Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: Am. Sub. H.B. 27 of the 128th G.A. **Date**: December 8, 2009

Status: As Passed by the House **Sponsor**: Rep. Gerberry

Local Impact Statement Procedure Required: No — Permissive

Contents: Creates certain special license plates and designates certain memorial highways and a memorial bridge

State Fiscal Highlights

STATE FUND	FY 2010 – FUTURE YEARS
State Bureau of Motor Vehicles Fund (Fund 4W40)	
Revenues	Potential annual gain of up to $5,000 or more per plate, magnitude dependent on license plate sales; potential loss dependent on if/when the Registrar decides it is feasible to issue "Purple Heart" license plates and then the number of "Purple Heart" motorcycle license plates actually issued
Expenditures	Potential annual increase, magnitude dependent on license plate sales; potential start-up costs for the issuance of "Purple Heart" motorcycle plates, as well as annual expenditures of around $130,000 for materials related to those license plates, if/when the Registrar decides it is feasible to produce "Purple Heart" license plates
License Plate Contribution Fund (Fund 5V10) and Teen Driver Education License Plate Fund (New Fund)	
Revenues	Potential gain, annual magnitude dependent on license plate sales
Expenditures	Potential increase, annual magnitude dependent on license plate sales
Highway Operating Fund (Fund 7002) – Department of Transportation	
Revenues	Potential minimal gain from memorial marker fees
Expenditures	Minimal increase to install and maintain memorial markers

Note: The state fiscal year is July 1 through June 30. For example, FY 2010 is July 1, 2009 – June 30, 2010.

- **State Bureau of Motor Vehicles Fund (Fund 4W40).** The demand and production costs for these special license plates are uncertain. This means that the potential magnitude of the annual gain in Fund 4W40 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 these license plates, the applicable threshold of which in this case is 500 registrations. Annual sales of 500 such plates would generate $5,000 per year per plate for deposit in Fund 4W40 ($10 administrative fee x 500 plates sold).

- **License Plate Contribution Fund (Fund 5V10).** The bill requires the Registrar to collect a contribution of $15 when issuing Special Olympics license plates, $35 when issuing Pediatric Brain Tumor Awareness license plates, $25 when issuing Phi Theta Kappa license plates, and $25 when issuing Proud Supporter of the American Red Cross license plates, and to deposit all such contributions in the state treasury to the credit of the existing License Plate Contribution Fund (Fund 5V10). The amount of money that would be collected and subsequently paid to the sponsoring organizations per year is uncertain.
- **Teen Driver License Plate Education Fund (new fund).** The bill requires the Registrar to collect a contribution of $15 when issuing Teen Driver Education license plates and to deposit all such contributions to the Teen Driver License Plate Education Fund, which the bill creates. The amount of money that would be collected and subsequently paid to boards of education of city, exempted village, local, and joint vocational school districts to fund the rental, lease, or purchase of the simulated driving curriculum of the Michelle's Leading Star Foundation is uncertain.
- **Purple Heart license plates for motorcycles.** The bill allows any person who has been awarded the Purple Heart to apply for an existing "Purple Heart" license plate for a motorcycle, if the Registrar of Motor Vehicles determines that it is feasible to produce such a license plate. According to the Bureau of Motor Vehicles (BMV), there would be an annual increase in expenditures of $130,000 for materials related to the digital production of the license plates. This would be in addition to any one-time start-up costs to implement the changes in the bill, which the BMV cannot determine at this time. Also, there would be a loss in revenues to the BMV related to the distribution of the "Purple Heart" license plates as they are currently issued to those with a Purple Heart at no cost.
- **Highway Operating Fund (Fund 7002).** The Ohio Department of Transportation (ODOT) would incur minimal costs to install and maintain suitable markers along most of the designated memorial locations listed in the bill. There may be a minimal amount of fee revenue gained if municipalities responsible for the installation of memorial markers opt to have ODOT furnish the signs.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2010 – FUTURE YEARS
Counties, Municipalities, and Townships	
Revenues	Potential minimal indirect annual effect related to certain special license plates in the bill; potential loss related to the potential issuance of "Purple Heart" motorcycle license plates
Expenditures	- 0 -
Cities of Loveland, North Olmsted, and Streetsboro	
Revenues	- 0 -
Expenditures	Potential minimal increase to install and maintain memorial markers

