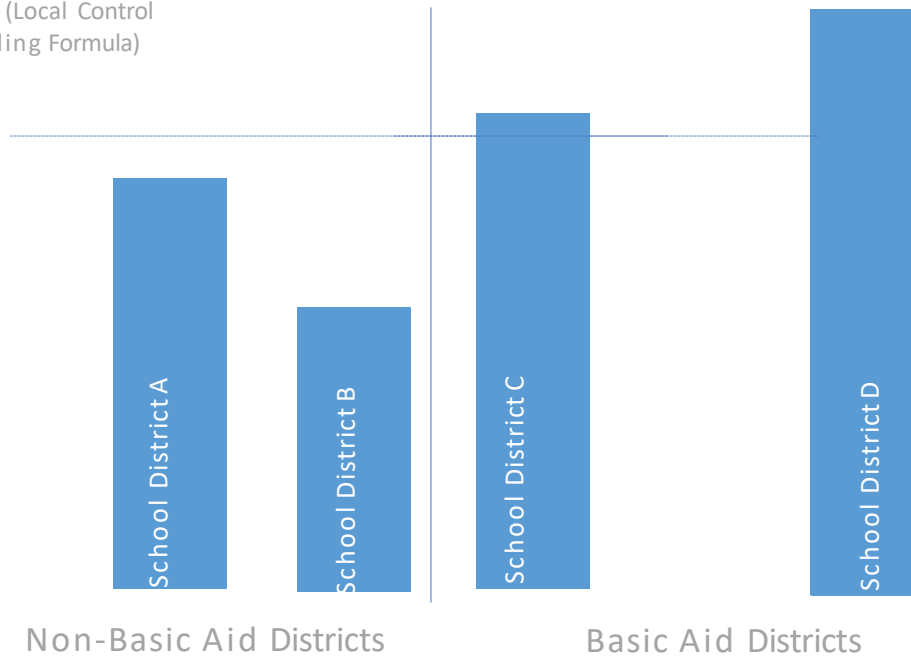


Key Factors for a School District Turning Basic Aid



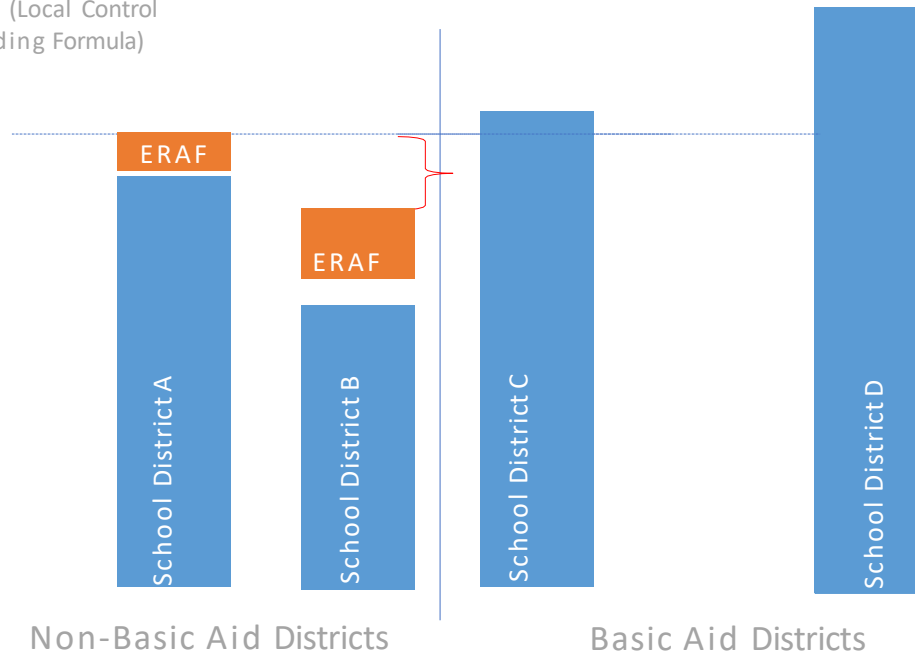
Key Factors for a School District Turning Basic Aid

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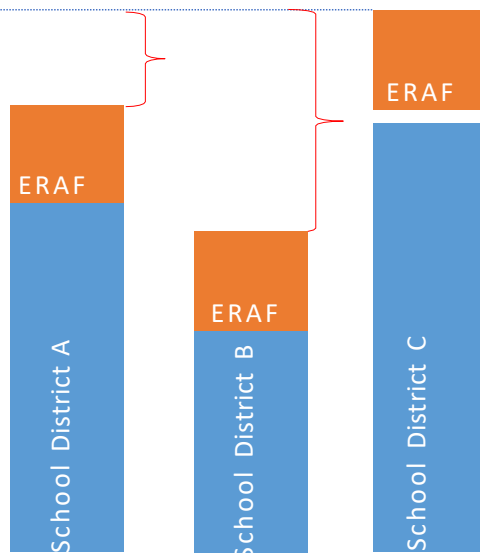


In-Lieu Vehicle License Fee (VLF)

