

Vehicle License Fee (VLF)

Definition and Examples

Establish a San Francisco vehicle license fee (VLF) of up to 1.35% for general fund purposes.

The VLF is an annual fee paid as part of vehicle registration, that is calculated as a percent of the valuation of the vehicle.

In 2012, Governor Jerry Brown signed then-Senator Mark Leno's Senate Bill 1492 into law, which allows the City and County of San Francisco to implement a VLF increase of up to 1.35% which would bring the total VLF for vehicles registered in San Francisco to 2.0%, the historic level of the VLF in California from 1948-2004¹.

Spurred by SB 1492 and by recommendations from the Mayor's Transportation 2030 Task Force (TTF), the City considered a ballot measure to restore the VLF to 2%. As a stop-gap funding measure until a VLF increase is approved, Supervisor Weiner proposed Proposition B in the November 2014 election, which amended the City Charter to allocate a greater amount of General Fund dollars to the Transportation Fund. Proposition B passed by 61% of the vote. The Base Amount of General Fund dollars allocated to the Transportation Fund is now adjusted annually based on the percentage increase in the San Francisco population. Of the additional funds generated by the population-based adjustment, 75 percent must be spent on Muni to increase service reliability, frequency, capacity, or state of good repair; and 25 percent must be spent on capital expenditures to increase street safety. Proposition B also includes a clause allowing its repeal (by mayoral written notice) once a VLF increase is instituted. The San Francisco Municipal Transportation Authority (SFMTA) planned for approximately \$22 million from Proposition B in fiscal year 2015, with moderate increases of about \$1.5 million expected each following year.

Establishment and Administration

San Francisco's Board of the Supervisors is authorized to place an increase in the VLF for vehicles registered in San Francisco on the ballot with a 2/3 vote of its members. The VLF increase would then require approval by a simple majority of San Francisco voters since the authorizing legislation sets the VLF up as a general tax rather than a special or dedicated tax. The California Department of Motor Vehicles would collect the fee and periodically disburse the revenues net of an administrative fee to San Francisco to be deposited into the General Fund and would be eligible for any expenditure that the Board of Supervisors and Mayor would see fit - including transportation, and the revenues would be allocated annually through the City's budget process.

Expenditures

Per SB 1492, funds can be spent on any General Fund eligible purpose. Therefore, the funds could be expended on any transportation capital or operating purpose.

Revenues

The amount of revenue generated by the VLF in San Francisco is contingent on two key factors: the number of vehicles registered in the city and the assessed value of those vehicles. Based on vehicle registration fee collection in San Francisco, the number of vehicles registered in the city has remained stable since 2011. From

¹ However, from 1998-2004 the actual rate paid by vehicle owners was less than 2.0% due to a series of complex annual legislative "offsets" to cities and counties.

2016 to 2017, the national new-car price increased by 3.3%, outpacing the country's inflation rate of 2.5%². Therefore, VLF revenues would likely be stable and grow with inflation.

The rate could be set at any level up to 1.35%. If San Francisco were to increase the VLF .25% to the max 1.35% authorized by SB 1492, based on VLF collection in 2013, the Transportation Authority forecasts the following revenue generation:

- First year (2018/19): \$12 - \$73 million
- 25-year total (in \$2017): \$300 - \$1,825 million

Policy and Equity Considerations

Since a VLF is only paid once a year, it isn't an effective means of encouraging people to change travel behavior. However, if the VLF revenues are dedicated to transportation, it does support policy objectives by acting as a user fee. In San Francisco, vehicle ownership is concentrated in the outer neighborhoods in San Francisco which tend to have less robust transit options than those residing closer to the downtown.

Since VLF is based on a vehicle's value, it is considered progressive as generally, lower income households would have older, less expensive vehicles. Based on research from the City and County of San Francisco in 2013, residents in the lowest income quintile would pay the largest share of their income for additional VLF charges for a vehicle at the citywide average value. However, only 35% of households in the lowest economic quintile own one or more vehicles while 85% of households in the top quintile own one or more vehicle.

² <https://mediaroom.kbb.com/2017-02-01-New-Car-Transaction-Prices-Remain-High-Up-More-Than-3-Percent-Year-Over-Year-In-January-2017-According-To-Kelley-Blue-Book>