

Date of Hearing: May 8, 2024

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 3243 (Ta) – As Amended April 3, 2024

Policy Committee: Transportation

Vote: 15 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

**SUMMARY:**

This bill allows a person with low income to delay payment of a penalty for late vehicle registration.

More specifically, this bill allows a person whose income qualifies them for certain public assistance programs to delay payment of any penalty owed for late annual registration of a motor vehicle. If the person does not pay the penalty by the time the vehicle registration is again due the following year, then the person may not register their vehicle until they pay the outstanding penalty.

**FISCAL EFFECT:**

DMV did not provide a cost estimate for this bill. Rather, DMV noted it is undertaking a comprehensive overhaul of its information technology (IT) systems, an effort DMV refers to as Enterprise Modernization Project – the Digital eXperience Project (DXP), which DMV expects to last through fiscal year 2025-26. As should be familiar to this committee, DMV warns that, should it be required to implement this bill outside of the DXP, DMV may need to build a temporary solution outside of its core legacy IT systems, and doing so will be “costly” and may obligate the department to acquire new technology and services “at significantly high costs.”

In addition, DMV contends this bill will require it to promulgate regulations to establish a process to validate an applicant’s qualification for the specified assistance program, as required by the bill. Other costs cited by DMV include development and issuance of additional forms and publications, increased “talk time” in field offices and a loss in fee revenue. However, DMV did not put a dollar value on these costs, stating that the department does not know the number of vehicle owners that meet the bill’s criteria and, therefore, cannot predict additional workload or costs.

All that being said, it is safe to assume that DMV’s costs to implement the bill—IT costs, regulations, loss of revenue and other costs—are likely to exceed the committee’s threshold for referral to the suspense file, that is, \$150,000 in a given year.

In addition, this bill will delay receipt of penalty monies—of some unknown amount—by up to one year, without accounting for the cost to the state of foregoing the revenue during that period.

All costs would come from the Motor Vehicle Account (MVA), the DMV’s main funding source. According to the Legislative Analyst’s Office (LAO), the MVA is expected to fully

exhaust its reserves and become insolvent in fiscal year 2025-26. The LAO further warns that the MVA, absent corrective action, such as revenue increases or spending reductions, will experience a negative fund balance of \$1.4 billion in fiscal year 2028-29.

#### COMMENTS:

- 1) **Purpose.** The author intends this bill to provide relief to low-income Californians by allowing them to maintain access to their personal transportation, which the author describes as essential, while ensuring the state still receives the money it is owed.
- 2) **Background.** Consistent with California law, the DMV levies a variety of fees on the original registration of a vehicle and on the mandatory annual renewal of that registration. Those fees include a flat registration fee, a weight fee (applicable to only some vehicle types) and a vehicle license fee—which is based on the value of the vehicle—among others. Statute calls for the collection of penalties for any vehicle registration filed later than midnight of the date of expiration of the registration, and species the penalty is to be computed as provided by law and after the registration and weight fees have been combined with the vehicle license fee. The DMV describes such a penalty as “determined by adding a percentage of the vehicle license fee, plus a registration late fee, plus a California Highway Patrol (CHP) late fee,” and provides the following table to illustrate potential penalty amounts:

If payment is late:	Percentage of vehicle license fee and weight fee	Registration late fee	CHP late fee
to 10 days	10% of the vehicle license fee due for that year  10% of the weight fee due for that year (if any)	\$10.00	\$10.00
11 – 30 days	20% of the vehicle license fee due for that year  20% of the weight fee due for that year (if any).	\$15.00	\$15.00
31 days – one year	60% of the vehicle license fee due for that year  60% of the weight fee due for that year (if any)	\$30.00	\$30.00

<b>More than one year to two years</b>	80% of the vehicle license fee due for that year  80% of the weight fee due for that year (if any).	\$50.00	\$50.00
<b>More than two years</b>	160% of the vehicle license fee due for that year  160% of the weight fee due for that year (if any)	\$100.00	\$100.00

For illustration purposes, imagine a light-duty passenger vehicle with a registration fee of \$200. Should the owner fail to pay the registration fee 31 days after it is due, the penalty amount would be \$180 ( $(\$200 \times 60\%) + \$30 + \$30$ ). Understandably, this penalty may be substantial, especially for a low-income Californian who struggled to pay the original \$300 registration fee.

It is unclear how many low-income Californians pay penalties for late vehicle registration. However, as reported in the Assembly Transportation Committee analysis of this bill, of the nearly 33 million vehicle registration renewal notices DMV mailed in 2019, approximately 3.7 million became delinquent. The collective value of those 3.7 million vehicle registration fees was \$425 million.

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