

FISCAL NOTE

Bill #: SB0191

Title: Specialty license plate decals for organizations

Primary

Sponsor: Bob DePratu

Status: Second Reading –2nd House Amended
By House Transportation Committee

Sponsor signature

Date

Chuck Swysgood, Budget Director

Date

Fiscal Summary

	FY2003 Biennium Difference
Expenditures:	
General Fund	*626,010
Revenue:	
General Fund (Generic Plate sales)	160,000
General Fund (Lewis & Clark Plate sales)	640,000
Net Impact on General Fund Balance:	\$ 173,990

* For the purpose of this fiscal note, SB191 (**Specialty License Plate Decals for Organizations**) and SB393 (**Lewis and Clark license plate to fund activities**) are combined for the funding as both bills exist only if the other is passed. Appropriations are contained in the bills. The total general fund biennial appropriation for the Department of Corrections is \$600,000 (\$120,000 for SB 191; \$480,000 for SB 393). The Department of Justice is appropriated \$26,010 of general fund in SB 191.

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
X		Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached	X		Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

Department of Corrections

1. It is the assumption of MCE License Plate Factory that both SB 393 and SB 191 are for the production of specialty license plates using the current method of plate production or the new Digital License Plate System that the 3M Company showed the Transportation Committee during the hearing on March 21, 2001.
2. Because of assumption number one (1), the fiscal note for both SB 393 and SB 191 are combined starting with assumption number 8, as passage of both bills is the basis for all cost analysis and assumptions used in analyzing the Digital License Plate System (DLP).

3. If the DLP equipment cannot be leased for the cost projections in this fiscal note, the specialty license plates outlined in SB 393 would be produced using the traditional method now in place at the MCE License Plate Factory. Any unused monies from the production of the license plates using the traditional method would be reverted back to the general fund.
4. SB 191 establishes an act providing for the issuance of generic specialty license plates, allowing qualified organizations to sponsor generic specialty license plates.
5. SB 191 requires payment of \$10 of which \$2 will be deposited into the county general fund and \$8 into the State general fund, of which \$6 will be allocated to the Department of Corrections for the purpose provided for in 53-30-132(1)(k).
6. SB 191 provides for a \$120,000 general fund appropriation for the Department of Corrections. MCE License Plate Factory for the manufacturing of the generic specialty license plate.

With the passage of SB 393:

7. The following assumptions are based on the use of the DLP in the production of license plates for both SB 191 and SB 393. All of the assumptions from this point forward are in regards to the use of the DLP for the production of these license plates.
8. There are fixed costs associated with the production of license plates using the DLP. Fixed costs include:
 - a. Lease of Digital License Plate System - \$216,708 This cost includes all equipment needed to produce digital license plates including the overall DLP system, thermal transfer four color printer, design station with software, new 45 ton blanking press, reel feed, and stock straightener, custom blanking die for in-line rim embossing and blank cutting, color printer for small plate production, four print heads for initial printing, training, technical support, spare parts, installation, and service.
 - b. Lease of the Data Management System - \$61,452 (This cost includes a production management system link and data collection system, capable of up to one hundred (100) license plate types and initial support converting 25 designs to digital format.)
9. The first year of the biennium, the lease cost is expected to be ½ of the annual lease, as plate production will not begin until January 1, 2002. The total lease cost for the biennium is \$417,240.
10. There are numerous variable costs associated with the production license plates using the DLP. The variable costs included in the production at the MCE License Plate Factory are dependent on the number of plates produced. Under this assumption, it is estimated production of 200,000 plates for the biennium (100,000 registrations). This estimate was supplied by the Department of Justice between SB 393 (Lewis & Clark Bicentennial Plate) for 160,000 plates (80,000 registrations) and SB 191 (Generic Specialty Plates) for 40,000 plates (20,000 registrations). The variable costs for this assumption include:
 - a. Print heads - \$33,000 – This is based on \$2,750 per print head, and the printer uses four heads. The heads have a useful life of 80,000 plates, and must be replaced at the same time.
 - b. Reflective sheeting, ribbon and clear laminate - \$172,000
 - c. Aluminum - \$54,297
 - d. Miscellaneous supplies - \$5,000
 - e. Inmate Payroll - \$4,000
 - f. Utilities - \$2,000
 - g. Repair & Maintenance - \$2,000
 - h. Other Costs - \$4,000
11. There are some one time costs associated with the implementation and operation of the DLP production of plates. Those one time expenditures are for:
 - a. Data processing costs for implementation of the network - \$5,000
 - b. Construction materials and equipment needed to build a dust free environment for the thermal transfer printer and design station - \$10,000.