- 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

LCFF (Local Control Funding Formula)

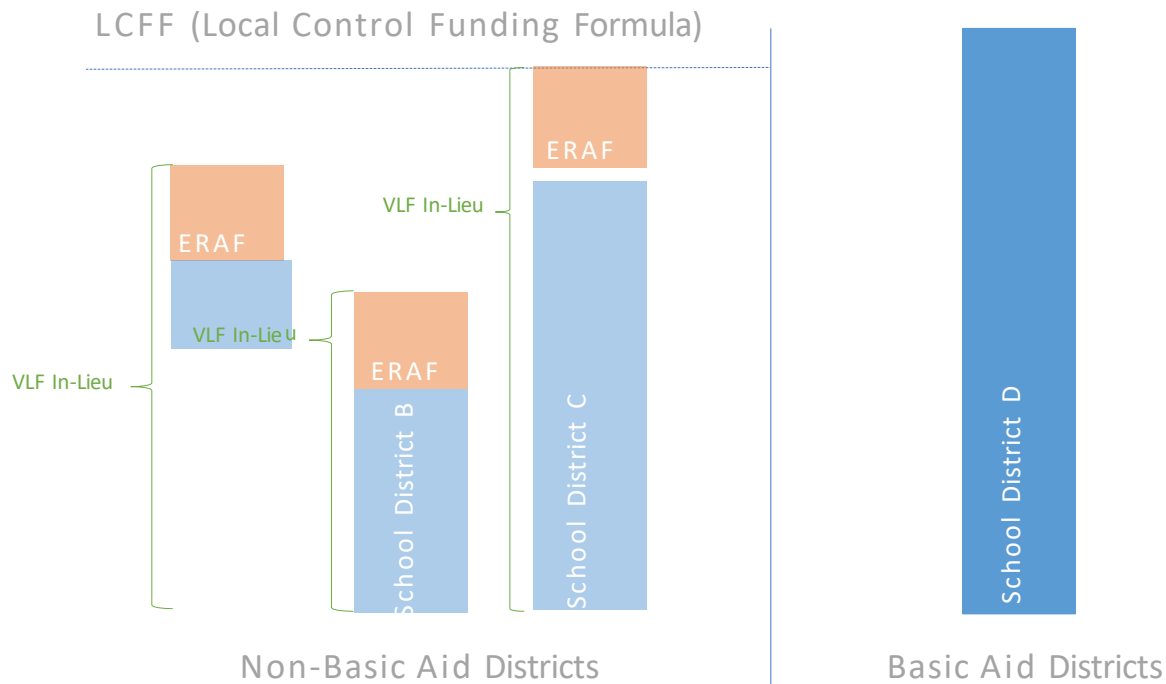


Non-Basic Aid Districts

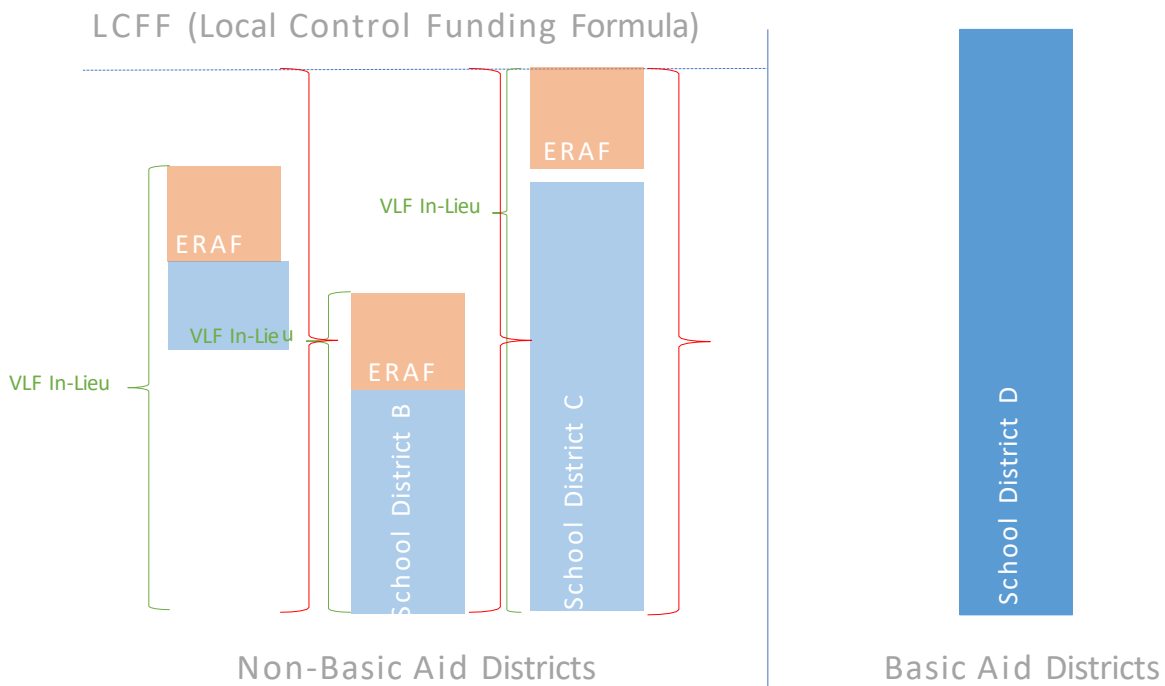


Basic Aid Districts

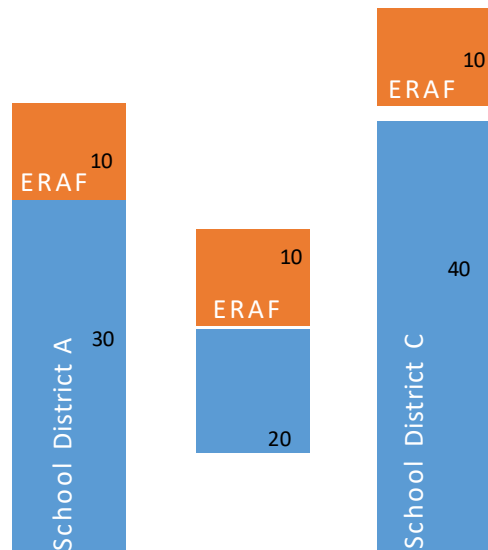
In-Lieu VLF Funding Sources



In-Lieu VLF Funding Sources



Vehicle License Fee Shortfall



Non-Basic Aid Districts



Basic Aid Districts

