



OFFICE OF THE MAYOR

June 17, 2002

TO: Vice Mayor Little and Councilmembers  
FROM: Mayor Bogaard  
SUBJECT: Resolution Supporting the Restoration of the Vehicle License Fee

The League of California Cities is urging cities to adopt a resolution supporting full restoration of the Vehicle License Fee as a means of addressing the budget shortfall.

The Vehicle License Fee is a tax on the ownership of a registered vehicle in place of taxing vehicles as personal property. Approximately 60% the fees are allocated to cities on a population basis.

In 1998, the VLF was reduced or "offset" by 25% effective January 1, 1999. The law was amended in 1999 to accelerate the tax cut to 35% and again in 2000 to accelerate the cut to 67.5% as of January 1, 2001. Each time the VLF was reduced, the State funded the offset from its general fund to ensure that local governments continued to receive the full amount of funds as under prior law.

The Governor is proposing a partial re-instatement of the VLF effective January 1, 2003, which would generate an estimated \$1.3 billion. At the same time, however, he is proposing a reduction in State general fund revenue allocations to cities of \$1.8 billion. Re-instatement of the VLF to its full level would generate an additional \$2.3 billion and substantially offset proposed reductions in revenue to local governments.

*Bee*