

JMS

PREFARED BY: Sandy Sostad
DATE PREPARED: March 01, 2011
PHONE: 471-0054

LB 185

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				
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 185 provides for the issuance of one license plate, rather than two, for motor vehicles beginning January 1, 2012.

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 each vehicle.

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 need to be increased to about \$4.24 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 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 555,000 in FY2011-12 and by 354,000 in FY2012-13. This will decrease revenue for CSI by approximately \$1.8 million in FY2011-12 and \$1.17 million 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 over \$10.5 million of decreased revenue.

Impact for the Department of Motor Vehicles: Overall expenditures by DMV to pay for license plates and stickers with funds transferred from the HTF will decrease by \$875,500 in FY2011-12 and \$490,500 in FY2012-13 as shown on the DMV fiscal note if the license plate fee is increased to \$4.24 on the implementation date of 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 plates for the 2011 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 26,000 to 32,000 plates will need to be destroyed. This will result in a one-time loss of revenue for the Highway Trust Fund of approximately \$85,800 to \$105,600 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 J. Spatz	DATE	3/3/11	PHONE	471-4179
<p>COMMENTS</p> <p>DEPARTMENT OF CORRECTIONAL SERVICES: No basis to dispute agency analysis and estimate of decreased revolving fund revenue fiscal impact.</p> <p>NEBRASKA DEPARTMENT OF MOTOR VEHICLES: No basis to dispute agency analysis and estimate of decreased expenditures and revenue fiscal impact.</p> <p>DEPARTMENT OF ROADS: Concur with Department of Roads' analysis and estimate of no fiscal impact.</p>					

RECEIVED

FEB 22 2011

2011

LEGISLATIVE

Please complete ALL (5) blanks in the first three lines.

LB 185 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	(6,826,244)	reduction	(974,769)
TOTAL FUNDS	reduction	(6,826,244)	reduction	(974,769)

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

Explanation of Estimate:

LB185 provides for the issuance of one license plate and one transit decal, rather than two, for motor vehicles beginning January 1, 2012.

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 significant reduction in CSI revenue. We estimate that CSI will experience net lost revenue of approximately **\$10,459,729** 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 LB185 would have a negative impact on the funding of the Correctional Industries work program within Nebraska Department of Correctional Services. The reduction called for in this bill will reduce the production of license plates by approximately 39% from the current 2011 plate cycle and future plate cycles. This reduction 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 \$4.09. In a similar manner, the price of the validation stickers would also need to be increased from approximately \$0.14 to approximately \$0.19 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 net \$10,005,817 in lost plate revenue and an additional net \$453,912 in lost validation sticker revenue to CSI.

The table below depicts the lost revenue to CSI that is expected to occur over the 6-year period.

Fiscal Year	Lost Revenue Plates @ \$4.09	Lost Revenue Stickers @ \$.187¢	Total Lost Revenue
-------------	------------------------------	---------------------------------	--------------------

FY10 (6 Mo)	\$ 1,900,434	\$ 86,426	\$ 1,986,860
FY11	\$ 3,282,563	\$ 149,280	\$ 3,431,843
FY12	\$ 1,346,315	\$ 61,226	\$ 1,407,541
FY13	\$ 932,368	\$ 42,401	\$ 974,769
FY14	\$ 1,048,172	\$ 47,667	\$ 1,095,839
FY15	\$ 908,499	\$ 41,316	\$ 949,815
FY16 (6 Mo)	\$ 587,466	\$ 25,596	\$ 613,062
Total	\$ 10,005,817	\$ 453,912	\$ 10,459,729

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2011 -2012 EXPENDITURES	2012-2013 EXPENDITURES
	11-12	12-13		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits			_____	_____
Operating			_____	_____
Travel			_____	_____
Capital outlay			_____	_____
Aid			_____	_____
Other			_____	_____
Capital improvements			_____	_____
TOTAL			_____	_____

LB 185 FISCAL NOTE

NEBRASKA DEPARTMENT OF MOTOR VEHICLES LEGISLATIVE FISCAL

Prepared by: Gary Ryken Date Prepared: 02-Mar-11 Phone: 471-3902 Fax: 471-9594
 Email: gary.ryken@nebraska.gov

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 FUND	\$ (875,528)		\$ (490,542)	
TRUST FUNDS				\$ (81,640)
TOTAL FUNDS	\$ (856,028)	\$ -	\$ (490,542)	\$ (81,640)

Explanation of Estimate:

Program 90-License Plates

LB 185 provides for one license plate and In Transit decal per vehicle. The bill carries an implementation date of Jan. 1, 2012. DMV is currently in the initial year of the 2011 plate issuance cycle. There will be a reduction in the number of plates that will be needed for the remainder of the plate issuance cycle.

	Number of Plates		Dollar Amount	
	FY12	FY13	FY12	FY13
2011 Plate Issuance Cycle				
FY 12-13 Budget Request	1,055,557	661,836	3,314,449	2,078,164
LB185 Plate Needs	554,870	354,092	1,742,292	1,111,849
LB 185 Result	(500,687)	(307,744)	(1,572,157)	(966,315)

The current plate prices charged by Cornhusker State Industries (CSI) are based upon a complete 6-year cycle. CSI has not indicated whether this specific bill would cause a price increase but similar bill proposals from previous years resulted in 35-40% increases. Assuming a price increase of 35% the cost per plate would be \$4.24.

	Number of Plates		Dollar Amount	
	FY12	FY13	FY12	FY13
LB185 Plate Needs @\$4.24	554,870	354,092	2,352,649	1,501,350
LB185 Sticker Needs @\$.03/ea.	2,875,727	2,875,727	86,272	86,272
Net LB185 Result			\$ (875,528)	\$ (490,542)

MAJOR OBJECTS OF EXPENDITURE

POSITION TITLE	NUMBER OF POSITIONS		2011-2012	2012-2013
	11-12	12-13	EXPENDITURES	EXPENDITURES
Benefits				
Operating			\$ 19,500	
License Plates			\$ (875,528)	\$ (490,542)
Capital Outlay				
Aid				
Capital Improvements				
Total			\$ (856,028)	\$ (490,542)

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

Prepared by: Gary Ryken

Date Prepared:

02-Mar-11

Phone: 471-3902

Fax: 471-9594

Email: gary.ryken@nebraska.gov

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

The plate production costs are paid by the public through the collection of plate fees. If the plate fee increases to any amount over \$3.50, the Highway Trust Fund will not collect enough to cover the costs. LB 185 does not address the plate fee cap issue.

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.

Highway Trust Fund

Implementation of LB 185 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 two plate sets for the initial 2011 plate series and will continue to issue sets until 12/31/11. While DMV will be somewhat able to adjust plate orders, any unsold sets after the implementation date will require one plate to be destroyed. DMV estimates that approximately 26,000 to 32,000 plates may have to be destroyed without the collection of the plate fee resulting in a potential loss to the Highway Trust Fund of \$81,640 to \$100,480.