12. In addition to the costs mentioned in numbers 8 through 11, MCE License Plate Factory is assuming that the regular Y2K plate production would decrease by 100,000 plates (50,000 registrations) during the biennium. MCE is backing \$75,537 out of the cost of issuing the specialty plates, as this is currently funded through the regular HB 2 License Plate Factory appropriation.
13. The total cost of producing license plates using the DLP, under the assumption stated in number 10, is \$600,000 for the biennium. Total appropriation for both SB 393 and Senate Bill 191 is \$600,000. This has a net affect of zero (0) to the state general fund.
14. MCE License Plate Factory is capable of producing the license plates outlined in both SB 393 and SB 191 without negatively impacting the current operation.
15. The Department of Justice will determine the number scheme for all specialty plates that does not conflict with the numbering of any other currently issued license plates.
16. The non-removable stickers bearing the appropriate county designation as provided in new section (1)(d) will be provided by the Department of Justice as is currently the practice.
17. Department of Justice is responsible for costs associated with mailing plates to the counties.
18. The Department of Corrections and the Department of Justice will need to outline procedures used for the ordering, design, production and shipment of all plates associated with both SB 393 and SB 191.
19. Based on the assumptions of MCE License Plate Factory, the state general fund will break even over the biennium if the projected figures of plates were purchased. The number of plates ordered will have an impact on the amount of money the general fund receives. If more than 100,000 plates are sold (50,000) registrations, the general fund would see a positive impact, and if the number of plates sold were less than the projected 100,000 (50,000 registrations), the general fund would see a negative impact.

Department of Justice

20. Sections 1 through 10 of this bill establish procedures and fees of the issuance of generic specialty license plates for those organizations and governmental agencies meeting the requirements. These are similar to the existing provisions of the collegiate license plate program (61-3-461 thru -467, MCA) and would be duplicated for the generic specialty license plates as proposed by this bill.
 21. This bill would be in effect eighteen months during the 2003 biennium (January 1, 2002 through June 30, 2003). It is assumed approximately 20,000 generic specialty license plate sets would be issued during the 2003 biennium generating \$200,000 in specialty license plates administrative fees (20,000 generic specialty license plate sets x \$10/set). Distribution of the \$200,000 would be \$40,000 to the county general fund (\$2/set x 20,000 sets), \$40,000 state general fund (\$2/set x 20,000 sets), and \$120,000 state general fund to be allocated to Department of Corrections (\$6/set x 20,000 sets).
 22. The DLP system would be utilized for the production of the generic specialty license plates. The cost of the DLP system for the production of these generic specialty license plates initially is projected to cost \$2.987/plate or \$5.974/registration set or approximately \$119,480 during the biennium.
 23. One-time operating costs in FY 2002 to the Department of Justice to change motor vehicle system establish the generic plate programming, add new fee codes, revise reports, and create the generic specialty plate special registration are estimated at \$20,400 (272 hours x \$75/hour) for FY 2002. It will be necessary to contract for programming with an outside vendor since DOJ programming staff are committed to completing the current backlog of more than 15,000 hours of programming to comply with existing mandates. Computer costs to complete the programming are estimated at \$5,610 (34 days @ \$165/day). Total costs in FY 2002 for programming are estimated at \$26,010 (\$20,400 + \$5,610) Training for the county treasurer's staff would be provided through an established training schedule by the Department of Justice Motor Vehicle Division. Costs to provide training to the county treasurer's staff and for the rule making process would be absorbed by the DoJ, Motor Vehicle Division.
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(continued)

FISCAL IMPACT:

	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
Department of Corrections		
<u>Expenditures:</u>		
Personal Services (inmate payroll)	\$ 2,000	\$ 2,000
Operating Expenses	<u>\$235,960</u>	<u>\$360,040</u>
TOTAL	\$237,960	\$362,040
<u>Funding:</u>		
General Fund (01)	\$237,960	\$362,040
Department of Justice		
<u>Expenditures:</u>		
Operating Expenses	\$26,010	\$0
<u>Funding:</u>		
General Fund (01)	\$26,010	\$0
<u>Revenues:</u>		
General Fund (01)	\$266,000	\$534,000
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	\$2,030	\$ 171,960
	Biennial Total	\$173,990

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

For every registration for the generic specialty license plates, a county will receive \$2.

LONG-RANGE IMPACTS:**Department of Corrections**

1. The long range impact for the MCE License Plate Factory is unknown at this time. It is anticipated that MCE would ultimately move toward producing all license plates using the Digital License Plate System. This could have a positive impact, as neither MCE nor the counties would not have to carry such large inventories.

Department of Justice

2. Operating costs in future years would include programming for each new generic specialty added to the motor vehicle system during that fiscal year.
3. The cost of each individual unit (license plate) produced would be reduced in the future, as the volume of production is increased, since the cost of the equipment would be distributed over a larger number of units.