

Item 3

Information/Action Item

Discussion of proposal for the Commission to sponsor and participate in the state-sponsor special license plate program

SUMMARY OF THE ISSUE(S):

Should the Commission partner with the California Masonic Foundation to sponsor a specialized license plate under a program administered by the Department of Motor Vehicles (DMV)?

RECOMMENDATION:

Staff recommends postponement of consideration of the proposal due to the Commission's limited resources being directed to higher priority mandated responsibilities.

BRIEF HISTORY OF KEY ISSUE(S):

Mr. Michael Sekera of the Grand Lodge of Free and Accepted Masons of California appeared at the April 7-8, 2016 Commission meeting to discuss a proposal by the California Masonic Foundation ("Masons") for a collaboration under the specialized license plate program to raise money for scholarships through the Masons' Investment to Success Program. State Senator Jeff Stone had originally conveyed the Masons' request by letter dated January 14, 2016.

ANALYSIS:

Background:

The California Specialized License Plate program currently includes 14 approved license plates:

- ✓ *CalAg License Plates*, sponsored by the California Department of Food and Agriculture, support agricultural leadership development, career awareness, and training activities.
- ✓ *Environmental License Plates* are standard design California plates that are personalized and support environmental programs.
- ✓ *Memorial License Plates* help California's law enforcement fight threats of terrorism in the Golden State.

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- ✓ *Arts Council License Plates* support the California Arts Council for arts education and local arts programming.
- ✓ *California 1960s Legacy License Plates* support environmental projects in California.
- ✓ *White Tail License Plates* are sponsored by the California Coastal Commission and help protect and restore California's coast and ocean.
- ✓ *Collegiate License Plates* fund need-based scholarships and grants for participating colleges and universities in California. The University of California at Los Angeles (UCLA) is currently the only plate available, and is sponsored by the UCLA Alumni Association.
- ✓ *Lake Tahoe License Plates* are sponsored by the California Tahoe Conservancy to support preservation, restoration, and non-motorized trail projects in the Lake Tahoe area.
- ✓ *Yosemite Conservancy License Plates* are sponsored by the Yosemite Conservancy to manage wildlife, restore habitat, and repair trails in Yosemite National Park.
- ✓ *Firefighter License Plates* are sponsored by the California Professional Firefighters. The California Firefighter license plate can only be issued to a currently registered vehicle owned by an active or retired California Firefighter.
- ✓ *Kids Specialty License Plates* fees are deposited in the Child Health and Safety Fund administered by the Department of Social Services and used for programs that keep California kids safe, which include child care safety, child abuse prevention, and efforts to prevent childhood injuries.
- ✓ *Veterans' Organizations License Plates* are used by the California Department of Veterans Affairs to benefit participating county veteran service offices and to commemorate veteran organizations.
- ✓ *Pet Lovers License Plates*, sponsored by the California Veterinary Medical Board, provide funding for no- or low-cost spay and neuter programs throughout the state.
- ✓ *California Museums (Snoopy) License Plates* fees are administered by the California Cultural and Historical Endowment (CCHE), which will be used to support a new grant program for museums in California

The California Specialized License Plate program is governed by law, regulations, and DMV's administrative processes:

- Only a state agency is authorized to apply to sponsor a specialized license plate program. (Veh. Code, § 5156(a).)
- The specialized license plate must have a design or contain a message that publicizes or promotes a state agency, or the official policy, mission, or work of a state agency. (Veh. Code, § 5154.)

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- DMV's application for a state agency sponsored specialized license plate specifically states that the specialized license plate "shall not publicize or promote a person, a private institution, a nonprofit organization, a non-governmental organization, or a private design, logo, or message."
- However, DMV has indicated that the Masons' logo could be used in the license plate design.
- In addition to the regular fees for an original registration or renewal of registration, additional fees apply for the issuance, renewal, or transfer of the specialized license plates, including an additional \$50 for the original issuance of the plates and \$40 for renewal of registration with the plates. (Veh. Code, § 5157(a).)
- These additional fees are deposited in a special state account, after DMV deducts its administrative costs, and the Legislature may authorize the sponsoring state agency to spend those fees. (Veh. Code, § 5157(c).)
- The sponsoring state agency must expend all the additional fees exclusively for projects and programs that promote the state agency's official policy, mission, or work, but is authorized to spend up to 25% for administrative costs, marketing, or other promotional activities associated with encouraging application for, or renewal of, the specialized plates. (Veh. Code, §§ 5157(c), 5159.)

With the potential for additional funding, however, the sponsoring state agency must assume corresponding administrative responsibilities.

- DMV cannot establish a specialized license plate program until the sponsoring state agency submits not less than 7,500 applications for that agency's specialized license plates. Until then, the agency must collect and hold applications for the plates and the additional fees. (Veh. Code, § 5156(b).)
 - The state agency must submit monthly reports to DMV indicating:
 - The number of applications for special interest license plates received in the reporting month, by type (sequential/Environmental License Plate ("ELP"));
 - Amount of fees collected in the reporting month, by type (sequential/ELP);
 - Total number of applications and total amount of fees collected to date. (13 CCR, § 160.00(b).)
- Once the agency has received at least 7,500 applications, it must submit the applications, along with the necessary fees, to DMV in a format acceptable to DMV. (Veh. Code, § 5156(b).) DMV will deduct its implementation costs, which could reach \$400,000 or more.
- The agency has 12 months, following the date of approval of the agency's initial application to sponsor a specialized license plate program, to receive the required number of applications. (Veh. Code, § 5156(b).)

