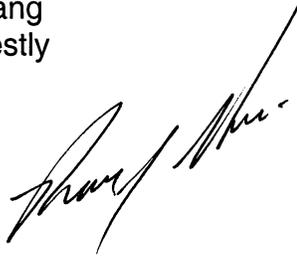


# Memorandum

To : Honorable Carole Migden, Chairwoman  
Honorable Claude Parrish, Vice Chairman  
Honorable Bill Leonard  
Honorable John Chiang  
Honorable Steve Westly

Date : August 20, 2004

From : Ramon J. Hirsig  
Executive Director



Subject : **Transmittal of Fiscal Year 2005-06 Department of Motor Vehicles (DMV) Placeholder Budget Change Proposal (BCP)**

Attached is the Fiscal Year (FY) 2005-06 DMV Placeholder BCP that will be presented at the September 8, 2004 Administrative Board meeting for your consideration. Presently, DMV has not completed their analysis to capture the actual cost increase for their services; however, they have provided us with their best estimate. Therefore, this placeholder BCP represents a draft estimate of the higher charges pending completion of DMV's analysis. With your approval, the attached placeholder BCP will be forwarded to the Department of Finance for consideration of being included in the Governor's Proposed FY 2005-06 Budget.

Raye Zentner and I will brief you on this BCP prior to the meeting. If you have any questions or need additional information, please contact me at 327-4975 or Ms. Zentner at 445-4272.

RH:jg

## Attachment

(Budget/05-06 Budget Dev./BCPs/2005-06 BCP/memos/Board transmittal of DMV BCP.doc)

cc: Mr. Timothy W. Boyer  
Ms. Jerri Dale  
Ms. Carol Fieldhouse  
Mr. David Gau  
Mr. Todd Gilman  
Mr. Stephen Rudd  
Ms. Deborah Pellegrini  
Ms. Margaret Shedd  
Ms. Raye Zentner

bcc: Ms. Betty Yee  
Mr. Neil Shah  
Ms. Barbara Alby  
Ms. Audrey Noda  
Ms. Marcy Jo Mandel  
Ms. Marcia Davey  
Mr. Rene Gutierrez  
Budget Section Staff

**STATE BOARD OF EQUALIZATION  
FISCAL YEAR 2005-06  
PROPOSAL No. 2**

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**TITLE OF PROPOSED CHANGE:**

DEPARTMENT OF MOTOR VEHICLES SUPPORT BUDGET NEED (PLACEHOLDER)

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**SUMMARY OF PROPOSED CHANGES:**

Vehicle Code Section 38211 (c) authorizes the Department of Motor Vehicles (DMV) to act as the Board of Equalization's (BOE) agent in collecting the use tax at the time of DMV registration. When a vehicle owner registers their vehicle, DMV requires the owner to pay tax and registration fees for the vehicle. Vehicle Code Section 38211 (c) states that BOE shall reimburse DMV for the costs incurred in carrying out the provisions of this section. DMV provides the administrative duties via an inter-agency agreement with the BOE.

This proposal requests \$763,000 (\$505,000 General Fund and \$258,000 Reimbursements) to avert a potential revenue loss. For Fiscal Year (FY) 2005-06, DMV estimates a higher number of transactions and expects to incur a higher cost on BOE related transactions when DMV collects the vehicle use tax on BOE's behalf. Without this augmentation, it is anticipated that the increase in charges would be significant enough to adversely impact BOE's revenue producing operations.

DMV has not completed their analysis and forwarded its best estimate of their proposed reimbursements for FY 2005-06. This placeholder proposal represents a draft estimate of the higher charges pending completion of DMV's analysis.

During FY 2004-05, the inter-agency agreement between BOE and DMV is projected not to exceed \$6,371,000 and \$7,134,000 during FY 2005-06. This budget augmentation will provide adequate funding for the projected volume and cost per transaction increase.