Cities Vary ... Counties Vary ... Special Districts Vary ... and so do their finances

✓ Geography: proximity, climate, terrain, access
✓ Community Character / Vision: Land use
✓ Size – urban / rural
✓ Governance / service responsibilities
  full service city - vs. not full service city
✓ Counties – amount of urban development in unincorporated

❖ Statewide generalizations often mask trends among sub-groups
Taxes

✓ Charges which pay for public services, facilities that provide general benefits. No need for direct relationship between a taxpayer’s benefit and tax paid.

✓ Cities may impose any tax not otherwise prohibited by state law.
  (Gov Code § 37100.5)

✓ The state has reserved a number of taxes for its own purposes including:
  cigarette taxes, alcohol taxes, personal income taxes.

✓ General & Special
  □ General Tax - revenues may be used for any purpose.
    Majority voter approval required for new or increased local tax
  □ Special Tax - revenues must be used for a specific purpose.
    2/3 voter approval required for new or increased local tax
    Parcel tax - requires 2/3 vote

Fees and the Rest

Any levy, charge or exaction of any kind imposed by a local government, is a tax except:
✓ User Fees: for a privilege/benefit, service/product *
  Planning permits, street closure permits, parking permits, user fees, copying fees, recreation classes, etc.

✓ Regulatory Fees: regulation, permits, inspections *
  Permits for regulated commercial activities (e.g., dance hall, bingo, card room, check cashing, taxicab, peddlers, catering trucks, massage parlor, firearm dealers, etc.); fire, health, environmental, safety permits; pet licenses; bicycle licenses.

✓ Rents: charge for entrance, use or rental of government property
  Facility/room rental, equipment rental, on/off-street parking, tolls, franchise, park/zoo/museum admission, tipping fees, golf fees, etc

✓ Penalties for illegal activity, etc.
  Parking fines, late payment fees, interest charges and other charges for violation of the law.

✓ Charges imposed as a condition of property development
  Construction permits, development impact fees, etc.

✓ Assessments and property related fees imposed per Cal Const Article XIII D. (Prop218)

✓ A payment that is not “imposed by a local government”
  Includes payments made by voluntary contract/agreement not otherwise “imposed” by a government.
### Taxes and Fees/etc. Approval Requirements
(California Constitution)

<table>
<thead>
<tr>
<th></th>
<th>TAX- General</th>
<th>TAX- Parcel or Special (earmarked)</th>
<th>G.O.BOND (w/tax)</th>
<th>Fee / fine / rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>City / County</td>
<td>Majority voter approval</td>
<td>Two-thirds voter approval</td>
<td>Two-thirds voter approval</td>
<td>Majority of the governing board.*</td>
</tr>
<tr>
<td>Special District</td>
<td>n/a</td>
<td>Two-thirds voter approval</td>
<td>Two-thirds voter approval</td>
<td>Majority of the governing board.*</td>
</tr>
<tr>
<td>K-14 School</td>
<td>n/a</td>
<td>Two-thirds voter approval (parcel tax)</td>
<td>55% voter approval*</td>
<td>Majority of the governing board.*</td>
</tr>
<tr>
<td>State</td>
<td>For any law that will increase taxes of any taxpayer, two-thirds of each house of the Legislature ...or majority of statewide voters.</td>
<td>Statewide majority voter approval</td>
<td>Majority of each house.</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author's computations from California State Controller 2014-15 data. Does not include the City/County of San Francisco.

### California City Revenues

- **Taxes**
- **Fees**
- **State/Fed Aid**
- **Rents, penalties**
- **Other**

Source: Author's computations from California State Controller 2014-15 data. Does not include the City/County of San Francisco.
Typical Full Service City

- **Property Tax**
- **Sales & Use Tax**
- **Utility User Tax**
- **Hotel Tax**
- **Franchises**
- **BusnLic Tax**
- **Other**

**Revenues**

**Expenditures**

- **Fire**
- **Police**
- **Parks&Rec**
- **Library**
- **Streets**
- **Planning**
- **Other**

