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September 10, 2012

The Honorable Edmund G. Brown, Jr.
Governor, State of California
State Capitol Building, First Floor
Sacramento, CA 95814

RE: AB 1098 (Carter). Vehicle license fees: allocation. (As enrolled)
Request for Signature

Dear Governor Brown:

The League of California Cities (League) respectfully requests that you **SIGN** Assembly Bill 1098 (Carter).

First and foremost, this measure is about doing the right thing to rectify a critical problem affecting several of the state's recently incorporated cities. These cities formed under the laws of the state governing incorporation, which included an intensive fiscal analysis by the local agency formation commission (LAFCO) and the approval of local voters. These agencies and local voters made decisions based upon the laws and policies in effect, which included special allocations of city shares of vehicle license fees (VLF), both for a temporary five-year "bump" and a permanent additional allocation. Without AB 1098, some of these cities will likely face disincorporation.

This measure also recognizes and honors commitments made by other cities that acted in support of state LAFCO policies. These policies promote annexation of unincorporated islands and inhabited areas adjacent to cities to improve infrastructure and services for affected residents, while also reducing costs to counties and improving governmental accountability and transparency. These are the same policies that the state is seeking to promote when you signed SB 244 (Wolk) of 2011, which is aimed at encouraging the future annexation of disadvantaged unincorporated communities.

Moreover, this measure is about addressing an injustice. These communities were afforded no due process by the Legislature when these revenues were taken from them. There was no transparency, no policy committee process, no opportunity to be heard. Rather, laws and policies that took years of careful legislative policy deliberations to establish were swept away in a matter of hours.

The solution in AB 1098 is designed to be as surgical as possible. The total amount needed to make the affected cities whole is approximately \$18 million. These funds are available because \$25 million (of what otherwise would be city shares of VLF) was allocated by SB 89 of 2011 to fund DMV administrative costs. Rather than generating the anticipated \$300 million for DMV administrative costs, the new \$12 fee imposed by SB 89 is expected to generate approximately \$355 million, leaving more than enough revenue to accomplish the goals of this measure without having a negative impact on DMV administration.

This \$25 million will more than cover the state's long-standing commitment to new cities and cities with annexed areas in the years to come. The state's woeful economy and crimped city budgets have drastically curbed the pace of annexation. Also, the five-year "bumps" to the newly incorporated cities step down by 20% each year, which will free-up more of the \$18 million. There are no new cities on the immediate horizon, and the pace of incorporation has drastically slowed since the 1992 passage of Revenue Neutrality Law.

Some counties have voiced concern that this measure would shift funds away from Public Safety Realignment funds. We disagree that this is the case. The \$25 million in VLF funds targeted by this measure was allocated to DMV administration, not realignment. We recognize, however, that they are concerned that future growth in new incorporations and annexations could exceed the \$25 million, and question of where additional funds would come from. Because it is not our intent that future growth in the allocations established by this measure should affect the amount of funding allocated to realignment in 2011, the League would be happy to work with your administration and the counties in the coming legislative session on clean-up to ensure that 2011 realignment funding is not affected.

To avoid additional harm to newly incorporated communities and cities with annexations that have suffered from the enactment of SB 89, and in recognition of how this measure supports established state policies, we respectfully urge you to **Sign** AB 1098.

If you have any questions regarding the League's position, please do not hesitate to contact me at (916) 658-8222.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel Carrigg", written in a cursive style.

Daniel Carrigg
Legislative Director

cc: The Honorable Wilmer Amina Carter
 The Honorable Gloria Negrete McLeod
 The Honorable Bill Emmerson