

the Department of Motor Vehicles pursuant to the depreciation schedule in effect on January 1, 2004, excluding those revenues derived from vehicle license fees that are allocated for the programs and services that are required pursuant to Sections 11000 through 11006, inclusive, of the Revenue and Taxation Code for funding the programs specified by Sections 17600 through 17600.20, inclusive, of the Welfare and Institutions Code; and

(D) The 2004-05 fiscal year Educational Revenue Augmentation Fund Adjustment Factor for the city, city and county, or county.

(2) For the purposes of this subdivision, the 2004-05 fiscal year Educational Revenue Augmentation Fund Adjustment Factor shall mean the product of the following amounts:

(A) One-half; and

(B) The difference between the following amounts:

(i) The amount of property tax revenues the city, city and county, or county would have received in the 2004-05 fiscal year based on the property tax allocations in effect on January 1, 2004 and otherwise applicable statutes, including but not limited to Section 96.1, governing year-to-year adjustments in property tax revenues in effect on January 1, 2004; and

(ii) The amount of property tax revenues actually received by the city, city and county, or county in the 2004-05 fiscal year.

(3) On or before August 1, 2005, the Director of Finance in consultation with the Board of Equalization shall, based on the distributions from the Board of Equalization to local agencies for the 2004-05 fiscal year, recalculate each amount estimated under paragraph (1) of subdivision (c) of Section 97.68 in effect on June 30, 2005, and shall notify each county auditor of the recalculated amount.

(A) If the amount recalculated under this paragraph for a city, city and county, or county is greater than the amount allocated to that local agency in the 2004-05 fiscal year under paragraph (2) of subdivision (c) of Section 97.68 in effect on June 30, 2005, the county auditor shall, in the 2005-06 fiscal year, transfer to the affected local agency an amount of ad valorem

property tax equal to this difference from the county's Educational Revenue Augmentation Fund. The provisions of subdivision (c) shall be applicable in the event that the county's Educational Revenue Augmentation Fund is not sufficient in amount to effect the required transfer.

(B) If the amount recalculated under this paragraph for a city, city and county, or county is less than the amount allocated to that local agency in the 2004-05 fiscal year under paragraph (2) of subdivision (c) of Section 97.68 in effect on June 30, 2005,, the county auditor shall, in the 2005-06 fiscal year, reduce the total amount of ad valorem property tax equal to this difference to the county's School Assistance Fund for Education from the amount otherwise to be allocated in the 2005-06 fiscal year to the affected local agency.

(b) Notwithstanding any other provision of this chapter, and in accordance with Section 16 of Article XI of the Constitution and other applicable provisions of law implementing the California Home Rule Amendment, for purposes of annual ad valorem property tax revenue allocations in the 2006-07 fiscal year, all of the following shall apply:

(1) The total amount of ad valorem property taxes deemed allocated to each city, city and county, and county in the 2005-06 fiscal year shall be increased by the sum of:

(A) The amount of property tax revenues the city, city and county, or county would have received in accordance with the 2005-06 fiscal year tax increment growth on the 2004-05 fiscal year Educational Revenue Augmentation Fund Adjustment Factor if the city, city and county, or county had received the 2004-05 fiscal year Educational Revenue Augmentation Fund Adjustment Factor in the 2004-05 fiscal year; and

(B) The 2004-05 fiscal year Educational Revenue Augmentation Fund Adjustment Factor for the city, city and county, or county.

(2) For the purposes of this subdivision, the 2004-05 fiscal year Educational Revenue Augmentation Fund Adjustment Factor shall mean the product of the following amounts:

(A) One-half; and

(B) *The difference between the following amounts:*

(i) *The amount of property tax revenues the city, city and county, or county would have received in the 2004-05 fiscal year based on the property tax allocations in effect on January 1, 2004 and otherwise applicable statutes, including but not limited to Section 96.1, governing year-to-year adjustments in property tax revenues in effect on January 1, 2004; and*

(ii) *The amount of property tax revenues actually received by the city, city and county, or county in the 2004-05 fiscal year.*

(c) *Notwithstanding any other provision of law, the total amount of ad valorem property tax revenue otherwise required to be allocated to a county's Educational Revenue Augmentation Fund shall first be reduced by the amount required to make the allocations specified in subdivisions (a) and (b).*

(1) *In the event that the county's Educational Revenue Augmentation Fund is not sufficient in amount to effect the required reduction, the amount of the insufficiency shall then be reduced from the allocated local proceeds of taxes available in the county for allocation to school districts and community college districts proportionately by enrollment.*

(2) *In the event that both the county's Educational Revenue Augmentation Fund and the allocated local proceeds of taxes available in the county for allocation to school districts and community college districts are not sufficient in amount to effect the required reduction, the amount of the insufficiency shall then be allocated from the county's School Assistance Fund for Education established pursuant to Section 36 of Article XIII of the Constitution.*

(d) *Each city, city and county, and county, within a three-year period commencing on January 1, 2005, shall have the opportunity to submit a one-time petition to the county auditor to implement a recalculation and adjustment to the percentage of property tax revenues allocated to such city, city and county, or county pursuant to subdivisions (a) and (b) based on increased sales tax revenues that, but for the California Home Rule Amendment, would have been allocated to the city, city and county, or county by reason of one or more approved development*

projects for which development applications were accepted as complete on or before January 1, 2005. Upon receipt of such a petition, the county auditor, upon consultation with the State Board of Equalization as appropriate, shall determine the appropriate recalculation adjustment.

(3) For the fiscal year 2007-08 and each fiscal year thereafter, ad valorem property tax revenue allocations made pursuant to Section 96.1 shall fully incorporate the allocation adjustments required by this section.

(e) Nothing in this section shall do any of the following:

(1) Require an increased ad valorem property tax revenue allocation to a community redevelopment agency.

(2) Alter the manner in which ad valorem property tax revenue growth from fiscal year to fiscal year is determined in a county.

(3) Interfere with or otherwise impair the realignment of funds and financial responsibility for programs and services that is required pursuant to Sections 11000 through 11006, inclusive, of the Revenue and Taxation Code for funding the programs specified by Sections 17600 through 17600.20, inclusive, of the Welfare and Institutions Code.

(4) Result in the allocation or distribution to any city, city and county, or county of property tax revenues that are collected outside the boundaries of the city, city and county, or county.

(f) Existing sales and use tax exchange and revenue sharing agreements, entered into prior to the operative date of this section, between local governments or between local governments and nonlocal governments shall be deemed to be modified to account for the reduction in sales and use tax revenues resulting from this section, with those reduced revenues to be replaced with property tax revenues as otherwise provided by law.

SECTION 13. Addition of Section 6051.7 to Revenue and Taxation Code.

Section 6051.7 is added to the Revenue and Taxation Code to read in its entirety as follows:

6051.7 (a) In addition to the taxes imposed by Section 6051 and any other provision of this part, for the privilege of selling tangible personal property at retail a tax is hereby imposed