



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: Sub. H.B. 38 of the 128th G.A.

Date: June 24, 2009

Status: As Reported by House Transportation & Infrastructure

Sponsor: Rep. Brown

Local Impact Statement Procedure Required: No — Possible indirect local effects

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

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

Expenditures Potential annual increase, magnitude dependent on license plate sales

License Plate Contribution Fund (Fund 5V10)

Revenues Potential gain, annual magnitude dependent on license plate sales

Expenditures Potential increase, annual magnitude dependent on license plate sales

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

Ohio Nature Preserves 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 - 0 -

Expenditures Potential minimal annual increase to install and maintain 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, and \$25 when issuing Phi Theta Kappa 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.
- **Ohio Nature Preserves Fund (New Fund).** The bill requires the Registrar to collect a contribution not to exceed \$40 when issuing Ohio Nature Preserves license plates and to deposit all such contributions to the Ohio Nature Preserves Fund, which the bill creates. The amount of money that would be collected and subsequently paid to the Department of Natural Resources to help finance nature preserve education, nature preserve clean-up projects, and nature preserve maintenance, protection, and restoration is uncertain.
- The Ohio Department of Transportation (ODOT) may incur minimal costs to install and maintain suitable markers along the designated memorial locations listed in the bill.

Local Fiscal Highlights

LOCAL GOVERNMENT

FY 2009 – FUTURE YEARS

Counties, Municipalities, and Townships

Revenues	Potential minimal indirect annual effect
Expenditures	- 0 -

Certain Municipalities and/or Townships (those whose boundaries include bill's memorial designations)

Revenues	- 0 -
Expenditures	Potential minimal annual increase to install and maintain 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.
- **Local signage costs.** If the Ohio Department of Transportation chooses not to erect memorial markers, municipalities or townships may incur costs for installing and maintaining markers on the designated memorial locations listed in the bill.

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 "Prince Hall Freemason," "Special Olympics," "Pediatric Brain Tumor Awareness," "Phi Theta Kappa," "Ohio Nature Preserves," and "Teen Driver Education" 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).
- Designates several state and interstate routes, an interchange, and a bridge as memorials and allows the Director of Transportation to erect suitable markers.

Special license plates

The bill creates the six 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.

Special License Plate	Contribution	Fund	Contribution Recipient
Prince Hall Freemason	None	Not applicable	Not applicable
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
Ohio Nature Preserves	\$40*	New (Ohio Nature Preserves Fund)	Department of Natural Resources
Teen Driver Education	\$15	New (Teen Driver Education License Plate Fund)	Local boards of education

* Amount not to exceed \$40 as determined by the Department of Natural Resources.

Highways, interchanges and bridges

The bill designates portions of eight state routes and interstate routes as well as an interchange and a bridge, which are summarized, along with their approximate locations, in Table 2 below.

Designation	Road	County (Municipality/Township)
Corporal Jason J. Hernandez Memorial Highway	SR-43	Portage (Streetsboro)
Sgt. Jeremy Murray Memorial Highway	SR-44	Portage (Randolph/Rootstown)
Staff Sgt. Matthew J. Kuglics Memorial Highway	I-77	Summit County (Green)
Korean War Veterans' Memorial Highway (extension)	I-680	Mahoning County
Guernsey County Veterans – Flags of Honor Memorial Highway	SR-313	Guernsey (Rix Mills/Claysville)
Union Workers Memorial Bridge	I-480	Cuyahoga (Valley View)
William Holmes McGuffey Memorial Highway	I-680	Mahoning (Youngstown)
Fred Krum Memorial Interchange	I-77 & Shuffel St.	Stark (Jackson)

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 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 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).

Highway signage costs

The Ohio Department of Transportation (ODOT) may incur minimal costs to install suitable markers, such as plaques or signs, along the roads, interchange, and bridge designated in the bill. Current costs to manufacture and install a single set of memorial plaques or markers at one location are estimated to be a few hundred dollars, depending on the size of the marker(s), equipment, and materials. There would also be some minimal ongoing expense for maintenance and repairs.

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

If the Department chooses not to install the plaques or markers, the local jurisdiction(s) in which the designated memorial is located may install such markers at their own expense. Costs are likely to be minimal and estimated to be similar to those incurred for the state, as described above.

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.