

*Sandy*

PREPARED BY: Sandy Sostad  
DATE PREPARED: March 02, 2011  
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**LB 182**

Revision: 00

# FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2011-12		FY 2012-13	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	(See Below)	(See Below)	(See Below)	(See Below)
FEDERAL FUNDS				
HIGHWAY TRUST FUND	(See Below)	(See Below)	(See Below)	(See Below)
TOTAL FUNDS				

\*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 182 provides for the issuance of one license plate for farm trucks and commercial motor vehicles. Current law requires two plates for these types of motor vehicles. It is assumed the bill will be implemented beginning in September of 2011.

Highway Trust Fund: The Highway Trust Fund (HTF) is the source of funding for the manufacture of license plates. Receipts from license plate fees are deposited in the HTF to cover the cost of producing license plates. Whenever new license plates are issued, the Department of Motor Vehicles (DMV) is to set a plate fee up to the current \$3.50 statutory maximum to cover the cost of the plate and renewal stickers. The current license plate fee is \$3.30. Assuming revenues from plate fees are equal to expenditures to produce license plates, there is no net fiscal impact for the HTF. However, total expenditures and revenues of the fund will decrease pursuant to the bill since only one plate will be issued for farm trucks and commercial motor vehicles.

Impact for Department of Correctional Services: Cornhusker State Industries (CSI), which is an inmate labor and training program within the Department of Correctional Services, produces license plates. If a single plate rather than dual plates are issued, the average cost per plate issued will increase. This is because fixed lease costs for digital equipment will continue despite the production of about half as many plates. It is assumed the statutory \$3.50 cap on the license plate fee will not need to be increased pursuant to the bill, but the plate fee may need to increase to \$3.40 or more to cover actual production costs. An increase to this amount will insure there is no fiscal impact for the HTF.

CSI indicates the bill will result in a decrease in inmate work hours as well as a loss of revenue from license plate sales for the remainder of the six year issuance of plates that began in January, 2011. DMV estimates that the number of plates produced by CSI will decrease by about 17,000 in FY2011-12 and by 34,000 in FY2012-13. This will decrease revenue for CSI by approximately \$56,100 in FY2011-12 and \$112,200 in FY2012-13 based upon the current plate fee.

CSI accumulates earnings on the production of plates and uses the excess to proportionally absorb fixed overhead costs for the enterprise. A reduction in the number of plates produced decreases revenue available to cover these expenses which may have an impact on the cost and pricing of other CSI products. CSI notes that the fiscal impact of the bill in the next six year plate issuance cycle is about \$1.6 million of decreased revenue.

Impact for the Department of Motor Vehicles: Overall cash fund expenditures by DMV to pay for farm truck and commercial license plates and stickers with funds transferred from the HTF will decrease by \$51,500 in FY2011-12 and \$103,000 in FY2012-13 pursuant to the bill.

DMV estimates there will be increased expenditures for programming of computer management systems for license plates. It is estimated 260 hours of programming will be needed to make the changes required to the systems for a one-time cost of \$19,500 of cash funds in FY2011-12.

One-time Fiscal Impact for the Highway Trust Fund: DMV indicates that most of the farm truck and commercial plates for the initial 2011 issuance will have been produced and will be in county inventories on the implementation date of the bill, but not all of the plates will have been issued. If so, then half of the plates will need to be destroyed because only one plate will be needed for each vehicle. DMV estimates approximately 100,000 to 150,000 plates will need to be destroyed. This will result in a one-time loss of revenue for the Highway Trust Fund of approximately \$330,300 to \$495,000 in FY2011-12. The proceeds of the HTF are allocated to the Department of Roads Cash Fund (53 1/3%), cities (23 1/3%) and counties (23 1/3%).

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	David Spatz	3/2/11	PHONE 471-4179
COMMENTS			
Concur with Dept. of Motor Vehicles analysis and estimate of decreased expenditures and revenue fiscal impact for the Plate Cash Fund and the Highway Trust Fund.			
CORRECTIONAL SERVICES – No basis to dispute agency analysis and estimate of decreased revolving fund revenue fiscal impact.			

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## LB 182 FISCAL NOTE

## NEBRASKA DEPARTMENT OF MOTOR VEHICLES

LEGISLATIVE FISCAL

Prepared by: Gary Ryken

Date Prepared: 02-Mar-11

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**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	FY 2011-2012		FY 2012-2013	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	\$ 19,500			
Plt. CASH FUNDS	\$ (51,517)		\$ (103,034)	
TRUST FUNDS		\$ (330,000)		
TOTAL FUNDS	\$ (32,017)	\$ (330,000)	\$ (103,034)	\$ -

Explanation of Estimate:

**Program 90-License Plates**

LB 182 allows for the issuance of one plate for farm truck and commercial vehicles. Currently those vehicle types require two plates. This is the first year of the new plate 2011 series and production of these plate types will have been mostly completed by June 30, 2011. There will be a reduction for the remainder of the issuance series for these plate types.

