
SENATE COMMITTEE ON APPROPRIATIONS

Senator Ricardo Lara, Chair
2017 - 2018 Regular Session

SB 673 (Newman) - Pet Lover's specialized license plates

Version: February 17, 2017

Urgency: No

Hearing Date: May 15, 2017

Policy Vote: T. & H. 13 - 0

Mandate: No

Consultant: Mark McKenzie

This bill does not meet the criteria for referral to the Suspense File.

Bill Summary: SB 673 would transfer responsibilities to establish and administer a specified grant program for funding free and low cost spay and neuter programs from the Veterinary Medical Board (VMB) to the California Department of Food and Agriculture (CDFA). The grant program is funded by revenues derived from the existing Pet Lover's specialized license plate program.

Fiscal Impact:

- One-time CDFA costs of approximately \$50,000 to establish a new grant program, and ongoing CDFA costs of approximately \$70,000 annually (\$30,000 in staff time and \$40,000 in promotional expenses, respectively). (Pet Lover's Fund / Specialized License Plate Fund)
- Permanent transfer of expenditure authority from the VMB to CDFA, in the low hundreds of thousands annually, beginning in 2018-19 (Pet Lover's Fund / Specialized License Plate Fund). Actual amounts would depend upon future legislative appropriations through the annual budget. Staff notes that the Pet Lover's Fund currently contains over \$800,000 in available funds, and over \$300,000 in Pet Lover's license plate revenue is deposited annually into the fund.

Background: Existing law authorizes any state agency to sponsor a special interest license plate and apply to the Department of Motor Vehicles (DMV) to establish a new license plate program, after collecting at least 7,500 applications and accompanying fees and submitting them to DMV. The applications must be collected within one year, with an option to extend that timeframe by an additional year under specified conditions. The new 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 the agency.

In addition to the regular fees for an original or renewal registration, existing law requires payment of additional fees for the issuance, renewal, or transfer of the specialized license plate, as specified. Once a specialized license plate program has been implemented, all additional fee revenues associated with the plate, after subtracting DMV administrative costs, are deposited into the Specialized License Plate Fund, and made available to the sponsoring agency upon appropriation by the Legislature for projects and programs that promote the agency's official policy, mission, or work. A sponsoring agency may not spend more than 25 percent of its license plate fee revenues for associated administrative, marketing, and promotional costs.

The Veterinary Medical Board administratively sponsored a specialized license plate to ensure that there is a permanent source of funding for free and low-cost spay and neuter programs, with the goal of reducing the number of animals that end up in shelters. VMB collected and submitted sufficient applications and fees to DMV in 2013, and DMV began issuing Pet Lover's specialized license plates in September of 2013. DMV indicates that there are currently 7,630 registered Pet Lover's plates, and approximately \$986,000 has been deposited into the Pet Lover's Fund since the program's inception.

Following the establishment of the program, AB 192 (T. Allen), Chap. 497/2015, was enacted, requiring the VMB to determine grant eligibility and application processes, and to provide oversight over grant distribution, but allow for contracting with a qualified non-profit for general administrative support. That bill also specified that moneys derived from the Pet Lover's plate would be allocated to the VMB, upon appropriation by the Legislature, and required the VMB to allocate those funds to a nonprofit it selects for disbursement to qualifying spay and neuter facilities. AB 192 allowed the nonprofit entity to use up to five percent of funds for its administrative purposes, which must be included as a part of the overall 25 percent limit for administrative costs.

The VMB received a direct legislative appropriation of all available funds derived from the Pet Lover's plates in 2014 (approximately \$164,000), and a permanent budget augmentation of \$150,000 annually, beginning in 2015-16, to fund a program for distributing grant funds to qualifying spay and neuter facilities. That program has not been successfully implemented to date (see staff comments).

Proposed Law: SB 673 would transfer responsibility for establishing and administering a grant program for funding grants to providers of free or low cost animal sterilization services from the VMB to CDFA. Specifically, this bill would substitute CDFA in place of the VMB as the recipient of Pet Lover's license plate revenues, and the entity responsible for establishing the parameters of the grant program and providing oversight. The bill would also authorize CDFA, rather than require the VMB, to allocate the funds to a nonprofit organization for disbursing funding to grant recipients.

Related Legislation: AB 192 (Allen), Chap. 497/2015, required revenues derived from the Pet Lover's specialized license plates to be allocated to the VMB, upon appropriation by the Legislature, for disbursement by a nonprofit organization selected by the VMB to fund grants to providers of no-cost or low-cost animal sterilization services.

SB 1323 (Lieu), Chap. 375/2014, made a one-time appropriation of any moneys in the Specialized License Plate Fund derived from Pet Lover's specialized license plates as of the bill's operative date to the VMB for the purpose of funding grants to providers of no-cost or low-cost animal sterilization services.

AB 610 (Solorio), Chap. 9/ 2012, provided VMB an additional 12-month period to meet the 7,500 application threshold necessary to establish a specialized license plate.

Staff Comments: Although DMV began issuing Pet Lover's plates in late 2013, the VMB has experienced difficulties establishing and implementing the program; the VMB

has not begun receiving applications or disbursed any grant funds to date. The initial implementing regulations were rejected by the Office of Administrative Law, and concerns were raised about the VMB's authority to use of a nonprofit organization to disburse grant funds. AB 192 (Allen, 2015) clarified that point, and required the VMB to allocate funds to a nonprofit organization it selects. In 2016, the VMB attempted to select a qualified nonprofit organization, but it was advised that the entity must be chosen through a competitive bidding process, pursuant to Government Code provisions that establish standards for the use of personal services contracts. In addition, concerns were raised about conflicts of interest since some board members may benefit from the grant funds as providers of spay and neuter services. The VMB ultimately directed its Executive Officer to seek to transfer the Pet Lover's license plate program to CDFA.

Staff notes that the Pet Lover's Fund within the Specialized License Plate Fund, currently has a balance of over \$800,000, and DMV collects over \$300,000 in Pet Lover's plate fees each year. The VMB received permanent expenditure authority of \$150,000 annually through a 2015-16 Budget Change Proposal. Staff assumes that the technical transfer of expenditure authority would occur through the budget process.

Recommended Amendments: The bill uses the term "department" to refer to both the Department of Motor Vehicles (in subdivision a) and the California Department of Food and Agriculture (in subdivisions b, d, and e). The bill should be amended to clarify the responsibilities of each entity.

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