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July 15, 2005

To: Supervisor Gloria Molina, Chair
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Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

MOTION TO SUPPORT SB 658 (KUEHL) – COASTAL ENVIRONMENTAL MOTOR VEHICLE MITIGATION PROGRAM (ITEM NO. 7, AGENDA OF JULY 19, 2005)

Item No. 7 on the July 19, 2005 agenda is a motion by Supervisor Yaroslavsky to support SB 658 (Kuehl) and seek amendments to clarify the proposed allocation of funds and the audit responsibility.

Existing Law

Existing law establishes the State Coastal Conservancy (SCC) with prescribed powers and responsibilities for implementing a program of agricultural land protection, area restoration, and resource enhancement within the coastal zone. The SCC is authorized to provide grants to local public agencies and nonprofit organizations. Existing law also authorizes the Department of Motor Vehicles (DMV), if requested by a county air pollution control district, air quality management district, or unified regional air pollution control district to collect specified fees upon the registration or renewal of registration of any motor vehicle registered in the district to be used for the reduction of air pollution from motor vehicles.

Summary of SB 658

SB 658, as amended on May 27, 2005, would establish the Coastal Environmental Motor Vehicle Mitigation Program, which would be administered by both the SCC and participating counties to fund projects that mitigate the negative environmental impacts

caused by the use of motor vehicles and their associated facilities and infrastructure. The bill would authorize the SCC to request the DMV to impose an annual vehicle registration fee up to $6 on every motor vehicle registered to an address within a participating county. Eligible counties may opt to participate in the program upon a majority vote of its Board of Supervisors.

SB 658 would provide a structure for twenty coastal counties identified as eligible, including the County of Los Angeles, to voluntarily elect to participate in receiving revenue until January 1, 2020, to address the environmental problems created by the operation of motor vehicles. Other eligible counties are: Alameda, Contra Costa, Del Norte, Humboldt, Marin, Mendocino, Monterey, Napa, Orange, San Diego, San Francisco, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Solano, Sonoma, and Ventura.

Participation in the program by counties is voluntary and at least five counties must elect to participate before the SCC can make its request of the DMV. The revenue from fees collected would be deposited in the Coastal Environmental Motor Vehicle Mitigation Account to be divided between the county of origin (30%) and the SCC (70%) for funding projects and grants that prevent, reduce, remediate, or mitigate the adverse environmental effects of motor vehicles and their related infrastructure on resource values such as water quality, wetlands, coastal beaches, open space lands, public access, and fish and wildlife habitat. No funds may be expended in a county that does not elect to participate in the program.

The funds transferred to participating counties must be expended on projects countywide, and the funds transferred to the SCC must be expended for projects and grants in a manner that is proportional to the revenues collected in each participating county. Priority would be given for projects and grants that accomplish long-term protection and restoration of natural resources and natural systems, or the long-term reduction in environmental effects on land and water caused by motor vehicles and their associated facilities and infrastructure. Each participating county is required to jointly undertake an audit with the SCC at least once every two years. The SCC and each participating county are allowed to spend five percent of the funds for administrative costs.

The bill prohibits the expenditure of funds unless they are appropriated by the Legislature in the Budget Act. If the amount of fees collected by the DMV exceeds the reasonable cost of fulfilling the purposes of the bill as determined by the Conservancy or any participating county pursuant to an audit, the Conservancy would be required to request a reduced fee level to be collected by DMV in the subsequent fiscal year. SB 658 prohibits funds from being used to pay for any part of a project or activity required to satisfy a condition imposed by a permit, license, certificate, or other entitlement that is not issued primarily for the purposes described in the bill.

Supporters and Opponents

According to the Assembly Transportation Committee analysis, supporters of SB 658 note that nationally, the rate of miles driven annually over the last 20 years has increased four times the rate of population growth and that the corresponding increase in related infrastructure has resulted in a variety of adverse effects on public resource values. They further indicate that the coast is an invaluable natural resource and fuels a multi-billion dollar tourist economy. Supporters contend that this bill allows counties to voluntarily choose to access what is a user fee on vehicles, and that it makes available a coordinate, long-term State and local funding option for coastal and Bay Area counties to use in addressing these effects.

