

Fiscal Note & Local Impact Statement

127th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **Sub. H.B. 293** DATE: **March 11, 2008**
STATUS: **As Passed by the House** SPONSOR: **Rep. Goodwin**
LOCAL IMPACT STATEMENT REQUIRED: **No — Possible indirect local effects**
CONTENTS: **"Ohio Agriculture" license plates**

State Fiscal Highlights

STATE FUND	FY 2008*	FY 2009 – FUTURE YEARS
State Bureau of Motor Vehicles Fund (Fund 4W4)		
Revenues	- 0 -	Potential annual gain of up to \$5,000 or more, magnitude dependent on license plate sales
Expenditures	- 0 -	Potential annual increase, magnitude dependent on license plate sales
Ohio Agriculture License Plate Scholarship Fund (New Fund)		
Revenues	- 0 -	Potential annual gain of up to \$10,000 or more, magnitude dependent on license plate sales
Expenditures	- 0 -	Potential annual increase, up to available revenues
Department of Agriculture Fund(s)**		
Revenues	- 0 -	- 0 -
Expenditures	- 0 -	Potential annual increase to establish and then maintain scholarship program

Note: The state fiscal year is July 1 through June 30. For example, FY 2008 is July 1, 2007 – June 30, 2008.

* This analysis assumes that the bill's state fiscal effects would occur no sooner than FY 2009.

** At this time, LSC fiscal staff cannot identify the source of funding for any expenses that the Department of Agriculture might incur in assisting with or managing the scholarship program.

- **State Bureau of Motor Vehicles Fund (Fund 4W4).** The bill requires the state's Registrar of Motor Vehicles to collect an additional fee of \$10 to compensate the Bureau of Motor Vehicles (BMV) for the additional services required in the issuing of "Ohio Agriculture" license plates, and to deposit all such fees in the state treasury to the credit of the existing State Bureau of Motor Vehicles Fund (Fund 4W4). LSC fiscal staff is unable to estimate the demand and production costs for these license plates. This means that the potential magnitude of the gain in Fund 4W4 license plate revenues annually and any related increase in operating expenses is uncertain. These uncertainties aside, one can estimate the license plate registration revenues simply based on the minimum annual sales threshold that would apply for the purposes of issuing new "Ohio Agriculture" license plates, the applicable threshold of which in this case is 500. Annual sales of 500 such plates would generate \$5,000 per year for deposit in the State Bureau of Motor Vehicles Fund (\$10 contribution x 500 plates sold).



- **Ohio Agriculture License Plate Scholarship Fund (New Fund).** The bill requires the Registrar to collect a related contribution in the amount of \$20, and to deposit all such contributions in the state treasury to the credit of the newly created Ohio Agriculture License Plate Scholarship Fund. From LSC fiscal staff's perspective, identifying and quantifying the market for "Ohio Agriculture" license plates is rather problematic. We cannot comfortably forecast demand for this special license plate, nor how its annual sales might compare with those of prior or current special license plates. This means that the magnitude of the Fund's annual revenues and expenditures are uncertain. These predictive caveats aside, one can estimate the license plate registration revenues simply based on the minimum annual sales threshold that would apply for the purposes of issuing new "Ohio Agriculture" license plates, the applicable threshold of which in this case is 500. Annual sales of 500 such plates would generate \$10,000 per year for deposit in the Ohio Agriculture License Plate Scholarship Fund (\$20 contribution x 500 plates sold).
- **Ohio Department of Agriculture.** Arguably, although the bill does not clearly do so, it seems likely that the Department of Agriculture would be the entity responsible for paying various expenses of the Ohio Agriculture License Plate Scholarship Program, including the Ohio Agriculture License Plate Scholarship Fund Board, as the Director of Agriculture will serve as the chairperson. The bill does not clearly authorize moneys in the Ohio Agriculture License Plate Scholarship Fund to be used for such program administration or management purposes, which means that, if the Department of Agriculture is in fact the responsible fiscal entity, the source of the moneys that would be used to pay for those expenses is uncertain.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2008	FY 2009	FUTURE YEARS
Counties, Municipalities, and Townships			
Revenues	Potential minimal effect	Potential minimal effect	Potential minimal effect
Expenditures	- 0 -	- 0 -	- 0 -

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- **Redistributed Public Safety revenues.** Whenever the state's BMV Fund 4W4 cash flow changes, local governments may also be affected in some manner. As BMV's expenses or revenue sources increase or decrease, moneys available for redistribution to local governments may increase or decrease. However, the manner in which the bill may affect that cash flow dynamic, if at all, is uncertain. That said, LSC fiscal staff has not gathered any information suggesting that the potential magnitude of the annual fiscal effect on any local government would be more than minimal, if that. In this context, "minimal" means an estimated annual revenue gain or loss of: (1) no more than \$5,000 for any affected county, city, or township with a population of 5,000 or more, and (2) no more than \$1,000 for any affected village or township with a population of less than 5,000.

