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DATE PREPARED: January 26, 2009
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LB 416

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *

	FY 2009-10		FY 2010-11	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	(See Below)		(See Below)	
FEDERAL FUNDS				
OTHER FUNDS	(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 416 provides for the issuance of one license plate, rather than two, for motor vehicles beginning January 1, 2010.

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 $3.25. 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 since only one plate will be issued for each vehicle.

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. CSI and DMV indicate the statutory $3.50 cap on the license plate fee will need to be increased to at least $4.07 to $4.27 per plate 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 of approximately $949,000 for the remainder of the six year issuance (1 yr.) of plates that began in 2005 and an additional $9.5 million for the next issuance of license plates beginning in January, 2011. CSI accumulates earnings on the production of plates and uses the excess to proportionally absorb fixed overhead costs for the enterprise. The reduction in the number of plates produced will decrease revenue available to cover these expenses which may have an impact on the cost and pricing of other CSI products.

Overall expenditures by DMV to pay for license plates and stickers with funds transferred from the HTF will decrease by $2.1 - $2.5 million in 2009-10 and 2010-11 as shown on the DMV fiscal note if the license plate fee is increased to $4.27 on the implementation date of the bill. DMV indicates some plates for the 2005 issuance 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 6,000 plates will need to be destroyed. This will result in a one-time loss of revenue for the Highway Trust Fund of approximately $19,500. 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%).

DMV also indicates there will be increased expenditures for computer programming for computer management systems for license plates. It is estimated 900 hours of programming will be needed to make the changes required to the systems for a one-time cost of $67,000 of cash funds in 2009-10.

DEPARTMENT OF ADMINISTRATIVE SERVICES

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COMMENTS
Concur with Dept. of Motor Vehicles' analysis and estimate of increased/decreased expenditures and revenue fiscal impact to the Dept. of Motor Vehicles Cash Fund and the License Plate Cash Fund.

Concur with Dept. of Roads' analysis and estimate of no additional fiscal impact.

Concur with Game and Parks Commission's analysis and minimal cash fund fiscal impact savings once every six years.