

REPORT BY THE STATE AUDITOR OF CALIFORNIA

**A Review of the Department of Motor Vehicles' Administration of
the Collegiate License Plate Program**

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December 1993

December 30, 1993

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The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

Summary The Department of Motor Vehicles (DMV) did not require the only participating educational institution to collect and hold applications for collegiate license plates until 5,000 applications had been received as required by Vehicle Code, Section 5024.

In the two years since the program began, the DMV has received 658 applications for collegiate license plates from the only participating educational institution, the UCLA Alumni Association (Association). As of December 6, 1993, the DMV has issued collegiate license plates for all the Association applications. If the program requirements cannot be modified to make the program viable, the Legislature may want to consider discontinuing the program.

Background Chapter 981, Statutes of 1991 established Vehicle Code, Section 5024, which requires the DMV to issue commemorative collegiate reflectorized license plates containing the name, and reflectorized logotype, motto, symbol, or other design, as specified by a participating California public or private postsecondary educational institution of the applicant's choice. After administrative fees are deducted, one half of the proceeds are to be used for natural resource purposes and one half are to be used for need-based scholarships at the participating educational institutions. The fees collected for collegiate license plates are \$50 for the issuance and \$40 for each registration renewal.

Vehicle Code, Section 5024, also requires each participating institution to collect and hold applications for the plates until it has received at least 5,000 applications, and then submit the applications, along with the necessary fees.

Finally, Vehicle Code, Section 5024, requires the Office of the Auditor General to audit all revenues deposited in, and expenditures from, the California Collegiate License Plate Fund on December 1, 1993, and December 1, 1995. However, the Office of the Auditor General closed in December 1992. The Bureau of State Audits, created in California Government Code Section 8543, is now responsible for conducting audits that are directed by statute and formerly conducted by the Office of the Auditor General.

**Scope and
Methodology**

As of October 15, 1993, no revenues or expenditures had been accounted for in the Collegiate License Plate Fund. Therefore, there were no revenues or expenditures to audit. However, we performed a review of the program to determine if policies and procedures related to revenues and expenditures were consistent with the requirements of the statute.

**Noncompliance
With Vehicle
Code,
Section 5024**

During our review, we found that the DMV did not require the only participating educational institution, the Association, to collect and hold applications for collegiate license plates until 5,000 applications had been received. Instead, the DMV entered into a Memorandum of Understanding (MOU) with the Association in December 1992, that allowed the Association to submit an advance for start-up costs to the DMV, in lieu of submitting the required 5,000 fee paid applications. In addition to the start-up cost advance, the Association agreed to submit to the DMV the nonrefundable issuance costs of \$9.09 per application and any Environmental License Plate (ELP) fees paid in connection with applications. The DMV agreed to allow the Association to retain future application fees, less the nonrefundable issuance costs and any ELP fees, paid to the Association by applicants until such time as that portion of the start-up costs advanced by the Association have been fully reimbursed.

In the two years since the program began, the DMV has received 658 applications for collegiate license plates from the only participating educational institution, the Association. As of December 6, 1993, the DMV has issued collegiate license plates for all the Association applications. In accordance with the MOU, the DMV received an advance for nonrefundable start-up costs totaling \$149,500 in February 1993, and nonrefundable issuance costs and fees totally approximately

\$24,700 in March 1993, \$4,800 in June 1993, and \$600 in August 1993. All fees received were recorded as uncleared collections in the State Transportation Fund's Motor Vehicle Account.

According to the director of the DMV, the decision was based on a number of factors: (1) The department had experienced limited success with special plate programs in the past and often found that start-up costs were not being recovered. It was therefore the DMVs' decision in 1990 to have a threshold established in statute to eliminate that problem. (2) The Collegiate Plate program was the first of ten statutes to incorporate that threshold. (3) The Association expended a lot of effort to meet the threshold; however, they were not successful and felt that having plates on vehicles on the road would be an effective marketing strategy. Therefore, they proposed and provided the funding up front that covered the DMVs' start-up costs and addressed the intent of the threshold.

Further, according to the director of the DMV, it was the DMVs' decision to accept the proposal and enter into an MOU because it was consistent with the intent of the statute and fully protected the DMV financially. In effect, the Association prepaid for a sufficient number of plates to meet the 5,000 threshold.

Recommendations

The DMV should follow the provisions of Vehicle Code, Section 5024, which requires participating institutions to collect and hold applications for collegiate license plates until 5,000 applications have been received, or they should submit a request to the Legislature asking for a change to the Vehicle Code, Section 5024, which will allow institutions to remit start-up fees without obtaining the required 5,000 applications.

Matters for Further Consideration

According to the director of the DMV, at this time there are no other educational institutions accepting applications for collegiate plates. The DMV has been contacted by California State University Fresno and Stanford University regarding the program and they were advised to file a letter of intent with the DMV if they wish to initiate the program.

Proponents of Vehicle Code Section 5024 see the law as a way to provide funds for college students by addressing rising tuition costs, while allowing people to display their association for a particular educational institution. However, after two years, only 658 individuals have submitted applications for collegiate license plates. Further, law enforcement agencies are concerned that the creation of an additional series of license plates complicates the license plate assignment process

and adds to the problem of vehicle identification by law enforcement. Therefore, if the program requirements cannot be modified to make the program viable, the Legislature may want to consider discontinuing the program.

We conducted this review under the authority vested in the state auditor by Section 8543 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope of this letter report.

Respectfully submitted,

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State Auditor

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The responses of the Business, Transportation and Housing Agency and the Department of Motor Vehicles are attached to this letter report.