

Local Fiscal Highlights

LOCAL GOVERNMENT

FY 2010 – FUTURE YEARS

Counties, Municipalities, and Townships

Revenues	Potential minimal indirect 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 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.

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" 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 Prince Hall Freemason license plates and to deposit the fee in the state treasury to the credit of the existing State Bureau of Motor Vehicles Fund (Fund 4W40).

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 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 will be dependent on the number of Prince Hall Freemason license plates actually issued. 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 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).

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.