	Number of Plates		Dollar Amount	
	FY12	FY13	FY12	FY13
Plate Production Reduction	(16,991)	(33,982)	(51,143)	(102,286)
Stickers	(16,991)	(33,982)	(374)	(748)
Total			(51,517)	(103,034)

The current plate prices charged by Cornhusker State Industries are based upon a complete 6-year production cycle. CSI has not indicated whether the accumulated reduction of approximately 178,000 plates will cause a price change. The plates are paid by the public through plates fees. The current level is \$3.30 with a cap of \$3.50. LB 182 does not address the plate fee cap.

**Program 70- DMV Operations**

LB 182 will require some modifications to the Plate Management Computer System and the 3M DLP VRIMS systems used for plate ordering and inventory. DMV estimates that it will take the programmers approximately 260 hours to modify and test the systems at a cost of \$19,500.

POSITION TITLE	MAJOR OBJECTS OF EXPENDITURE			
	NUMBER OF POSITIONS		2011-2012	2012-2013
	11-12	12-13	EXPENDITURES	EXPENDITURES
Benefits				
Operating			\$ 19,500	
License Plates			\$ (51,517)	\$ (103,034)
Capital Outlay				
Aid				
Capital Improvements				
Total			\$ (32,017)	\$ (103,034)

**NEBRASKA DEPARTMENT OF MOTOR VEHICLES**

Prepared by: Gary Ryken

Date Prepared: 02-Mar-11

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**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

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**Highway Trust Fund**

Implementation of LB 182 may also affect the Highway Trust Fund due to timing of the implementation date and the issuance of the license plates. By the implementation date DMV will have ordered the majority of the farm truck and commercial vehicle two plate sets for the initial 2011 plate series. This will result in the destruction of a number of plates previously produced. DMV estimates that 100,000 to 150,000 plates may have to be destroyed without collection of the plate fee resulting in a potential loss to the Highway Trust Fund of \$330,000 to \$495,000.

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LEGISLATIVE FISCAL

LB 182 FISCAL NOTE

State Agency OR Political Subdivision Name: (2) DEPARTMENT OF CORRECTIONAL SERVICES

Prepared by: (3) Kate Morris

Date Prepared: (4) 2/18/2011 Phone: (5) 479-5702

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2011-2012		FY 2012-2013	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	reduction	(1,044,267)	reduction	(149,119)
TOTAL FUNDS	reduction	(1,044,267)	reduction	(149,119)

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

LB 182 adds farm trucks and commercial motor vehicles to the list of vehicles only needing one license plate. There are approximately 490,000 farm vehicles and commercial vehicles licensed in Nebraska, according to the DMV 2009 annual report, out of approximately 2,205,000 total vehicle registrations. Currently, about 400,000 already only need one plate (motorcycles, dealers, trailers, buses, etc).

Cornhusker State Industries (CSI) is an inmate labor and training program within the Department of Correctional Services charged with producing Nebraska's license plates. Implementation of this bill will result in a reduction in CSI revenue. We estimate that CSI will experience net lost revenue of approximately \$1,600,283 over the upcoming 6-year 2011 plate cycle. The reduction in revolving fund revenue for FY12 (includes lost revenue for plates already completed in FY10 & FY11) and FY13 is shown above.

Implementing the terms of LB182 would also have a negative impact on the funding of the Correctional Industries work program within Nebraska Department of Correctional Services. This reduction in the number of plates and revenue per plate will result in a higher "price per plate" due to the fixed manufacturing costs that must be covered by the lower volume of plates produced. The lost revenue to CSI will require CSI to increase prices on the remaining core products in order to absorb the lost overhead contribution. Under the proposed bill, we expect the 2011 plate cycle "price per plate" will need to be increased from the current composite rate of \$3.08, to a composite per plate price of approximately \$3.17. In a similar manner, the price of the validation stickers would also need to be increased from approximately \$0.14 to approximately \$0.153 cents over the 6-year period. . The fiscal note assumes that a Legislative change to the plate pricing will occur in order to cover the full costs of license plate production.

The impact of a single plate system in the next 6-year cycle is estimated to be \$1,587,504 in net lost plate revenue and an additional \$12,779 in net lost validation sticker revenue to CSI.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2011 -2012	2012-2013
	11-12	12-13	EXPENDITURES	EXPENDITURES
_____	_____	_____	_____	_____

<b>Benefits</b> .....			
<b>Operating</b> .....			
<b>Travel</b> .....			
<b>Capital outlay</b> .....			
<b>Aid</b> .....			
<b>Other</b> .....			
<b>Capital improvements</b> .....			
<b>TOTAL</b> .....			