According to the Committee analysis, opponents note that when vehicle owners pay their $31 annual registration fee, which is collected in conjunction with the vehicle license fee (VLF), they may (depending on their county) also be subject to between $1 and $7 in air quality district fees, a $9 California Highway Patrol fee, a $1 abandoned vehicle abatement fee, a $1 freeway call box fee, a $1 theft deterrence fee, and a $1 fingerprint identification fee. Additionally, newer vehicles that are exempt from Smog Check must pay a $12 smog abatement fee in exchange for that privilege. Opponents term these as "hidden fees", and contend that motorists are already overburdened and should not be subject to yet another fee without a popular vote within each affected county.

Affected County Departments

The Department of Public Works (DPW) indicates that SB 658 presents an opportunity to fund specific environmental projects to mitigate the adverse environmental effects of motor vehicles and their infrastructure. Most notably, revenues from the program could be used for implementation of the stormwater discharge permits that are coordinated by DPW and held by various public agencies in the County. DPW estimates that the program would generate approximately $38 million annually in Los Angeles County and provide approximately $11 million of that amount directly to the County.

However, DPW is concerned that if a competitive grant process is used to allocate the 70 percent of the fees administered by the SCC, the County would likely be competing for funds generated by vehicles registered in its own County area. DPW indicates that SB 658 would better serve the public by a direct appropriation to the participating counties based on the number of vehicles registered in the counties of origin. Counties would then be responsible for allocating funds to eligible organizations within the county and/or directly funding projects that meet specific criteria of the bill. Also, the bill is unclear about the audit responsibilities for the funding transfer to counties by the SCC, and DPW is concerned about the cost to the participating counties to perform the specified audits of all related projects in the county, including projects in which the county is not involved.

DPW recommends that the County support SB 658 and seek to amend it so that all funds come directly to the participating county, local control is maximized, and the requirement for auditing is removed.

The Department of Regional Planning (DRP) indicates that the basic goal of SB 658 has merit because the additional revenues could be used to implement projects that mitigate the adverse effects of motor vehicles on the coastal environment should the County choose to participate. In particular, DRP is in the process of updating the Local Coastal Program (LCP) for the Santa Monica Mountains Coastal Zone and has identified a need for additional funding to acquire land and/or retire lots for conservation purposes.

However, DRP does not believe that the program revenue should be viewed as a permanent stable funding mechanism for the SCC since the fees would be generated locally. If the funds are subject to the annual State Budget Act for each fiscal year that the funds are available, DRP is concerned that the funds may be redirected for other purposes. DRP believes the main objective of the program should be to provide a direct benefit to local participants and ensure that all funds collected are returned to participating counties to mitigate impacts on coastal resources. DRP indicates that all of the fees generated in the County should be used for projects in all areas of the County that drain into the coast should the County decide to participate in the program.

DRP recommends that the County support SB 658 if amended to increase the percentage of the funds collected from fees to be transferred to participating counties, clarify that all funds collected in a participating county, excluding administration costs by the SCC and DMV, are to be used for coastal mitigation projects within a participating county, and define the main purpose of the program as improved coastal water quality.

At this time, the Departments of Beaches and Harbors and Parks and Recreation have not provided comments on SB 658.

A position on SB 658 is a matter for Board policy determination. The provisions of the bill are consistent with existing County policy regarding coastal protection. However, there is no existing policy on imposing an annual fee on motor vehicles registered in a county to fund projects that mitigate the negative environmental impacts related to the operation of motor vehicles.

SB 658 is sponsored by the San Francisco Bay Area Open Space Council and California Coastal Coalition, and supported by a host of entities, including: the California Council of Land Trust; California Oaks Foundation; City of Malibu; City of Watsonville; East Bay Municipal Utility District; Friends of Harbors, Beaches, and Parks; Palos Verdes Peninsula Land Conservancy; Solano County Board of Supervisors; and Ventura County Board of Supervisors. It is opposed by the California Motor Car Dealers Association.

SB 658 was placed on the Assembly Appropriations Committee Suspense File on June 29, 2005.

DEJ:GK
MAL:JF:EW:ib

Attachment

c: Executive Officer, Board of Supervisors
County Counsel
Department of Beaches and Harbors
Department of Regional Planning
Department of Parks and Recreation
Department of Public Works