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- If, after that 12 months, 7,500 applications have not been received, the agency must either:
 - Refund to all applicants all fees or deposits that have been collected; or
 - Notify DMV that the agency intends to undertake collection of additional applications and fees or deposits for an additional period, not to exceed 12 months, in order to obtain the minimum 7,500 applications. However, if the agency elects an additional 12-month period it must:
 - contact each applicant who has submitted an application with the appropriate fees or deposits to determine if the applicant wishes a refund of fees or deposits or requests the continuance of the holding of the application and fees or deposits until that time that the agency has received 7,500 applications, and
 - refund the fees or deposits to an applicant who wants a refund. (Veh. Code, § 5156(b).)
- The sponsoring must submit a copy of the proposed specialized license plate, its design, logo, and message, to DMV for approval.
- The sponsoring state agency is responsible for the design and printing costs of a specialized license plate application brochure or brochures.
- The sponsoring state agency must submit any advertisements, Frequently Asked Questions, and web-page designs for its specialized license plate to DMV for approval before making them publicly available.
- The sponsoring state agency must submit a financial plan stating the purposes for which the revenues will be used.
- The sponsoring state agency must prepare and submit to DMV an annual accounting by June 30 of all revenues and expenditures associated with the specialized license plate program. (Veh. Code, §5160(a).)
- The sponsoring state agency must agree to defend, indemnify, and hold harmless DMV for all litigation resulting from the promotion or issuance of the specialized license plates, and must assume full responsibility and all liability, including defending any litigation resulting from the promotion or issuance of the plates, the design, logo, or message.

Concerns:

The proposal to enter into an arrangement with the Masons for a specialized license plate presents both advantages and concerns. The potential for additional funding originating outside the General Fund is appealing. Further, there is potential for increased awareness of financial aid generated by a specialized license plate.

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However, the administrative burdens for collecting, depositing and accounting monthly for applications and fees to meet the initial 7,500 threshold, as well as the annual accounting were the program to be established, would be especially taxing on CSAC, and divert limited resources not only from on-going administrative responsibilities, but also from the increasing responsibilities required of staff by the implementation of the statewide FI\$Cal project overseen by the Department of Finance. FI\$Cal is a multi-year business transformation project for state government that, among other things, requires state agencies to convert their accounting, budgeting, procurement, and cash management systems to the single statewide financial management system.

In addition, there is potential that participation by the Masons in the program may be affected were the Commission to identify other uses for the funds from the specialized license plate program. The Commission would ultimately be responsible for proposing the uses to which the revenue from the program would be applied; the Masons do not have the legal authority to mandate the uses of the additional revenue. The Legislature and the Governor would also be involved since the revenue must be appropriated in the state budget or a special appropriations bill before it could actually be spent.

Further, staff would need to examine carefully the potential for litigation and liability arising from the promotion and issuance of the plates.

Ultimately, staff's ability to explore the merits of the proposal is restricted by the demands imposed by the State's currently mandated priorities. To this end, staff recommends postponing the Commission's consideration of this item until higher priority issues are resolved and resources become available.

RESPONSIBLE PERSON(S):

Keith Yamanaka
Chief Deputy Director

ATTACHMENT(S):

Attachment 3.1: January 14, 2016, letter from Senator Jeff Stone

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California State Senate

SENATOR
JEFF STONE, PHARM.D.
TWENTY-EIGHTH SENATE DISTRICT



VICE CHAIR
LABOR & INDUSTRIAL
RELATIONS
VICE CHAIR
NATURAL RESOURCES &
WATER
MEMBER
BUDGET & FISCAL REVIEW
PUBLIC SAFETY

January 14, 2016

Mr. Hal Geiogoue, Chairman
California Student Aid Commission
11040 White Rock Road
Rancho Cordova, CA 95670

Dear Chairman Geiogoue:

I would like to take this opportunity to ask that the California Student Aid Commission support the issuance of specialty license plates for the California Masonic Foundation. As you may be aware, authorization by a State Commission is necessary for the plates to be approved for issuance and sale.

The California Masonic Foundation has met the requirements of the Department of Motor Vehicles and currently have more than 10,000 members signed up to purchase the plates once authorized.

The sale of these plates will be used to fund the philanthropic goals of the foundation – specifically its education agenda. As someone who is deeply committed to the goal of promoting education, I believe the issuance of these plates will greatly contribute to more students being able to pay for their education after high school.

My understanding is that the sale of these license plates will exclusively go towards fundraising for scholarships through the Mason’s “Investment to Success Program”. Reportedly, the program has already raised \$750,000.

I look forward to your due consideration and hope to see some of these license plates on the road soon. Thank you for your attention to this matter, and please feel free to call me at (916) 651-4028 with any questions or if I may be of assistance.

Sincerely,

A handwritten signature in black ink that reads "Jeff Stone".

Jeff Stone
State Senator, 28th District