

December 26, 2007

Hon. Edmund G. Brown Jr.  
Attorney General  
1300 I Street, 17<sup>th</sup> Floor  
Sacramento, California 95814

Attention: Ms. Krystal Paris  
Initiative Coordinator

Dear Attorney General Brown:

Pursuant to Elections Code Section 9005, we have reviewed the proposed initiative entitled "Uninsured Motorist Law Enforcement Act of 2008" (A.G. File No. 07-0086).

### **Current Law**

California law requires anyone who operates a motor vehicle on the public streets or highways to maintain some form of financial responsibility. For most drivers, the financial responsibility requirement is satisfied by maintaining automobile liability insurance. Drivers must show evidence of automobile insurance coverage in order to register a motor vehicle with the Department of Motor Vehicles (DMV). While a peace officer may not stop a vehicle for the sole purpose of determining compliance with the financial responsibility requirement, drivers who are stopped for other reasons or involved in a collision must show proof of insurance when it is requested by the California Highway Patrol (CHP) or local law enforcement officers. Failure to provide proof of insurance can lead to denial of the application for registration, the issuance of a citation, and/or suspension of vehicle registration. An uninsured driver who is involved in a collision could have his/her driving privileges restricted or suspended for one year.

The Low Cost Automobile Insurance Program—administered by the California Department of Insurance—offers affordable automobile insurance to qualifying California drivers with annual household income of up to 250 percent of the federal poverty level. While this program currently is available statewide, legislation is required to continue its operation beyond 2010 in Los Angeles County and the City and County of San Francisco.

### **Major Provisions**

The proposed measure would require state and local law enforcement officers to remove the license plates of any vehicle that lacks proof of insurance and current valid

registration. A peace officer may decline to remove the plates if removal would jeopardize the safety of vehicle occupants or the officer, or is contrary to the interests of justice. Under the measure, any such vehicle could continue to be driven for up to seven days from the date of removal of its license plates. However, if the vehicle continues to be driven without insurance after the seven-day period, law enforcement would be authorized to impound the vehicle. The CHP, in consultation with DMV and local law enforcement agencies, would be required to adopt by July 1, 2009 a comprehensive regulatory system for implementing the measure.

The measure would authorize DMV, in consultation with law enforcement agencies, to develop a temporary license plate or placard program for drivers whose vehicle license plates have been confiscated pursuant to the measure. It would further authorize DMV to impose a fee on vehicle owners whose license plates are removed provided that such fees are limited to costs directly associated with implementation of the measure.

The measure would permanently establish California's Low Cost Automobile Insurance program in Los Angeles County and the City and County of San Francisco.

### **Fiscal Effect**

The operations of CHP and DMV are primarily supported by driver license and vehicle registration fees. Local law enforcement activities are largely supported by local general fund monies.

*Law Enforcement Costs.* This measure probably would result in ongoing costs to state and local law enforcement agencies to the extent some law enforcement agencies require additional staff to comply with its requirements. On a statewide basis, the amount of potential increase in these costs is unknown, but is potentially several million dollars annually. The actual cost would depend on a number of factors, including most notably the frequency of license plate removals.

*State Administrative Costs.* This measure would result in ongoing state administrative costs, primarily costs to DMV associated with the re-issuance of license plates to individuals whose plates are confiscated and processing of related telephone service center calls and customer visits to its field offices. There would also be costs to the extent DMV chooses to implement a temporary license plate or placard program. The total state administrative costs are unknown, but potentially several million dollars annually, depending on the number of license plates confiscated as a result of this measure. Additionally, there probably would be minor one-time costs for computer programming, as well as development of regulations and driver informational pamphlets.

*New State Revenues.* While the measure states that the authorized fee is intended to cover "costs directly associated with the implementation of this article," the proponents

have indicated that the intent is to only cover a portion of the costs associated with the measure, specifically costs incurred by DMV. While the amount of fee revenue is unknown, as it would depend on the actual fee adopted by the department, any revenues generated would partly offset spending for state administrative costs.

To the extent more drivers purchase and maintain insurance as a result of this measure, there could be an unknown increase in state revenue from the gross insurance premiums tax paid by automobile insurers.

### **Summary**

This measure would result in the following fiscal effects:

- Potential state and local law enforcement costs of several million dollars annually on a statewide basis.
- Ongoing state administrative costs of potentially several million dollars annually, partly offset by fee revenues.
- Potential, unknown increase in state tax revenue from vehicle insurance purchased by motorists.

Sincerely,

---

Elizabeth G. Hill  
Legislative Analyst

---

Michael C. Genest  
Director of Finance