

Fiscal Note & Local Impact Statement

127th 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. 37** DATE: **June 18, 2008**

STATUS: **As Reported by House Infrastructure,
Homeland Security, and Veterans Affairs** SPONSOR: **Sen. Schuler**

LOCAL IMPACT STATEMENT REQUIRED: **No — Possible indirect local effects**

CONTENTS: **"Ohio's Horse" license plates**

State Fiscal Highlights

STATE FUND	FY 2009 – FUTURE YEARS
State Bureau of Motor Vehicles Fund (Fund 4W4)	
Revenues	Potential annual gain of up to \$10,000 or more, magnitude dependent on license plate sales
Expenditures	Potential increase, annual magnitude dependent on license plate sales
License Plate Contribution Fund (Fund 5V1)	
Revenues	Potential annual gain of up to \$40,000 or more, magnitude dependent on license plate sales
Expenditures	Potential increase, annual magnitude dependent on 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 "Ohio's Horse" 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). 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 "Ohio's Horse" license plates, the applicable threshold of which in this case is 1,000 registrations for each of these special license plates. Annual sales of 1,000 such plates would generate \$10,000 per year for deposit in Fund 4W4 (\$10 contribution x 1,000 plates sold).
- **License Plate Contribution Fund (Fund 5V1)**. The bill requires the Registrar, when issuing "Ohio's Horse" license plates, to collect a related contribution up to, but not to exceed, the amount of \$40, and to deposit the contribution in the state treasury to the credit of the existing License Plate Contribution Fund (Fund 5V1). From LSC fiscal staff's perspective, identifying and quantifying the market for "Ohio's Horse" 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 "Ohio's Horse" license plates, the applicable threshold of which in this case is 1,000. Annual sales of 1,000 such plates would generate up to \$40,000 per year for deposit in the License Plate Contribution Fund (maximum \$40 contribution x 1,000 plates sold), to be distributed to the Ohio Coalition for Animals, Incorporated.

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. 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 a passenger car or certain other vehicles to apply to the state's Registrar of Motor Vehicles for issuance of "Ohio's Horse" 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's Horse" 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, when issuing an "Ohio's Horse" license plate, to collect a related contribution in an amount not to exceed \$40, as determined by the Ohio Coalition for Animals, Incorporated, for every new and renewal registration, and directs the contribution for deposit in the state treasury to the credit of the existing License Plate Contribution Fund (Fund 5V1) to be distributed to the Coalition.

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 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.

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, 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.

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 License Plate Contribution Fund, will be dependent on the number of "Ohio's Horse" 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's Horse" 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 horses and certain agriculture-related activities 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 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 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's Horse" license plates, 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's Horse" license plates, the applicable threshold of which in this case is 1,000 registrations. Annual sales of 1,000 such plates would generate: (1) up to \$40,000 per year for deposit in the state treasury to the credit of the License Plate Contribution Fund (maximum \$40 contribution x 1,000 "Ohio's Horse" 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 total plates sold).

Local fiscal effects

Redistributed Public Safety revenues

Whenever 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: Sara D. Anderson, Senior Budget Analyst

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