Detailed Fiscal Analysis

Overview

For the purposes of this fiscal analysis, the bill most notably:

- Permits the owner or lessee of a passenger car or certain other vehicles to apply to the state's Registrar of Motor Vehicles for issuance of "Ohio Agriculture" license plates.
- Requires the Registrar to collect an additional administrative fee of \$10 to compensate the Bureau of Motor Vehicles (BMV) for the additional services required in the issuing of "Ohio Agriculture" license plates, and to deposit the fee in the state treasury to the credit of the existing State Bureau of Motor Vehicles Fund (Fund 4W4).
- Requires the Registrar to collect a related contribution of \$20 for every new and renewal registration, and directs the contribution for deposit in the state treasury to the credit of the Ohio Agriculture License Plate Scholarship Fund, which the bill creates to benefit certain students.
- Creates the seven-member Ohio Agriculture License Plate Scholarship Fund Board to control the Ohio Agriculture License Plate Scholarship Program, which the bill also creates, to be financed by the Ohio Agriculture License Plate Scholarship Fund noted in the immediately preceding dot point.
- Reduces, in the case of "Ohio Agriculture" and other nonstandard educational license plates, the statutory numerical threshold generally applicable to the implementation and termination of special license plates from 1,000 persons to 500 persons.

State fiscal effects

Production costs and process

The Department of Public Safety's Bureau of Motor Vehicles (BMV) is responsible for the design, production, advertising, and issuance of specialty license plates. The design process functions as a collaborative effort between the BMV and the organization(s) associated with the specialty license plate. Only after the state's Registrar of Motor Vehicles and the organization(s) have approved the license plate's design can it advance to the advertising and production stage. The availability of specialty license plates is advertised through various means, including the BMV's online catalog, a catalog available at all deputy registrar locations, and periodic inclusion as an insert in registration renewal notifications.

The BMV currently produces special license plates via a digital "print on demand" process. LSC fiscal staff has researched the digital production and issuance process for specialty plates, and, at this time, cannot with absolute certainty, identify a per unit cost for the issuance of specialty license plates. Under the "print on demand" process, the BMV has no minimum number threshold for a daily

special license plate order, and, as a result, the Bureau can theoretically produce any number of special plates per day, even, for example, if there is only a single order placed on a given day.

Before transitioning to a digital process, the BMV ordered rolls of metal sheeting, some of which remained as unused inventory. Under that prior production process, it appears that it could take up to seven years before the BMV fully recouped the design, production, advertising, and issuance costs for certain special license plates. It seems likely that the current digital process has at a minimum shortened, or may have even eliminated, the amount of time that it takes for BMV to recoup such expenses. The point at which BMV breaks even or potentially generates more in revenues than it expends in the issuing of a special license plate is unclear.

Demand for specialty plates

The bill's fiscal effect on the state, in particular the Department of Public Safety's Bureau of Motor Vehicles and its Fund 4W4, as well as the Ohio Agriculture License Plate Scholarship Fund, will be dependent on the number of "Ohio Agriculture" license plates actually issued. As discussed below, from LSC fiscal staff's perspective, identifying and making meaningful quantitative estimates as to the market for "Ohio Agriculture" license plates is rather problematic. This means that the potential magnitude of the gain in BMV's Fund 4W4 license plate revenues annually and any related increase in operating expenses, as well as the amount of moneys that would be distributed annually to benefit students who attend an institution of higher learning in this state and are enrolled in a program that is related to agricultural education, is difficult to reliably predict and may be subject to significant variation over the years.

That said, LSC fiscal staff studied calendar year 2006 vehicle registration data obtained from the BMV to identify the range of demand for special license plates being issued during that timeframe in Ohio, with the hope that, by doing so, we would be creating for the reader a general frame of reference for potential revenue based on relatively current special license plate sales. In studying the data, LSC fiscal staff omitted any special license plates that restrict their issuance to certain eligible persons, such as those exclusively available and issued to current or former members of the United States military.

Approximately 106 types of special license plates were made available by the BMV to all persons registering a passenger car or certain other vehicles during the 2006 calendar year. The lowest selling special license plate during that year was the "Cleveland Cavaliers" plate, which sold 59 units. During that year, the "Wildlife" plate sold the highest number of units with 34,150. The average number of units sold per specialty license plate during the 2006 calendar year was 1,582, though that number is notably pulled upward by the two most in demand plates – the aforementioned "Wildlife" plate with 34,150 units sold and the "Lake Erie" plate with 23,327 plates sold. Clearly, special license plates have varying levels of appeal and each special license plate has its own, arguably unique, market. In the case of the proposed "Ohio Agriculture" license plate, LSC fiscal staff cannot accurately or reliably forecast demand nor be certain as to how its annual sales might compare with those of prior or current special license plates.

Plate registration revenues

The above predictive caveats aside, one can estimate the license plate registration revenues simply based on the minimum annual sales threshold that would apply for the purposes of issuing new "Ohio Agriculture" license plates, the applicable threshold of which in this case is 500. Annual sales of 500 such plates would generate: (1) \$10,000 per year for deposit in the state treasury to the credit of the Ohio Agriculture License Plate Scholarship Fund (\$20 contribution x 500 plates sold), and (2) \$5,000 per year for deposit in the state treasury to the credit of the State Bureau of Motor Vehicles Fund (\$10 administrative fee x 500 plates sold).