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

Vehicle License Fee Shortfall



ERAF

School District A

Non-Basic Aid Districts



ERAF

School District B



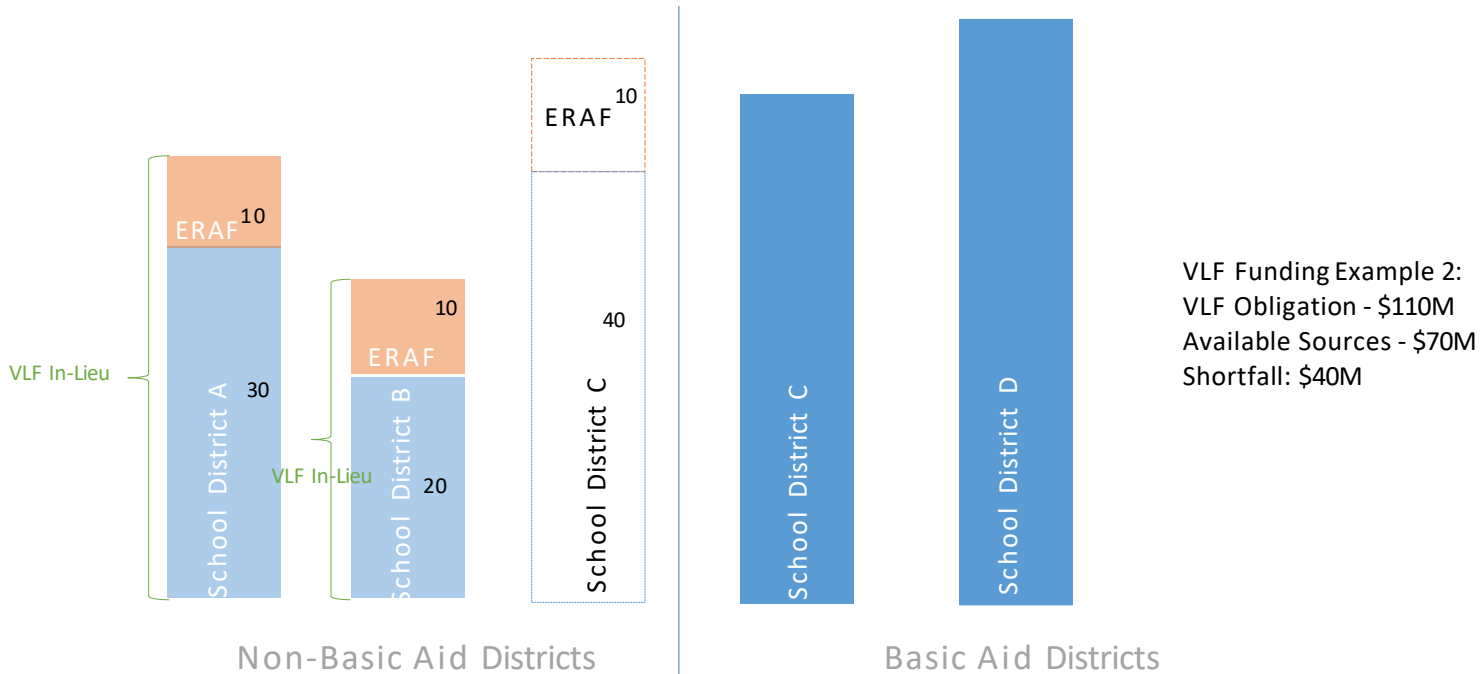
School District C

Basic Aid Districts



School District D

Vehicle License Fee Shortfall



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
Total	\$70	\$114	\$52	\$140	\$191	\$245	\$253	\$286	\$268	\$332