



California New Car Dealers Association

September 13, 2011

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

FOR ENROLLED BILL FILE

***Re: Re: SB 223 (Leno) – Local VLF Increase Authorization in San Francisco
Position: VETO REQUESTED***

Dear Governor Brown:

The California New Car Dealers Association (CNCDA) is a statewide trade association that represents the interests of over 1100 franchised new car and truck dealer members. CNCDA members are primarily engaged in the retail sale and leasing of new and used motor vehicles, but also engage in automotive service, repair and part sales. We are writing to urge you to return SB 223 to the legislature without your signature. The bill would authorize the City and County of San Francisco to increase Vehicle License Fees (VLF) from the current .65% to up to 2%, subject to voter approval. This measure is similar to SB 10 (Leno) of 2010, which applied statewide and failed passage on the Assembly floor; AB 1590 (Leno) of 2007, which covered only the City and County of San Francisco and was vetoed by the Governor; and AB 799 (Leno) of 2005, which covered only the City and County of San Francisco and was introduced but never considered by the legislature.

California motorists are already overburdened with hidden vehicle fees. In addition to the annual VLF (which increased from .65% to 1.15% from May, 2009 to July, 2011) and annual \$46 vehicle registration fees, those vehicle owners are also subject to the following "add-on" fees: \$1-7 annual air quality district fee, (Health & Safety Code §§ 44223 & 44225); \$20 smog abatement fee for vehicles 4 model-years old or newer (Health & Safety Code § 44060(d)(1)), \$1 annual abandoned vehicle trust fee (Vehicle Code § 9250.7); \$22 annual CHP fee (Vehicle Code §§ 9250.9 & 9250.13); \$1 annual freeway call box fee (Vehicle Code § 9250.10); \$1 annual theft deterrence fee (Vehicle Code § 9250.14); \$1 annual fingerprint identification fee (Vehicle Code § 9250.19); and, the \$1.75 per tire California tire fee (Public Resources Code § 42885).

While we appreciate the author's willingness to require local voter approval for any VLF hike, we are concerned that effective compliance with a San Francisco-only VLF rate may be incredibly difficult for

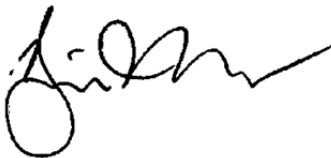
our dealer members, particularly in light of the huge burden to administer the varying fee amounts described above and the multiplicity of local and district sales and use tax rates applicable to vehicle sales. Moreover, SB 223 does not address the precedent set by this bill of establishing different VLF rates for some jurisdictions, but not others. The higher VLF in SB 223 would be assessed based on the fact that the vehicle is sold to a San Francisco resident, regardless of the location of the dealership. This means that *all* California dealers would be responsible for collecting the higher VLF from a San Francisco resident should one wish to visit their showroom and make a vehicle purchase.

Vehicle sales and lease transactions in California already burden consumers with innumerable disclosures, signature requirements, forms and documents. Buying or leasing a new car is fast approaching the complexity of buying a home, a transaction typically worth 10 times as much. Allowing local jurisdictions like San Francisco to assess a supplemental VLF will only further discourage consumers from visiting dealer showrooms. We should, in our view, be doing whatever we can to make easier, not harder, for consumers to buy new, fuel efficient vehicles, both for the obvious environmental benefits but also for the potential relief to state and local sales tax coffers. The overwhelming success of the federal Cash for Clunkers program in 2008 bears this out: with the right incentives, consumers are perfectly willing to trade-in older, high-polluting vehicles for new, more fuel efficient ones. Substantially higher VLF rates in San Francisco will add hundreds of dollars to the purchase of high m.p.g. vehicles making them more expensive for City residents and making our greenhouse gas emission reduction goals that much harder to reach. Ironically, SB 223 may have the perverse effect of encouraging San Franciscans to hold onto their larger, higher polluting vehicles longer, depriving the City and County of the added revenue this bill purports to offer.

In sum, with the current poor economic climate in our state—high unemployment, gasoline prices exceeding \$4/gallon, weak income and sales tax revenue and new vehicle sales down at least 33% from those in the last decade—we believe there continues to be no reason to further substantially increase the cost of vehicle ownership in San Francisco and the cost of compliance for dealers throughout California. CNCDA members have no quarrel with state policy makers setting an appropriate *statewide* VLF rate. But SB 223 opens the door to a myriad of varying local rates and a compliance nightmare.

Based upon the foregoing, we urge you to veto SB 223.

Very truly yours,



Brian Maas
Director of Government Affairs

BWM:ef

cc: The Honorable Mark Leno
Gareth Elliott, Legislative Secretary
Ralph Simoni, California Advocates, Inc.