

SENATE THIRD READING  
SB 673 (Newman)  
As Amended August 24, 2017  
Majority vote

SENATE VOTE: 40-0

| Committee             | Votes | Ayes   | Noes |
|-----------------------|-------|--|------|
| <b>Transportation</b> | 14-0  | Frazier, Fong, Aguiar-Curry, Baker, Berman, Bocanegra, Chu, Daly, Friedman, Harper, Mathis, Medina, Nazarian, O'Donnell                      |      |
| <b>Appropriations</b> | 15-0  | Gonzalez Fletcher, Bigelow, Bloom, Bocanegra, Bonta, Calderon, Chau, Eggman, Fong, Friedman, Gallagher, Gray, Jones-Sawyer, Obernolte, Reyes |      |

**SUMMARY:** Transfers administration of the Pet Lover's specialized license plate program from the Veterinary Medical Board (VMB) to the California Department of Food and Agriculture (CDFA). Specifically, this bill:

- 1) States findings and declarations detailing the history of the license plate and the reasons for the bill.
- 2) Transfers administration of the license plate from VMB to CDFA.
- 3) Requires CDFA to allocate funds generated by the specialized license plate program to eligible veterinary facilities, as defined, that offer low-cost or no-cost animal sterilization services.
- 4) Authorizes the California Food and Drug Administration (CFDA), in allocating funds, to prioritize eligible facilities located in or serving underserved communities; and facilities that have previously or currently provide low-cost or no-cost animal sterilization services.
- 5) Authorizes CDFA to contract with a non-profit organization, as defined, to perform marketing and promotional activities.
- 6) Requires CDFA to collaborate with a non-profit, as defined, to provide advice and consultation for the development and implementation of the program.

**FISCAL EFFECT:** According to the Assembly Appropriations Committee:

- 1) Costs to CDFA of \$70,000 (special funds supported by fees paid by specialized license plate applicants) for a 50% time staff person to administer the program.

- 2) Potential costs to CDFA of \$55,000 (special funds supported by fees paid by specialized license plate applicants) for discretionary marketing and promotional activities, depending on the availability of funds.
- 3) Savings to VBM of \$150,000 annually (special funds supported by fees paid by specialized license plate applicants) from funds appropriated for the administration of the Pet Lover's license plate program. Of this amount, \$42,000 is allocated to the Department of Motor Vehicles (DMV) for advertising the license plate program.

**COMMENTS:** Prior to 2007, any new specialty license plate required specific legislative authorization. That practice was held to be unconstitutional by the federal courts, as the Legislature approved some plates and rejected others, without using any standardized or objective criteria for those decisions. In response to the court decision, AB 84 (Leslie), Chapter 454, Statutes of 2006, established the current specialized license plate program to provide a forum for government speech that promotes California's state policies. AB 84 excluded private organizations from seeking specialized license plates as a forum for private speech, and thus addressed the court's objection. The current specialized license plate program permits a state agency to initiate the development and sponsorship of a specialized plate, thus no additional legislation is required to authorize the creation of a new plate.

Plates created under the current program and the revenue they generate must publicize or promote a state agency, or the official policy, mission, or work of a state agency. Furthermore, the process requires that at least 7,500 paid applications must be received by the state agency prior to notifying DMV. This 7,500-application threshold was previously put into statute in an attempt to ensure that DMV's startup costs would be fully covered by the portion of the registration fee surcharge that is directed to DMV and to avoid a proliferation of different types of plates, which can be troublesome from a law enforcement perspective.

Under the authority granted by AB 84, VMB administratively sponsored the Pet Lover's specialized license plate program, with the plate going into production in 2013 and the revenue generated by the program used to fund low- and no-cost animal sterilization services. Because VMB lacked sufficient staff to administer the plate program itself, it sought assistance from a non-profit organization to provide general administrative support, such as marketing the plate, providing recommendations for grant criteria, and accepting and reviewing grant applications. In 2015, the Governor signed AB 192 (Allen), Chapter 497, Statutes of 2015, which established an expenditure framework for the Pet Lover's specialized license plate program and required VMB to contract with a non-profit for those administrative processes.

According to DMV, there are currently 7,630 registered Pet Lover's license plates, and approximately \$986,000 has been deposited into the Pet Lover's Fund from the revenues generated by the plate since 2013. To date, no money has been allocated for grants related to animal sterilization purposes. When attempting to contract with a non-profit organization to administer the grant program pursuant to AB 192, VMB was advised of the potential for conflicts of interest arising from board members potentially benefiting from the grant funds as providers of animal sterilization services. VMB then directed its staff to seek to transfer administration of the Pet Lover's specialized license plate program to CDFA. This bill would require that transfer. CDFA currently sponsors its own California Agriculture specialized license plate program, and also administers a grant program for funding services including animal shelters and animal sterilization using revenue generated by a voluntary tax deduction. Due to

the similar nature of the grant recipients under both programs, it is likely CDFA would be able to appropriately administer the Pet Lover's grants as well, although this bill also authorizes the department to allocate the funds to a non-profit for the purpose of marketing and promotional activities, and requires CDFA to collaborate with a non-profit to provide advice and consultation on development and implementation of the program.

According to the author, this bill "will allow funds to be distributed in accordance with their intended purpose of supplementing low-cost spay and neuter programs throughout the state, and with proper oversight, thereby reducing the number of strays on our streets and animals euthanized in our shelters."

*Committee concerns:* This bill authorizes the California Food and Drug Administration (CFDA) to contract with a non-profit for marketing and promotional activities, and requires CDFA to collaborate with a non-profit for advice and consultation in developing and implementing the program. Current law allows up to 25% of the funds collected to be used for administration costs as well as marketing and promotion activities. The bill adds collaboration activities. Additionally, the selected non-profit may use up to 5% of the funds for administrative costs. It is unclear why a non-profit "middleman" would still be necessary with administrative responsibility of the license plate program transferred to CDFA. Arguments in favor of requiring VMB to contract with a non-profit to provide administrative support under AB 192 were premised on the fact that VMB lacked the staff resources to implement a grant program. While it may have been necessary to augment VMB's ability to establish grant parameters and oversee the grant program, according to the author, CDFA already has an existing framework in place to administer and distribute competitive grants. Because this bill preserves the authorization for a selected non-profit to use 5% of the grant moneys for administrative costs, and allows CDFA to contract with a non-profit for the marketing and promotional activities, this could result in up to 25-30% of the nearly \$1 million generated by the Pet Lover's license plate going to non-profit costs and marketing activities, instead of to funding no- or low-cost animal sterilization services.

Please see the policy committee analysis for full discussion of this bill.

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