Fiscal Note & Local Impact Statement

127 th General Assembly of Ohio

Ohio Legislative Service Commission
77 South High Street, 9th Floor, Columbus, OH 43215-6136 ✧ Phone: (614) 466-3615
✧ *Internet Web Site:* http://www.lsc.state.oh.us/

BILL: **Am. S.B. 25** DATE: **January 9, 2008**

STATUS: **As Enacted – Effective April 25, 2008** SPONSOR: **Sen. Carey**

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

CONTENTS: **"Gold Star Family" license plate**

State Fiscal Highlights

STATE FUND	FY 2008	FY 2009	FUTURE YEARS
State Bureau of Motor Vehicles Fund (Fund 4W4)			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase, magnitude dependent on license plate sales	Potential increase, magnitude dependent on license plate sales	Potential increase, magnitude dependent on license plate sales

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

- ***State Bureau of Motor Vehicles Fund.*** LSC fiscal staff does not have the information necessary to reliably estimate the demand and production costs for the "Gold Star Family" license plates. Thus, the potential magnitude of any related increase in the Department of Public Safety's Bureau of Motor Vehicles (BMV) workload and its operating expenses financed by the State Bureau of Motor Vehicles Fund (Fund 4W4) is uncertain. The issuance of "Gold Star Family" license plates will not generate any additional state revenues, in particular registration-related revenues that would be deposited to the credit of Fund 4W4.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2008	FY 2009	FUTURE YEARS
Counties, Municipalities, and Townships			
Revenues	Potential, at most minimal, loss in state moneys distributed for transportation infrastructure	Potential, at most minimal, loss in state moneys distributed for transportation infrastructure	Potential, at most minimal, loss in state moneys distributed for transportation infrastructure
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 BMV's Fund 4W4 cash flow changes, local governments may also be affected in some manner. As BMV's annual operating expenses increase, moneys available for redistribution to local governments may decrease. However, the precise 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 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 certain persons to apply to the state Registrar of Motor Vehicles for issuance of "Gold Star Family" license plates, but does not authorize the Registrar to collect any additional fee to compensate the Bureau of Motor Vehicles for additional services required in issuing such license plates.

"Gold Star Family" license plate

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 produces special license plates via a digital "print on demand" process. LSC fiscal staff is currently researching the digital production and issuance process for specialty plates, but has not been able to identify a per unit cost 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 (assuming that the Bureau was authorized to collect an additional fee for its services). Although the current digital process has presumably shortened the timeframe in which the BMV potentially recoups such expenses, LSC fiscal staff has been unable to determine when the Bureau generally covers the entire production and issuance cost for any given specialty license plate.

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, will be dependent on the number of "Gold Star Family" license plates actually issued. From LSC fiscal staff's perspective, identifying and making a meaningful quantitative estimate as to the market for "Gold Star Family" license plates is rather problematic. This means that the potential magnitude of the increase in BMV's annual operating costs and related Fund 4W4 expenditures is difficult to reliably predict.

Local fiscal effects

Redistributed Department of Public Safety revenues. Whenever BMV's 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 annual operating expenses increase, moneys available for redistribution to local governments may decrease. How the bill may affect that cash flow dynamic is uncertain. That said, LSC fiscal staff has not gathered any information suggesting that the potential magnitude of the annual fiscal effect on any given local government would be more than minimal, if that. In this context, "minimal" means an estimated annual revenue 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: Sara D. Anderson, Senior Budget Analyst

SB0025EN.doc/rh