

January 23, 2003

Honorable Mayor and Members of
the Hermosa Beach City Council

Regular Meeting of
January 28, 2002

**RESOLUTION URGING THE CALIFORNIA LEGISLATURE TO REJECT THE
GOVERNOR'S SHIFT OF LOCAL VLF REVENUES AND HONOR A 1998
COMMITMENT TO RESTORE THE VLF IF BACKFILL REVENUES COULD
NOT BE MAINTAINED**

Recommendation:

That the City Council adopt the attached resolution supporting restoration of the VLF to local government.

Background:

The attached resolution traces the history of the VLF beginning in 1935 as a City and County property tax, through the 1998 reduction of VLF payments by vehicle owners. The legislative intent when the reductions were made that if the state could not continue the "VLF backfill", then the VLF would be restored to an amount needed to continue the backfill to local government.

A bill has been introduced in the Assembly to restore the full VLF fees. It is AB4X. This is now expected to be heard on the Assembly floor on Thursday, January 23, 2003 after Policy Committee hearings on Wednesday or Thursday morning.

The Governor's proposal is to reduce the amount received this year, 2002-03, by around 50% or \$396,017. The entire VLF backfill for the 2003-04 fiscal year is \$851,436. If the bill AB4X is enacted, the City would not lose these funds.

Respectfully submitted,

Stephen R. Burrell
City Manager

RESOLUTION NO. 03-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HERMOSA BEACH, CALIFORNIA, URGING THE CALIFORNIA LEGISLATURE TO REJECT THE GOVERNOR'S PROPOSED SHIFT OF LOCAL VLF REVENUES AND TO HONOR THE 1998 COMMITMENT TO RESTORE THE VLF.

WHEREAS, prior to 1935, cities and counties collected property taxes on motor vehicles to fund essential local public health and safety services; and

WHEREAS, in 1935, the Legislature first enacted the Vehicle License Fee (VLF) Act, replacing the property tax on vehicles with a 1.75 percent fee charged against the value of the motor vehicle; and

WHEREAS, in 1948, the rate of the VLF was increased to 2 percent of the value of the vehicle; and

WHEREAS, in 1986, the voters voted overwhelmingly to constitutionally dedicate the proceeds of the VLF to fund city and county services; and

WHEREAS, in 1998, a period of strong economic growth, the Legislature approved the use of a portion of the rapidly growing state General Fund to reduce the VLF payments of vehicle owners. This amount, known as the "offset", grew in future years to a 67.5 percent offset against the amount owed. The amount paid to local governments in lieu of the reduced VLF payment is known as the "VLF backfill"; and

WHEREAS, the 1998 legislation and subsequent enactments contain clear provisions that when insufficient funds are available to be transferred from the General Fund to fully fund the offsets and backfill amount that the VLF offset shall be reduced and VLF payments increased; and

WHEREAS, VLF and backfill revenues constitute 15 to 25 percent of typical city and county general purpose revenues. On average, more than 60 percent of city general fund spending and more than half of county general funds go to front line law enforcement, fire, emergency medical services, and health care programs.

WHEREAS, revenues derived from the VLF and backfill are of critical importance in funding vital local public health and safety services; and

WHEREAS, any failure by the Legislature to maintain the VLF backfill or restore the VLF will cause widespread disruption in local government services essential to the well-being of California citizens and their cities and counties; and

WHEREAS, Governor Davis' proposal to divert \$4 billion in local VLF backfill payments over the next 17 months fails to honor the 1998 commitment and is a direct assault on local services that will be felt by every California resident; and

WHEREAS, shifting \$4.2 billion in locally controlled revenues for local services is neither equitable nor fair. No state program or department has been asked to shoulder such a disproportionate share of the budget pain. These cuts come on top of the nearly \$5 billion each year that is transferred from local services to fund state obligations.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HERMOSA BEACH, CALIFORNIA, that if the state General Fund can no longer afford the expense of part or all of the VLF "backfill" that the Legislature and Governor of California are hereby respectfully urged to implement the provisions of current law providing for the reduction of the VLF offset in bad economic times and to restore the VLF in an amount necessary to reduce the VLF backfill; and

RESOLVED FURTHER, that the City of Hermosa Beach hereby expresses its profound appreciation to the legislators who support such VLF restoration legislation.

PASSED, APPROVED and ADOPTED this 28th day of January, 2003

PRESIDENT of the City Council and MAYOR of the City
of Hermosa Beach, California

ATTEST:

, CITY CLERK

APPROVED AS TO FORM:

, CITY ATTORNEY