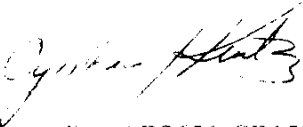


OFFICE OF THE CITY MANAGER

MEMORANDUM

April 24, 2000

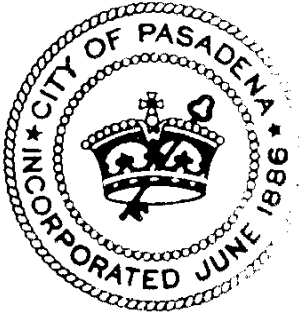
TO: City Council

FROM: Cynthia J. Kurtz, City Manager 

SUBJECT: Legislative Committee Action Regarding AB2656, SB1530
and similar legislation

On April 18, 2000, the Legislative Committee reviewed the attached report titled *Opposition to (1) Assembly Bill 2656 (Baugh) Vehicle License Fee Offsets: Increase and Contingencies, and (2) Senate Bill 1530 (Brulte). Vehicle License Fee Offsets: Modification Requirements, and (3) any legislation that would negatively impact the allocation of vehicle license fee revenue to local governments*

The Committee moved to approve the City Manager's recommendation with an objection to item 3. The Legislative Committee objected to the statement encompassing similar legislation and recommended submission of individual legislative bills to the Committee and Council prior to action being taken.



Agenda Report

TO: City Council April 24, 2000

THROUGH: Legislative Committee

FROM: Cynthia J. Kurtz, City Manager

SUBJECT: Opposition to (1) Assembly Bill 2656 (Baugh) – Vehicle License Fee Offsets: Increase and Contingencies, and (2) Senate Bill 1530 (Brulte): Vehicle License Fee Offsets: Modification Requirements, and (3) any legislation that would negatively impact the allocation of vehicle license fee revenue to local governments.

RECOMMENDATION

It is recommended that the City Council adopt the attached resolution and authorize the Mayor to send letters to the appropriate officials opposing the following legislation:

1. Assembly Bill 2656 (Baugh) – Vehicle License Fee Offsets: Increase and Contingencies
2. Senate Bill 1530 (Brulte) – Vehicle License Fee Offsets: Modification Requirements, and
3. Any legislation that negatively impacts the allocation of vehicle license fee revenue to local governments.

BACKGROUND

The Vehicle License Fee (VLF) is the fee that registered vehicle owners pay annually in lieu of local property taxes on their vehicles. The law provides that the amount of the license fee for any vehicle is 2% of the market value of the vehicle. All money collected by the Department of Motor Vehicles under the law is deposited in the Motor Vehicle License Fee Account in the State Transportation Fund or the Local Revenue Fund, as specified, and is appropriated for designated state and local purposes.

In 1998 the State Revenue and Taxation Code was amended to provide for offsets to the Vehicle License Fee in increasing percentages from 25% to 67.5% beginning January 1, 1999 through 2004. The offsets are contingent upon certain revenue targets being met for specified fiscal years, with a permanent offset of 25%. The amount of the offset will be transferred from the State General Fund to the Motor Vehicle License Fee Account and the Local Revenue Fund, as applicable. If insufficient moneys are available to be transferred from the General Fund, the amount of the offsets are to be reduced proportionately.

Discussion

Assembly Bill 2656 (Baugh): Vehicle License Fee Offsets: Increase and Contingencies

Assembly Bill 2656 would increase the range of percentages for the offsets from 25% to 67.5%, to 35% to 75%, and would accelerate the schedule for triggering the increased vehicle license fee offset percentages. The offsets are dependent upon factors that include whether forecasted State General Fund revenues for certain fiscal years are within certain revenue target ranges. The bill would take effect immediately as a tax levy.

Assembly Bill 2656 was introduced by Assemblyman Baugh on February 25, 2000, as a non-urgency statute. The bill was read for the first time on February 28, 2000.

Senate Bill 1530 (Brulte): Vehicle License Fee Offsets: Modification Requirements

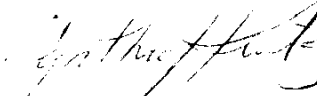
Senate Bill 1530 (Brulte) would accelerate the schedule for triggering the increased vehicle license fee offset percentages, beginning with 46.5% (rather than 35%) in fiscal year 2001. This bill would also increase the permanent offset from 25% to 35%. The offsets are dependent upon factors that include whether forecasted State General Fund revenues for certain fiscal years are within certain revenue target ranges. The bill would take effect immediately as a tax levy.

Senate Bill 1530 was introduced by Senator Brulte on February 17, 2000, as a non-urgency statute. The bill was referred to the Senate Committee on Revenue and Taxation on March 2, 2000.

FISCAL IMPACT

Assembly Bill 2656 and Senate Bill 1530 both have the potential for negatively impacting vehicle license fee revenue. The total amount of vehicle license fee revenue received by the City in 1999 was approximately \$7.4 million; \$1.4 million in Health Fund revenue and \$6 million in General Fund revenue. Since this revenue is based on the personal property tax, it is a discretionary revenue source that can be spent on public safety and other non-transportation related municipal services. The vehicle license fee revenue is one of the most stable revenue sources for the City since unlike the others – sales and property tax – it does not fluctuate dramatically with the state’s economic changes. These bills reflect action at the State level that could have a detrimental impact on local revenues.

Respectfully submitted,



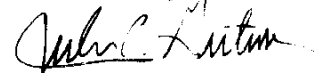
CYNTHIA J. KURTZ
City Manager

Prepared by:



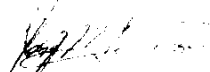
Trudi Wilcox
Management Analyst

Reviewed by:



Julie A. Gutierrez
Deputy Director of Finance

Approved by:



Jay M. Goldstone
Director of Finance