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 4W40 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.
- **"Purple Heart" motorcycle license plates.** The bill requires the Registrar of Motor Vehicles to issue a "Purple Heart" motorcycle license plate to any qualified applicant at no cost, if/when the Registrar determines that it is feasible to issue such a plate. Without knowing how many "Purple Heart" motorcycle license plates would be issued, LSC fiscal staff is unable to accurately determine how much revenue might be lost to local governments.
- **Local signage costs.** Memorial highway signage costs for the designated portions of three state routes would be the responsibility of the applicable municipalities, namely the cities of Loveland, which includes portions of Hamilton, Clermont, and Warren counties, North Olmsted in Cuyahoga County, and Streetsboro in Portage County. Costs for the signage, if installed, would be minimal.

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 "Special Olympics," "Pediatric Brain Tumor Awareness," "Phi Theta Kappa," "Teen Driver Education," and "Proud Supporter of the American Red Cross" special license plates.
- Requires the Registrar to collect an administrative fee of $10 to compensate the Bureau of Motor Vehicles (BMV) for the additional services required in issuing the special license plate noted in the immediately preceding dot point, and to deposit the fee in the state treasury to the credit of the existing State Bureau of Motor Vehicles Fund (Fund 4W40).
- Requires the Registrar to make "Purple Heart" motorcycle license plates available to any qualified applicant at no cost, if the Registrar determines that the production of such a plate is feasible.
- Designates several state and interstate routes and a bridge as memorials and allows the Director of Transportation to erect suitable markers.

Special license plates

The bill creates the five special license plates summarized in Table 1 below. Noted as well is: (1) the associated contribution, if any, to be paid by the applicant for the benefit of the organization sponsoring the special license plate, (2) the state fund where the contribution is to be deposited, and (3) the sponsoring organization, if any, to whom the state-collected contributions will be paid.

The bill also requires that the Registrar pay the contributions received from the Multiple Sclerosis Awareness license plate ($15), the Sickle Cell Anemia Awareness license plate ($10), and the Thank You U.S. Military license plate ($10) to the National Multiple Sclerosis Society for equal distribution to certain Ohio chapters of the Society, to the Ohio Sickle Cell and Health Association, and to the Thank You Foundation, respectively. These special license plates were created by S.B. 243 of the 127th General Assembly, but that bill did not specify the entities designated to receive license plate contribution revenue from the above license plates.

Table 1. New Special License Plates			
Special License Plate	**Contribution**	**Fund**	**Contribution Recipient**
Special Olympics	$15	5V10	Special Olympics Ohio, Inc.
Pediatric Brain Tumor Awareness	$35	5V10	Children's Glioma Cancer Foundation
Phi Theta Kappa	$25	5V10	Ohio Region Phi Theta Kappa
Proud Supporter of the American Red Cross	$25	5V10	American Red Cross of Greater Columbus (on behalf of the Ohio chapters of the American Red Cross)
Teen Driver Education	$15	New (Teen Driver Education License Plate Fund)	Local boards of education

Highways and bridges

The bill designates portions of nine state routes and interstate routes and one bridge, which are summarized, along with their approximate locations, in Table 2 below. Also included in the table is a column describing the entity likely to be responsible for signage costs, based on the criteria in the Ohio Department of Transportation's (ODOT) Traffic Engineering Manual. These criteria are described in the "Highway signage costs" section below.

Table 2. Memorial Designations			
Designation	**Road**	**County (Municipality/Township)**	**Costs Paid By**
Corporal Jason J. Hernandez Memorial Highway	SR-43	Portage (Streetsboro)	City of Streetsboro
Sgt. Jeremy Murray Memorial Highway	SR-44	Portage (Randolph/Rootstown)	ODOT
Staff Sgt. Matthew J. Kuglics Memorial Highway	I-77	Summit County (Green)	ODOT
Korean War Veterans' Memorial Highway (extension)	I-680	Mahoning County	ODOT
Major Rocco Barnes Memorial Highway	SR-10	Cuyahoga (North Olmsted)	City of North Olmsted
Guernsey County Veterans – Flags of Honor Memorial Highway	SR-313	Guernsey (Rix Mills/Claysville)	ODOT
Union Workers Memorial Bridge	I-480	Cuyahoga (Valley View)	ODOT
William Holmes McGuffey Memorial Highway	I-680	Mahoning (Youngstown)	ODOT
Sgt. Michael W. Finke Jr., Memorial Highway	SR-18	Medina/Summit (various townships)	ODOT
Captain David S. Mitchell Memorial Highway	SR-48	Clermont/Hamilton/Warren (Loveland)	City of Loveland