Counties are hybrid local/state

- **state/federal programs:** Aid to families (CalWORKS), food stamps, foster care, In-Home Support Services (IHSS), alcohol & drug treatment
- **countywide services:** jails, courts, elections, property tax collection & allocation
- **“city” services to unincorporated areas**

Counties have

- more mandates,
- less discretionary $, and
- are more vulnerable to state budgetary action
Property Tax

- An *ad valorem* tax imposed on real property and tangible personal property
- Maximum 1% rate (Article XIII A) of assessed value, plus voter approved rates to fund debt
- Assessed value capped at 1975-76 base year plus CPI or 2%/year, whichever is less
- Property that declines in value is reassessed to the lower market value.
- Reassessed to current full value upon change in ownership (with certain exemptions)
- Allocation: shared among cities, counties and school districts according to state law.

Where Your Property Tax Goes

Typical city resident

- **City**: 21%
- **County**: 27%
- **Local Schools**: 45%
- **Special Districts**: 7%

*Includes Property Tax in-lieu of VLF*

**Shares Vary!**

- Non-full service cities: portions of city shares go to special districts (e.g. fire)
- Pre-Prop13 tax rates

**Source:** Coleman Advisory Services computations from Board of Equalization and State Controller data.
Where Your Sales Tax Goes

- City*: 1.00%
- County TDA: 0.25%
- Proposition 172: 0.50%
- County Realignment: 1.5625%
- State General Fund: 3.9375%
- Total base rate: 7.25%

* For taxable sales in unincorporated areas, the local 1% rate goes to the county.

Local Streets and Roads Revenues
Local Streets and Roads Revenues

Str&Hwy 2104-2108
Base rate Gasoline Excise Tax 18¢
Now 19.4¢

Previously price-based Gasoline Excise Tax reset to @17.3¢ on 7/1/19
Now 18.7¢ inflation adjusted annually July 1

Transportation Improvement Fee $25 to $175/year depending on auto value
Now $27-192 inflation adjusted annually January 1

Gasoline Excise Tax +12¢
Now 13.0¢ inflation adjusted annually July 1

Diesel Excise Tax +20¢/gal
Now 22.0¢ inflation adjusted annually July 1

ZEV Registration Fee $100/yr on 2020 models / later

Local $ to HUTA
Local $ to RMRA & grants

Fuel Consumption

Graph showing millions of gallons for Gasoline and Diesel from 2017-18 to 2021-22 with percentage changes indicated.
Fuel and Registration Tax Increases

Calif. Gasoline Excise Tax per gallon

<table>
<thead>
<tr>
<th>Effective Date</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2019</td>
<td>$0.473</td>
</tr>
<tr>
<td>July 1, 2020</td>
<td>$0.505</td>
</tr>
<tr>
<td>July 1, 2021</td>
<td>$0.511</td>
</tr>
<tr>
<td>July 1, 2022 est</td>
<td>$0.541</td>
</tr>
</tbody>
</table>

Calif. Diesel Excise Tax per gallon

<table>
<thead>
<tr>
<th>Effective Date</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2019</td>
<td>$0.360</td>
</tr>
<tr>
<td>July 1, 2020</td>
<td>$0.385</td>
</tr>
<tr>
<td>July 1, 2021</td>
<td>$0.389</td>
</tr>
<tr>
<td>July 1, 2022 est</td>
<td>$0.411</td>
</tr>
</tbody>
</table>

Vehicle Registration Tax (Transportation Improvement Fee)

<table>
<thead>
<tr>
<th>Vehicle Value</th>
<th>Jan 2018</th>
<th>Jan 2020</th>
<th>Jan 2021</th>
<th>Jan 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - $4,999</td>
<td>$25</td>
<td>$27</td>
<td>$27</td>
<td>$28</td>
</tr>
<tr>
<td>$5,000 - $24,999</td>
<td>$52</td>
<td>$54</td>
<td>$55</td>
<td>$56</td>
</tr>
<tr>
<td>$25,000 - $34,999</td>
<td>$105</td>
<td>$107</td>
<td>$110</td>
<td>$112</td>
</tr>
<tr>
<td>$35,000 - $59,999</td>
<td>$157</td>
<td>$161</td>
<td>$165</td>
<td>$168</td>
</tr>
<tr>
<td>$60,000 &amp; over</td>
<td>$183</td>
<td>$188</td>
<td>$192</td>
<td>$196</td>
</tr>
</tbody>
</table>

Local Streets and Roads $ to Cities and Counties

Road Maintenance & Rehabilitation Account

H.U.T.A.

