

Detailed Fiscal Analysis

Under current law, two license plates must be issued to the owner of a motor vehicle. One plate is displayed in the front, and the other in the rear. Several vehicle types, by definition, are exempted from this two-plate provision, and are required to display one plate, placed at the rear of the vehicle. This pertains to vehicles such as motorcycles, trailers, manufactured homes, and semi-trailers. The bill replaces the two-plate provision with a single plate, to be displayed at the rear of the vehicle. In the United States, 20 states require only one plate (see attachment).

Clearly, a cost savings would result by eliminating one plate. LBO estimates a cost savings of \$2.3 million annually. The estimate is described in detail below.

It costs the Bureau \$2.07 to produce a set of plates (\$1.91 for plates and \$0.16 for the county stickers). The BMV estimates that it would cost \$1.18 to produce a single plate (\$1.10 for the plate and \$0.08 for the county sticker). Note that the cost for a single plate as opposed to a plate set is not 50 percent of the set cost, but actually about 58 percent (\$1.10 compared to \$1.91). This is because, regardless of the number of plates required, the manufacturer must still cover fixed costs which do not change according to the size of the order. So, the savings per plate is \$0.89 (\$2.07 - \$1.18). In a typical year, the Bureau's production order is 2.5 million sets. Therefore, the annual savings for the plates only would be \$2.2 million (2.5 million x \$0.89).

The Bureau would also realize savings for shipping. According to the BMV freight savings would be \$59,000. Therefore, the total annual savings would be \$2,284,000 (\$2,225,000 + \$59,000). There would also be a savings of \$2.03 for each mailing to vehicle owners who opt to purchase plates through the mail rather than in person. However, the vehicle owner pays the mailing charge, not the Bureau.

It should be noted that two recent changes are expected to reduce costs to the BMV. The changes that are expected to result in cost savings are: the adoption of a permanent plate concept (*thereby, eliminating a plate change year every fifth year; in FY 1996, motorists were able to elect to purchase plates or registration stickers*), and the adoption of a universal plate (*to replace a large inventory of approximately 100 different plate types such as bus, motor home, etc.*).

Any decrease in expenditures to the BMV affects local governments. After administrative costs, remaining dollars are passed on to counties, municipalities, and townships via the Auto Registration Distribution Fund. Therefore, the \$2.3 million savings the BMV would realize from eliminating one plate would be passed on to local governments.

□ LBO staff Joshua N. Slen, Senior Analyst

\\Budget_office\isis_vol1.lbo\FN123\House\hb0012in.doc

Attachment to Fiscal Note for HB 12

Number of Plates Required by all 50 States (Pertains to Passenger Cars)

One Plate - 20 states

Alabama	Georgia	Louisiana	Oklahoma
Arizona	Indiana	Michigan	Pennsylvania
Arkansas	Idaho	Mississippi	South Carolina
Delaware	Kansas	New Mexico	Tennessee
Florida	Kentucky	North Carolina	West Virginia

Two Plates - 30 states

Alaska	Maryland	New Jersey	Texas
California	Massachusetts	New York	Utah
Colorado	Minnesota	North Dakota	Vermont
Connecticut	Missouri	Ohio	Virginia
Hawaii	Montana	Oregon	Washington
Illinois	Nebraska	Rhode Island	Wisconsin
Iowa	Nevada	South Dakota	Wyoming
Maine	New Hampshire		

Source: National Conference of State Legislatures