State fiscal effects

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 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 BMV's on-line 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 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 Fund 4W40, as well as the funds receiving any additional contributions (i.e., the License Plate Contribution Fund (Fund 5V10) and the Teen Driver License Plate Education Fund and Ohio Nature Preserves Fund, both newly created by the bill), will be dependent on the number of special license plates actually issued. As discussed below, from LSC fiscal staff's perspective, identifying and making meaningful quantitative estimates as to the market for such license plates is rather problematic. This means that the potential magnitude of the annual gain in BMV's Fund 4W40 license plate revenues and any related increase in operating expenses is difficult to reliably predict and may be subject to significant year-to-year variation.

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 these new special license plates, the applicable threshold of which in this case is 500 registrations. Annual sales of 500 such plates would generate $5,000 per year per plate for deposit in the state treasury to the credit of the State Bureau of Motor Vehicles Fund ($10 administrative fee x 500 total plates sold).

"Purple Heart" motorcycle license plates

The bill allows any person who has been awarded the Purple Heart to apply for an existing "Purple Heart" license plate for a motorcycle, if the Registrar determines that it is feasible to produce such a plate. According to the Bureau of Motor Vehicles (BMV), there would be an annual increase in expenditures of $130,000 for materials related to the digital production of the license plates. This would be in addition to any one-time start-up costs to implement the requirements of the bill, which the BMV cannot determine at this time.

Also, there would be a loss in revenues to the BMV out of Fund 4W40 related to the distribution of the "Purple Heart" license plates as current law requires that "Purple Heart" license plates and validation stickers be issued without the payment of any registration fee and service fee required by sections 4503.04, 4503.10, and 4503.102 of the Revised Code. Without knowing how many of these license plates would likely be issued, however, LSC fiscal staff is unable to accurately determine how much revenue might be lost to Fund 4W40.

Highway and bridge signage costs

ODOT could incur minimal costs to install suitable plaques or signs along six roads and one bridge designated in the bill. Signage costs for the designated portion of three state routes would be the responsibility of specified municipalities. The entities likely responsible for each designation's signage costs are indicated in Table 2 above, based upon guidelines in Ohio's Traffic Engineering Manual (TEM). According to the TEM, signs for memorial highways or bridges on the rural state highway system and Interstate highways within municipal corporation limits established by the legislature in accordance with Chapter 5533 of the Revised Code should be furnished and installed by the appropriate ODOT district. In contrast, the TEM prohibits signs for memorial highways and bridges on the U.S. and state routes inside municipal corporation limits established by the legislature from being installed by ODOT. However, ODOT may furnish the signs to the municipal corporation for a fee commensurate with sign size and construction.

Current costs to manufacture, install, and maintain a single set of flatsheet signs at one location are estimated to be about $600, depending on sign size, equipment, and materials needed to install them, and the frequency of maintenance. Once a set of signs

is installed, typically there are no maintenance costs unless the signs are knocked down or damaged. Signs are usually in need of replacement every 12 to 15 years.

When a highway or bridge is designated as a memorial, the Department's policy is to first install a memorial plaque in a rest area, scenic overlook, recreational area, or other appropriate location. If this is not practical, a marker is installed along the highway or near the bridge instead. Two plaques or two markers are usually installed, one in each direction at each location.

Local fiscal effects

Redistributed Public Safety revenues

Whenever the BMV Fund 4W40 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 4W40 occurs and cash is transferred from the holding account to Fund 4W40 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.

"Purple Heart" motorcycle license plates

The bill requires the Registrar of Motor Vehicles to issue a "Purple Heart" motorcycle license plate to any qualified applicant, if the Registrar determines that it is feasible to produce such a plate. Under existing law, a qualified applicant for the "Purple Heart" license plate does not have to pay any local motor vehicle license taxes levied under Chapter 4504. of the Revised Code. Without knowing how many "Purple Heart" motorcycle license plates would likely be issued, LSC fiscal staff is unable to accurately determine how much revenue might be lost to local governments.