Fiscal Note & Local Impact Statement

122 nd General Assembly of Ohio

BILL: **Sub. H.B. 224** DATE: **April 8, 1997**

STATUS: **As Passed by the House** SPONSOR: **Rep. Perz**

LOCAL IMPACT STATEMENT REQUIRED: **No — No local cost**

CONTENTS: **Makes changes to the Bureau of Motor Vehicles special license plate program**

State Fiscal Highlights

STATE FUND	FY 1997	FY 1998	FUTURE YEARS
Bureau of Motor Vehicles Fund			
Revenues	- 0 -	$7,000 gain plus indeterminate gain	$7,000 gain plus indeterminate gain
Expenditures	- 0 -	Potential savings	Potential savings
Ohio Court-Appointed Special Advocate/Guardian Ad Litem License Plate Fund (new)			
Revenues	- 0 -	Gain depending on sales	Gain depending on sales
Expenditures	- 0 -	Increase depending on sales	Increase depending on sales

- By increasing the additional fee for three special license plate programs, based on 1996 sales, the Bureau would receive $7,000 in new revenue. The bill also allows for the elimination of certain plates designs if these plates do not achieve and maintain 1,000 in sales. Presumably, these designs (by virture of low sales) are costing more money than they are making in revenue so their elimination would save money. Additionally, a sales threshold for collegiate plates of 100 in the first year and 150 each year thereafter, could increase plate sales for some types and eliminate other types. The net effect should be additional revenue plus savings.

- Should the bill's modifications to the special license plate program result in a revenue increase, the additional money would be distributed to local governments via the Auto Registration Distribution Fund. Should the program lose money, then this loss would, again, affect the local governments. Presumably, the bill's provisions would result in a revenue gain. The Bureau, according to statute, uses any revenue to first cover its administrative costs (about three percent of received revenue), and distributes the remainder to local governments.

- The bill creates the Ohio Court-Appointed Special Advocate/Guardian Ad Litem (CASA/GAL) license plate. The $10 Bureau fee would be deposited into the Bureau of Motor Vehicles Fund, and a contribution, not to exceed $40, would be deposited into the newly created Ohio Court-Appointed Special Advocate/Guardian Ad Litem License Plate Fund. The revenue generated from the new plate would depend on the level of participation. (See the last page for possible scenarios.) Until the plate "breaks even" it will be reliant on revenue from existing programs. (Length of time depends on the plate's popularity.) If the additional fees collected by the Bureau for the maintenance of the entire program do not cover the costs at some point, the program would have to rely on money from the Auto

Registration Distribution Fund. As long as the plate generates revenue over costs, the additional money is paid to the local governments (through the same fund).

Local Fiscal Highlights

- There is no direct fiscal effect on political subdivisions at this time. However, if the bill's provisions result in an increase in revenue (compared to costs), then the local governments would gain money distributed through the Auto Registration Distribution Fund. Should costs exceed revenue, the local governments could lose money.

Detailed Fiscal Analysis

The bill makes numerous changes to the Bureau of Motor Vehicles' (BMV) special license plate program. The Bureau charges an additional fee (codified by plate design) for these plates to cover the cost of issuance. However, recent analysis by the BMV has shown that it takes an *average* of four years for a new plate program to be self-supporting (length of time depends on the plate's popularity). The success of individual plate programs varies significantly, with some programs selling better than others so that the total special plate program basically "breaks even." (It should be further noted that as more special plates become available to the public, there will come a point when these plates will actually compete against each other.)

Any increase in expenditures or revenue to the Bureau affects the local governments. After administrative costs are paid, remaining dollars are passed on to counties, municipalities, and townships via the Auto Registration Distribution Fund. So, local governments get more or less back depending on the cost of BMV operations, and the number of plates sold.

CASA/GAL Plates

The bill creates the Ohio Court-Appointed Special Advocate/Guardian Ad Litem License Plate Fund. Revenue would come from a contribution paid for special license plates of the same name. (The fund would also keep its investment earnings.) The Fund's purpose is to pay the expenses incurred in training persons in proper representation in courts of abused, neglected, and dependent children. Fund revenue would be paid to Ohio CASA/GAL Association, a private, nonprofit corporation.

As stated above, the bill provides for the issuance of Ohio Court-Appointed Special Advocate/Guardian Ad Litem license plates, which would be designed by the directors of Ohio CASA/GAL. The plates would be available for a contribution, not to exceed $40, which would be paid to Ohio CASA/GAL Association, as noted above. In addition, payment would be required for the regular state and local license fees, and a $10 fee to be kept by the BMV to pay for the costs incurred in issuing the plates. This fee would be deposited into the Bureau of Motor Vehicle Fund.

The plates could be combined with a request for a special reserved license plate. Under existing law, reserved plates contain three or fewer characters (letters and/or numbers), and cost an additional $10. Of this money, $7.50 is retained by the Bureau and $2.50 is paid into the Roadside Park and Beautification Fund. Personalized plates contain between four and six characters. These cost an additional $35, of which $5 is kept by the BMV and $30 goes to roadside park improvements.

The table below gives several examples of annual sales scenarios. Three different contribution amounts are also considered: $15, $25, and the $40 maximum.

Estimated Units Sold	*$10 BMV Fee*	*$15 Contribution*	*$25 Contribution*	*$40 Contribution*
25,000	$250,000	$375,000	$625,000	$1,000,000
50,000	$500,000	$750,000	$1,250,000	$2,000,000

120,000	$1,200,000	$1,800,000	$3,000,000	$4,800,000
200,000	$2,000,000	$3,000,000	$5,000,000	$8,000,000

It should also be noted that as more different special plates become available to the public, there will come a point when these plates will actually compete against each other.