Termination of nonstandard educational license plates

The bill makes a provision for the termination of any nonstandard educational license plate such as the "Ohio Agriculture" license plate if, during any calendar year, the total number of motor vehicle registrations for that plate is less than 500. Nonstandard educational license plates are those special plates whereby the revenues received are ultimately used for an educational or scholarship purpose. In the event that a nonstandard educational license plate falls under the 500-plate threshold in calendar year 2008 or future years, the Registrar of Motor Vehicles would be required to send, in January of the following year, a written notice to the sponsor informing the sponsor of this fact. If, during the calendar year in which the written notice is sent, the vehicle registrations for a particular nonstandard educational license plate again total less than 500, the program for that particular license plate would be terminated on the thirty-first day of December of that year.

LSC fiscal staff has discussed the termination provision with the BMV, and it appears the threshold is neither flexible nor subject to the Registrar's discretion. If a special license plate fails to meet minimum sales threshold, it must be terminated according to the aforementioned terms and procedures. If the program for any special license plate is terminated, those motorists who have previously purchased a newly terminated plate may in fact continue to renew that plate, with the BMV retaining its usual \$10 fee and with any additional fee remaining the same and distributed to the initially specified funding source. It should be noted that it is arguably easy for a sponsor to reinstate a terminated plate. For example, the BMV advised that a special plate falling 100 units short of the minimum threshold would simply require 100 signatures of support for it to be reinstated.

In its conversations with the BMV, LSC fiscal staff did have some difficulty in identifying exactly which special license plates may be encompassed by the term "nonstandard educational license plates." The question was raised specifically in reference to collegiate plates representing universities throughout Ohio, with a current threshold of 150, and whether or not those plates would now fall under the "nonstandard educational" umbrella because the revenue generated by their sales is presumably funneled back to the appropriate university. That said, from LSC fiscal staff's perspective, it appears that collegiate plates would be excluded from the 500-minimum threshold established by the bill. Aside from the collegiate plates, it is, however, at this time and based on conversations with BMV, difficult for LSC fiscal staff to reliably predict exactly how many other special plates may be subject to the reduced threshold from 1,000 to 500.

Department of Agriculture

The bill: (1) creates the Ohio Agriculture License Plate Scholarship Program to benefit certain students with scholarships funded with moneys from the Ohio Agriculture License Plate Scholarship Fund, (2) creates the seven-member Ohio Agriculture License Plate Scholarship Fund Board to be chaired by the Director of Agriculture or their designee, and (3) places the former under control of the latter.

Board members will serve without compensation, but are required to be reimbursed for actual expenses incurred in performing their duties, for example, travel, parking, lodging, and meals. LSC fiscal staff estimates that the Board might meet a few times in any given year and generate reimbursable expenses totaling less than \$10,000 annually, with the actual cost being dependent upon the frequency of Board meetings and the ultimate scope of Board duties. The bill is silent as to who is responsible for covering these reimbursable expenses. The bill is also silent on the matter of who would provide the Board with any services and support necessary to manage the Scholarship Program.

Arguably, although the bill does not clearly so mandate, it seems likely that the Department of Agriculture would be the entity responsible for paying such Board and program management expenses, as the Director of Agriculture will serve as the chairperson. LSC fiscal staff has spoken with the Department of Agriculture, and, at this time, the approximate amount of Board and program management expenses cannot be projected. The bill does not clearly authorize moneys in the Ohio Agriculture License Plate Scholarship Fund to be used for such program administration or management purposes, which means that, if the Department of Agriculture is in fact the responsible fiscal entity, the source of the moneys that would be used to pay for those expenses is uncertain.

Local fiscal effects

Redistributed Public Safety revenues

Whenever the BMV Fund 4W4 cash flow changes, local governments may also be affected in some manner. Most collected local and state motor vehicle license taxes are deposited into a holding account within the Department of Public Safety. Monthly, an assessment of Fund 4W4 occurs and cash is transferred from the holding account to Fund 4W4 in order to cover BMV's monthly operating expenses. Any remaining funds in the holding account are then forwarded to local governments (counties, municipalities, and townships) to use for transportation-related needs such as roads and bridges. As BMV's expenses or revenue sources increase or decrease, moneys available for redistribution to local governments may increase or decrease.

However, the manner in which the bill may affect that cash flow dynamic, if at all, is uncertain. That said, LSC fiscal staff has not gathered any information suggesting that the potential magnitude of the annual fiscal effect on any local government would be more than minimal, if that. In this context, "minimal" means an estimated annual revenue gain or loss of: (1) no more than \$5,000 for any affected county, city, or township with a population of 5,000 or more, and (2) no more than \$1,000 for any affected village or township with a population of less than 5,000.

LSC fiscal staff: Jeffrey R. Kasler, Budget Analyst

