

**MAY 31, 2012
CCHE BOARD MEETING
AGENDA ITEM #11**

Specialized License Plate Program Proposal

The Proposal

The California Association of Museums (CAM) requested the CCHE serve as the state sponsor for a proposed new specialized license plate featuring the image of Snoopy. As the state sponsor, the CCHE would receive a share of the plate program revenue which it would use to administer a competitive grant program for the benefit of California museums.

Who is CAM?

The California Association of Museums (CAM) is a professional organization that connects museum professionals and volunteers with timely information and practical resources, which fosters museums that are relevant and effective organizations that make a positive impact on California and its citizens. The organization includes institutional members from 50 of California's 58 counties and has been in existence for over 33 years. CAM has a unique role in this partnership as the licensing agent and is bringing the unique image of Snoopy to the CCHE to use as the specialized license plate image which is expected to motivate many drivers to purchase the plate. CAM has been attempting to create a specialized license plate featuring Snoopy for over ten years.

Why has getting a specialized Snoopy plate taken 10 years?

CAM's efforts have been prolonged due to a change in state law which, after CAM's first several years of working toward a plate program, required non-profit organizations wanting to establish specialized license plates to work with a state sponsor. CAM then had secured a state sponsor but the state entity ultimately suffered devastating budget cuts which left them unable to proceed as the state sponsor despite several years of laying the groundwork for the plate program.

Plate Revenue 101

The many years' effort to launch the Snoopy plate program have led to very reliable revenue projections developed from historical specialized plate sales data received from the California Department of Motor Vehicles (DMV).

Each new specialized license plate costs \$50 in addition to the cost of the regular plate. These standard issue configuration plates or "sequential" plates will have the dancing Snoopy image to the left of the numbers and letters that comprise a normal license plate.

A "personalized" or "vanity" plate will cost an additional \$48 and it is estimated, based on historical data, that 80% of individuals who buy a specialized plate will also buy a personalized plate for a total cost of \$98 (\$50 for the basic plate + \$48 for the personalization).

These plate prices are for new plates only. All renewals drop the cost by \$10 per year for both the basic plate and the personalized plate.

Revenue Projections

The stream of funding from the specialized Snoopy plates, net of DMV administrative fees, is expected to be \$8.52 million over just the first ten years, including the Pre-Sale Period when 7,500

plates must be sold. The revenue is expected to build from a modest start of \$663,000 with 7,500 plates to a high of \$2.4 million with 33,000 plates.

These projections include calculations for personalized license plates which generate a separate funding stream for the Environmental License Plate (ELP) Fund, a fund which supports environmental programs. Historically, 80% of specialized license plate buyers also buy personalized license plates. Over the first ten years of the Snoopy plate, the personalized plates are expected to generate over \$7.2 million for the ELP Fund. This anticipated revenue stream resulting from the Snoopy plate is what sparked the Natural Resources Agency's interest to contribute to the CCHE's plate program with the \$30,000 appropriation proposed in the CCHE's 2012-13 BCP.

The revenue projections factor in the reduced revenue for renewals along with an attrition rate of 7%, which is based on an average attrition rate that all the specialized license plate programs experience. Finally, the revenue model projects annual new plate sales of 3,690 per year based on 2010 data showing an average 3,691 new plates per program sold for all special plates combined. CCHE staff has evaluated the methodology underpinning the revenue projections and believes that the sales estimates for the new plates, the anticipated renewals, and the anticipated rates of attrition are consistent with historic realities.

Revenue Distribution Plan and Licensing Agreement

The program revenues are proposed to be distributed as follows:

- 60% of the plate revenue will be made available for a grant program to benefit museums in California;
- 20% of the plate revenue will be made available for the CCHE to administer the grant program;
- 20% of the plate revenue will be made available to CAM as the licensing fee for the Snoopy image.

Revenue projections are estimates, subject to fluctuation. CCHE and CAM have agreed that, if actual plate program revenues falls below projected levels, the funding distribution of

60% Museum Grants: 20% CCHE: 20% CAM

would shift to guarantee the CCHE an operating budget of \$180,000 before CAM receives their share. \$180,000 is an amount considered the minimum annual amount necessary for the CCHE to administer the grant program. Similarly, in order to protect the State's interest, CCHE's obligation to oversee the grant program will be subject to funding from the plate program materializing and the CCHE could withdraw its position if funds don't materialize.

CCHE and CAM will need to enter into a licensing agreement which details the specific usage of the Snoopy image and the rights and privileges of both parties.

Pre-Development Program Costs

In March CCHE had estimated that pre-development program costs would include both staff time and contracted services in 12-13, both of which would require additional resources given CCHE's significantly reduced 12-13 budget.