Collegiate License Plates

Fee Decrease

Collegiate license plates are available to applicants for an additional $50 fee. Of the total, $10 is retained by the BMV to pay for the cost of issuing the plate, and the remaining $40 is transmitted to the respective college or university for deposit into its general scholarship fund. The bill *reduces the $40 portion to $25*. This plate is currently the most expensive plate to purchase and the reduced fee would equate the plate fee with the personalized plate fee. In 1996, the Bureau sold 6,855 collegiate plates. The plate sales for individual schools varies significantly (see attached). Presumably, the decreased fee will result in increased sales. Of course, such sales are highly dependent on the promotional efforts of the schools.

Termination and Reestablishment

The bill provides that a particular school have a certain sales level or that school's plate program will be terminated. In 1997, the continuation level is 100 or more. Commencing with 1998, the continuation level is 150 or more. If sales fall below the mandated level for a particular year, the registrar would be required to notify the school between January 1 and 15 of the following year that the program has been terminated but could be reestablished.

For any motor vehicle carrying a plate of a terminated program, the registration would be renewed as long as the plate remains serviceable. Should the plate become unfit, reissuance would be made only if stock for that plate is available. The $25 contribution would still be collected and distributed for as long as the plate is renewed.

Should a school wish to reestablish its program, the registrar would have to receive 150 written statements from persons indicating the intent to purchase the plates. (The registrar could require such statements to be made on a form approved by the registrar.) As part of the 150, the registrar would have to include those motor vehicles that continue to carry the plate. The attachment shows that of the 57 schools that had sales in 1996, only ten had sales exceeding 100, of which seven exceeded sales of 150. Since schools would be knowledgeable of the requirements for program continuation, it is expected that several schools would pursue aggressive programs to increase and maintain sales while it is also expected that other schools could not meet that level and would be dropped.

Nonstandard Plates

The bill creates a new definition. The "nonstandard license plate" includes the following:

1. Lake Erie, Pro Football Hall of Fame, Scenic Rivers, Wildlife Conservation, Freemason, Fraternal Order of Police plates, and Ohio Court-Appointed Special Advocate/Guardian Ad Litem (CASA/GAL);

2. A plate that was terminated but then reestablished under the bill; and
3. Any license plate created after the bill's effective date.

Commencing with 1997, a nonstandard plate would have to have sales of at least 1,000 (new registrations and renewals) in order to continue. Should a year's sales fall below 1,000, at the start of the following year (between January 1 and January 15) the registrar would have to notify the plate's sponsor, should one exist, or issue a public notice, if there is no sponsor, of this fact. The notification would also have to include the information that if the second year's sales are below 1,000, the plate will be terminated at the end of that year. For the established nonstandard plates described above, 1996 sales are as follows:

Lake Erie	64,580
Pro Football Hall of Fame	8,035
Scenic Rivers	15,131
Wildlife Conservation	0 (plates not yet available)
Freemason	3,035
Fraternal Order of Police	2,738
CASA/GAL	0 (created by the bill)

Any motor vehicle carrying a plate of a terminated program could continue to renew it as long as it remains serviceable. Should the plate become unfit, a new one could be issued only if stock is available during the application process. Any contribution would have to continue to be collected and distributed as long as plates are renewed.

A terminated plate could be reestablished only if the registrar receives at least 1,000 written statements from persons intending to apply for such plates. (The registrar could require such statements to be made on a form approved by the registrar.) This 1,000 must include any vehicles that continue to carry the plates.

Fee Increases

For three special plates, the bill increases the additional fee payable at the time of registration. The additional fee is used to compensate the BMV for additional services required in issuing the plates. Based on 1996 sales, the additional annual revenue is estimated as follows:

Plate Type	*Current Fee*	*Proposed Fee*	*CY 1996 Sales*	*New Revenue*
Radio & Television	$5.00	$10.00	150	$750
Physicians	$5.00	$10.00	689	$3,445
Volunteer Firefighters	$7.50	$10.00	1,169	$2,923
Total New Revenue				$7,118

Current law provides that once a person is no longer eligible to be issued volunteer firefighter plates, the person is to surrender them in exchange for plates without the Maltese cross emblem for a fee of $3.50. The bill increases this fee to $5. The Bureau does not maintain records on the number of these plates exchanged for other plates. Sales decreased from 1995 (1,322 sales), but this could be due to a reduction in the number of firefighters. Thus, there is no revenue estimate on the amount of revenue generated from this increase, but it is expected to be negligible.

Codification of Special Plate Programs

The bill codifies five existing special plate programs without making any changes to current practice. For each of the five programs, there is now and would continue to be a $10 additional fee to compensate BMV for issuing these plates. The plate programs are as follows: Purple Heart, Marine Corps League, Pearl Harbor, Fraternal Order of Police, and Freemason.

Establishment of New Plate Programs

The registrar would not be required to implement any legislation creating a license plate until the registrar receives at least 1,000 written statements from persons indicating their intent to purchase such plates. (The registrar could require such statements to be made on a form approved by the registrar.) Additionally, the bill states that it is the General Assembly's intent that no legislation creating a new plate would be approved if it does not provide for payment of fees and taxes normally charged and collected for special license plates.

Plates for Noncommercial Trailers and Recreational Vehicles

The bill provides that, beginning six months after the bill's effective date, noncommercial trailers and recreational vehicles would be eligible for any motor vehicle license plate. By doing so, the Bureau could gain additional revenue (from the $10 additional fee on special plates). In 1996, there were 437,986 non-commercial trailers registered and 60,120 motor homes registered.

Plate Material

Current law specifies that license plates are to be made of steel. The bill changes this requirement to the "best available material as determined by the Bureau of Motor Vehicles." "Best available" denotes factors such as cost and quality. Material options include plastic and aluminum.

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