

Fiscal Note & Local Impact Statement

127th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **H.B. 526** DATE: **May 7, 2008**
STATUS: **As Introduced** SPONSOR: **Rep. Combs**
LOCAL IMPACT STATEMENT REQUIRED: **No — Possible indirect local effects**
CONTENTS: **"Thank You U.S. Military" license plates**

State Fiscal Highlights

STATE FUND	FY 2009 – FUTURE YEARS
State Bureau of Motor Vehicles Fund (Fund 4W4)	
Revenues	Potential gain of up to \$10,000 or more annually, magnitude dependent on license plate sales
Expenditures	Potential annual increase, magnitude dependent on license plate sales
License Plate Contribution Fund (Fund 5V1)	
Revenues	Potential gain of up to \$10,000 or more annually, magnitude dependent on license plate sales
Expenditures	Potential annual increase, magnitude dependent on "Thank You U.S. Military" license plate sales

Note: The state fiscal year is July 1 through June 30. For example, FY 2009 is July 1, 2008 – June 30, 2009.

- **State Bureau of Motor Vehicles Fund (Fund 4W4).** The bill requires the state's Registrar of Motor Vehicles 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 "Thank You U.S. Military" license plates, and to deposit the BMV fee in the state treasury to the credit of the existing State Bureau of Motor Vehicles Fund (Fund 4W4). As of this writing, LSC fiscal staff is unable to estimate the demand and production costs for these license plates. This means that the potential annual magnitude of the gain in Fund 4W4 license plate revenues 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 "Thank You U.S. Military" license plates, the applicable threshold of which in this case is 1,000. Annual sales of 1,000 such plates would generate \$10,000 per year for deposit in the State Bureau of Motor Vehicles Fund (\$10 contribution x 1,000 plates sold).
- **License Plate Contribution Fund (Fund 5V1).** The bill requires the Registrar to collect a related contribution in the amount of \$10 for deposit in the state treasury to the credit of the existing License Plate Contribution Fund (Fund 5V1) for subsequent distribution to the Thank You Foundation to assist that organization in paying for the charitable activities and programs it sponsors in support of U.S. military personnel, veterans, and their families. From LSC fiscal staff's perspective, identifying and quantifying the market for "Thank You U.S. Military" license plates is rather problematic. We cannot 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 "Thank You U.S. Military" license plates, the applicable threshold of which in this case is 1,000. Annual sales of 1,000 such plates would generate \$10,000 per year for deposit in the License Plate Contribution Fund (\$10 contribution x 1,000 plates sold).

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2008 – FUTURE YEARS
Counties, Municipalities, and Townships	
Revenues	Potential minimal annual effect
Expenditures	- 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. As of this writing, 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 an owner or lessee of any passenger car or certain other vehicles to apply to the state's Registrar of Motor Vehicles for issuance of "Thank You U.S. Military" 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 "Thank You U.S. Military" license plates, and to deposit the BMV 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 \$10 for deposit in the state treasury to the credit of the existing License Plate Contribution Fund (Fund 5V1), for distribution to the Thank You Foundation.
- Applies current law's minimum annual numerical threshold of 1,000 registrations applicable generally to the issuance, termination, and revival of all special license plates.

State fiscal effects

Special license plate 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 special license plates. The design process functions generally as a collaborative effort between the BMV and the organization(s) associated with the special 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 special 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.

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 special plates, and, at this time, cannot with absolute certainty, identify a per unit cost for the issuance of special license plates. Under the "print on demand" process, 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, 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 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.

Special license plate demand

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 License Plate Contribution Fund, will be dependent on the number of "Thank You U.S. Military" license plates actually issued. As discussed below, from LSC fiscal staff's perspective, identifying and making meaningful quantitative estimate as to the market for "Thank You U.S. Military" 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 the Thank You Foundation is difficult to reliably predict and may be subject to significant variation over the years. The bill requires the Foundation use the money it receives from the License Plate Contribution Fund to assist it in paying for the charitable activities and programs it sponsors in support of U.S. military personnel, veterans, and their families.

That said, LSC fiscal staff studied calendar year 2006 vehicle registration data obtained from 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 certain current or former members of the U.S. military.

Approximately 106 types of special license plates were made available by 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 special 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 "Thank You U.S. Military" 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.

Special license 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 "Thank You U.S. Military" license plates, the applicable threshold of which in this case is 1,000. Annual sales of 1,000 such plates would generate: (1) \$10,000 per year for deposit in the state treasury to the credit of the License Plate Contribution Fund (\$10 contribution x 1,000 plates sold), and (2) \$10,000 per year for deposit in the state treasury to the credit of the State Bureau of Motor Vehicles Fund (\$10 administrative fee x 1,000 plates sold).

Notable as well is that the 127th General Assembly recently enacted and sent to the Governor for action Am. Sub. H.B. 293, which contains a provision modifying the minimum annual registration requirement generally applicable to special license plates from 1,000 to 500.

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.

As of this writing, 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.

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