The contracted services were estimated based on the belief that consumers could not be charged a fee for purchasing the license plate online and that CCHE would need to cover that expense with its own resources. We have recently learned that it is possible to set up the purchase so that the

consumer is able to purchase the plates online and be charged a separate “convenience fee” which goes directly to the credit card vendor, bypassing the state, and making it possible for the expense to be paid by the consumer. The expense to the consumer is likely to be minimal. We’ve been quoted \$1 per transaction.

We are also in conversations with the Department of Food and Agriculture (CalAg), a state department that recently completed their 7,500 pre-sale of plates and which therefore has everything in place for online purchases of license plates. They could clone their system for the CCHE at just the cost of their few weeks’ of programming time and their accounting unit could then transfer the funds to the Library/CCHE. We are optimistic that this approach will be very affordable given the willingness of the other state department to assist us.

Regarding funds needed for additional staff time, CCHE’s staffing plan shared in 2011 was to eliminate the Executive Officer position as of December 31, 2012. The Executive Officer’s expertise and experience would be useful to help bring the plate program into existence at the CCHE during the latter half of the 2012-2013 state fiscal year, but there are insufficient funds in the CCHE 12-13 budget now due to the lack of inclusion of the CCHE BCP in the May Revise. Accordingly, the CCHE will only have the assistance of the Executive Officer through December and after that point remaining staff will work to bring the plate program into fruition.

CCHE Operating Funds to “Bridge” the Plate Program Revenue Stream

The program revenue stream from the license plate program is not expected to be enough to fully fund the CCHE’s grant administration costs until several years into the life of the plate program. Other funds will be needed to cover the staffing and operating costs between 2015 and 2019, when CCHE’s funds are currently expected to run out.

If the board decides to sponsor the Snoopy plate, CCHE staff will prepare a BCP for state fiscal year 2013-14 and later years which requests the appropriation of Proposition 40 bond funds for the staffing and operating costs to bridge those years. Residual funds in the Proposition 40 subfund designated for historic and cultural resource preservation will be requested for this appropriation, consistent with the CCHE’s prior appropriations for administration of a resource preservation grant program. The museum grant program is likely to be geared toward organizational capacity in the long term, but it will be focussed on capital improvements in the short term while CCHE relies upon Proposition 40 subfund resources to administer the museum grant program until the program revenue stream is sufficient to cover all the administrative costs.

CA Vehicle Code Rules

The California Vehicle Code governs the specialized license plate program and requires that state sponsors work closely with the Department of Motor Vehicles (DMV) both in the predevelopment stage (before the 7,500 initial plates are sold) and in the years when plate program revenues are being spent. The CCHE will need to collect and hold applications and reservation fees for the Program until a minimum of 7,500 applications with fees have been received. CCHE will establish an account in which to deposit reservation fees before transferring those funds to the DMV. The CCHE will issue an annual report to CAM and the DMV regarding the distribution of all funds from the plate program funds. The report will include an accounting of how the plate funds were expended and a list of organizations that applied and received funding.

CCHE’s Museum and Cultural Resource Support Mandate

CCHE was created in 2002 with the passage of AB 716, the California Cultural and Historical Endowment Act. That legislation included the provision that the CCHE, to the extent funding is available,

establish a program to assist and enhance the services of California's museums and of other groups and institutions that undertake cultural projects that are deeply rooted in and reflective of previously underserved communities. This program shall give priority to:

(a) Enhancing opportunities for superior museum and cultural program services.

(b) Encouraging museums and cultural programs to provide services to school pupils, including any of the following:

(1) Curriculum development.

(2) Schoolsite presentations or workshops.

(3) Teacher training.

(4) Reduced price or free admission of pupils to museums.

(c) Collaborative projects and technical assistance to coordinate the work of eligible museums and cultural programs and to enhance the ability of museums and cultural programs to serve the public. Priority shall be given to any project that does any of the following:

(1) Assists an eligible museum or cultural program in serving an historically underserved population.

(2) Aids a museum or cultural program in diversifying or expanding its audience.

(3) Aids a museum or cultural program in raising its professional standards in order to better serve the public.

(d) Projects that increase accessibility to museums' and cultural programs' collections and services.

This specialized license plate provides the funding opportunity to allow the CCHE to finally fulfill this legislative mandate to assist museums.

Museum Grant Program Guidelines and State Rulemaking Process

The CCHE's enabling legislation spells out many of the desired benefits of a museum program, but the grant program guidelines will need to go through the State's rulemaking process and the Office of Administrative Law (OAL). The CCHE staff will draft proposed grant guidelines and bring them to the Board before submitting them to OAL. The original CCHE grant guidelines were exempt from this process because of an explicit exemption in Proposition 40.

Staff Recommendation

Staff recommends that the Board agree to work with CAM to sponsor the Snoopy Specialized License Plate program, to authorize CCHE staff to submit a 2013-14 BCP for all necessary expenses related to the creation of a new grant program, and to authorize the Executive Officer or CCHE Manager to enter into agreements with CAM regarding the plate program.

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