SUBJECT: RESOLUTION URGING THE CALIFORNIA LEGISLATURE TO REJECT THE GOVERNOR’S PROPOSED SHIFT OF LOCAL VLF REVENUES

SOURCE: Administration

COMMENT: As a result of the Governor’s recent proposal to recommend the shift of over $4 billion in Vehicle License Fee (VLF) backfill payments away from cities and counties to fund other priorities, we have received an urgent request from the League of California Cities. The League is encouraging cities to act immediately to adopt a resolution urging the Legislature to reject the Governor’s budget proposal to eliminate the VLF backfill, and instead vote to honor the 1998 commitment to restore the VLF. In connection with that request, attached is a proposed Resolution for the Council’s consideration. Upon approval of the resolution, we will forward the same to our legislators.

RECOMMENDATION: That the City Council approve the proposed Resolution and authorize City staff to forward the resolution to our legislators.

ATTACHMENT: Resolution Urging the California Legislature to Reject the Governor’s Proposed Shift of Local VLF Revenues
RESOLUTION NO. ______ - 2003

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PORTERVILLE
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 government 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; and

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’s 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 Porterville, 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

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

Gordon T. Woods, Mayor

ATTEST:

John Longley, City Clerk