§2103 cities & counties

§2104 counties

§2105 cities & counties

§2106

§2107 cities
American Rescue Plan Act (ARPA) of 2021

ARPA State and Local Fiscal Relief Funds (SLFRF) Use of Funds – the Four Categories

A. to respond to the public health emergency or negative economic impacts associated with the COVID-19 emergency
   assist households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality

B. to support essential workers
   premium pay to eligible workers

C. to backfill a reduction in revenue since 2018-19

D. for water, sewer (incl. wastewater), or broadband infrastructure.
Revenue Loss: Big Improvements in the Final Rule!

1. “Standard Allowance” revenue loss option of $10 million (for full performance period)
   • Must choose $10m standard allowance OR calculation ... one-time irrevocable choice
2. May calculate revenue loss on fiscal year or calendar year.
3. Must exclude tax changes (cuts or increases) adopted after January 6, 2022 from the revenue calculation.
4. May exclude tax changes (cuts and increases) adopted prior to Jan 6, but since “the beginning of the public health emergency” January 27, 2020.
   • If you choose to exclude, must exclude ALL tax changes.
5. May exclude or include utilities.
6. Must still
   • include state intergovernmental revenue, such as HUTA/RMRA road funds,
   • calculate revenue loss in aggregate,
   • use FY2018-19 as the base year.

Eligible Uses of Section “C” Qualified SLFRF

Once qualified as revenue loss, Category C funds may be expended on ...

“Government services” that directly provide services or aid to citizens

Limitations:
1. To cover costs incurred March 3, 2021-December 31, 2024;
2. Must be obligated by Dec 31, 2024, expended by Dec 31, 2026;
3. May not spend funds on pension deposits;
4. May not be used to replenish rainy day funds, financial reserves, etc.;
5. May not be used for debt obligations;
6. May not be used as non-Federal Match for other Federal Programs.
Change in Sales Taxes

South Dakota v. Wayfair (SCOTUS 2018): States can require Sellers with significant business within a state to collect/remit taxes, despite not having physical presence in the state.

- Large uptick of Use Tax (Sales Tax) from out-of-state purchase beginning in spring 2019
- Also uptick in Transactions & Use Tax (add-on sales tax) including from instate transactions

- Pandemic hit certain sectors hard (e.g. restaurants, hospitality)
- Pandemic accelerated growth in online retail

Over the Counter Sale

Buyer Receives at ... Seller’s Place of Business

Retail Store

City A

BrBurns Sales Tax

Tr.Use* Tax

* “Transactions and Use Tax” AKA “Add-On Sales Tax”
Remote (Online) Sale
Seller with In-State Presence

- Seller’s Place of Business
  - Sales Office
  - Warehouse
  - City A
- Buyer Receives at ...
  - Residence or Business
  - City B

Issues
- Concentration of BB revenues
- Revenue kickback agreements

Good News
- AB147/Wayfair improving TrUT collections

* "Transactions and Use Tax" AKA "Add-On Sales Tax"

Remote (Online) Sale
Seller with Out-of-State Presence

- Seller’s Place of Business
  - Sales Office
  - Warehouse
  - Out of State
- Buyer Receives at ...
  - Residence or Business
  - City B
- Countywide pool
  - City C
  - City D
  - City E

Out of State
NEW EDITION - NOW AVAILABLE

An essential resource for anyone involved in local government finance in California.
Up-to-date information on local fees, taxes, charges and intergovernmental revenue for local governments including laws, court decisions, state tax rates and allocation formulas.

✓ Data and charts
✓ Relevant history and issues
✓ Legal references
✓ Definitions of terms
✓ Capital financing and cost recovery
✓ Detailed guidance for calculating a Gann Appropriations Limit

https://www.cacities.org/publications