

# FISCAL NOTE

**Bill #:** SB0393

**Title:** Lewis and Clark license plates to fund activities

**Primary**

**Sponsor:** Fred Thomas

**Status:** Second Reading –2<sup>nd</sup> House Amended  
By House Transportation Committee

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Sponsor signature

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Date

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Chuck Swysgood, Budget Director

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Date

## Fiscal Summary

	<b>FY2003 Biennium Difference</b>
<b>Expenditures:</b>	
General Fund	*632,130
State Special Revenue	1,600,000
<b>Revenue:</b>	
General Fund (Generic Plate sales)	160,000
General Fund (Lewis & Clark Plate sales)	640,000
State Special Revenue (L&C Bicentennial Comm.)	1,600,000
<b>Net Impact on General Fund Balance:</b>	<b>\$ 167,870</b>

\* 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 and estimates \$6,120 of general fund costs for SB 393 .

<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.

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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 1/2 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. SB 393 would require the payment of a \$30 fee for the purchase of the bicentennial license plate which would be distributed (1) \$2 to the county general fund; (2) \$2 to the State general fund; (3) \$6 to the State general fund for the Department of Corrections; and (4) \$20 to the state treasurer for deposit in the state special revenue account, established in 2-12-150 for the Lewis and Clark Bicentennial Commission.
  - 21. This bill would be in effect eighteen months during the 2002-2003 Biennium (January 1, 2002 through June 30, 2003). During the 2002-2003 Biennium it is assumed approximately 80,000 Lewis and Clerk license plate sets would be issued generating \$2,400,000 (80,000 Lewis and Clark license plate sets x \$30/set). Distribution of the \$2,400,000 would be (1) \$160,000 to the county general fund; (2) \$160,000 state general fund; (3) \$480,000 State general fund to be allocated to Department of Corrections; and (4) \$1,600,000 for the state special revenue account for the Lewis and Clark Bicentennial Commission.
  - 22. It is assumed the DLP system would be utilized for the production of the Lewis and Clark license plates. The cost of the DLP system for the production of these Lewis and Clark specialty license plates initially is projected to cost \$2.987/plate or \$5.974/registration set or approximately \$477,920 during the biennium.
  - 23. Additional one-time operating costs in FY 2002 to the Department of Justice to add the Lewis and Clark plate to the motor vehicle system and to establish the new fee codes are estimated at \$4,800 (64 hours x \$75/hour) for FY 2002. A combination of DOJ programming staff and private vendors will be necessary to address the current backlog of more than 15,000 hours of programming to comply with existing mandates and the considerable system maintenance that is required. Computer costs to complete the programming are estimated at \$1,320 (8 days @ \$165/day). Total costs in FY 2002 for programming are estimated at \$6,120 (\$4,800 + \$1,320).
  - 24. 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 would be absorbed by the Department of Justice Motor Vehicle Division.
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**Montana Historical Society**

25. There will be approximately 80,000 Lewis and Clark plates made during the 2003 biennium.
26. \$20 per registrant (80,000) will be deposited in the Lewis and Clark bicentennial commission state special revenue account. The total income for the Lewis and Clark Bicentennial Commission will be \$1,600,000 for the biennium.
27. The income is assumed to be earned one third in FY 2002 and two thirds in FY 2003.
28. This bill provides the ability of the Lewis and Clark Bicentennial Commission to receive loans from the Board of Investments. Proceeds from the sale of Lewis and Clark bicentennial license plates may be pledged to the repayment of any indebtedness.

**FISCAL IMPACT**

	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
<b>Department of Corrections</b>		
<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
<b>Department of Justice</b>		
<u>Expenditures:</u>		
Operating Expenses (SB 191-approp. in bill)	26,010	0
Operating Expenses (SB 393- no approp. in bill)	<u>6,120</u>	<u>0</u>
TOTAL	\$32,130	\$0
<u>Funding:</u>		
General Fund (01)	\$32,110	\$0
<u>Revenues:</u>		
General Fund (01)	\$266,000	\$534,000
<b>Montana Historical Society</b>		
<u>Expenditures:</u>		
Operating Expenses	133,000	\$266,000
Grants	<u>401,000</u>	<u>802,000</u>
TOTAL	534,000	1,066,000
<u>Funding:</u>		
State Special Revenue (02)	\$534,000	\$1,066,000

FISCAL IMPACT

	<u>FY2002</u>	<u>FY2003</u>
	<u>Difference</u>	<u>Difference</u>
<u>Revenues:</u>		
State Special Revenue (02)	\$534,000	\$1,066,000
 <u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	(\$4,090)	\$ 171,960
	Biennial Total	\$167,870
 State Special Revenue (02)	\$0	\$0

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

During the 2003 biennium, approximately \$160,000 would be generated for the general fund of counties based upon the projection that 80,000 of Lewis and Clark Centennial license plates being purchased.

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. 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.