

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2023-24		FY 2024-25	
	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	See below	See below	See below	See below

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB807 provides for a single rear-mounted license plate for all motor vehicles and trailers, thereby expanding the current limited list of motor vehicles that qualified for a single plate prior to this bill. LB807 removes the Single Plate decal and \$50 annual non-refundable fee currently in statute, for those vehicles that were not manufactured to be equipped with a front license plate bracket. Additionally, this bill would eliminate Special Interest Plates and the associated \$50 fee. Next, LB807 would change the fee for Support Our Troops Message license plates from \$70 down to \$40. Finally, LB 807 would continue to allow the Department of Motor Vehicles (DMV) to adjust the plate fee up to \$4.25.

The Highway Trust Fund is the source of funding for the Nebraska Department of Corrections (NDCS) Cornhusker State Industries (CSI) to manufacture the license plates and decals. Then, the license plate receipts collected by the Nebraska Department of Motor Vehicles (NDMV) and county treasurers are deposited back into the Highway Trust Fund to cover the costs. The NDMV sets the plate fees up to the statutory maximum (currently set for this six-year plate cycle at \$4.10). The goal is to maintain a balance between the expense of producing the plates and decals and the revenues coming in, so that there is no impact to the Highway Trust Fund. LB807 as written however, would cause a disruption in this balance, as the production costs would be cut in general, yet raw material costs would be higher with loss of volume buying power. In addition, the NDCS would need to retrieve all the extra plates already produced and destroy them. These expenditures would cause a need in the plate fees to be adjusted upward or else the Highway Trust Fund would be losing money, instead of maintaining a balance.

Expenditures: The expenditures for FY2023-24 above are shown at 75% of a total fiscal year due to the effective date of the bill.

Nebraska Department of Corrections (NDCS) – Expenditures:

- The bill would significantly lower the number of plates manufactured by Cornhusker State Industries (CSI), a program of the Nebraska Department of Correctional Services (NDCS). During each six-year license plate cycle, CSI provides the Department of Motor Vehicles a cost estimate. A significant portion of this estimate is derived from the fixed costs of equipment and software required for plate production. These fixed costs are spread out over the estimated number of plates produced. Currently 7,972,488 plates are projected to be produced for the plate cycle which began 1/1/23. Under LB807, the estimated volume would change to 5,964,938 plates. Approximately 3,957,388 plates will have already shipped at the original pricing when this bill would become effective. Changing the quantity mid-cycle results in a disproportionate price increase for the remaining 2,007,550 plates to be shipped. New plate prices at the implementation of LB807 would become: Multicolored Passenger Plate - \$5.78, Single Color Passenger Plate - \$5.55 and Motorcycle Plate - \$4.77.
- Additionally, CSI is responsible for the destruction of license plates that are surplus or are returned to county DMV locations. Since many plates will have already been shipped as pairs, but will only be able to be provided as single plates, CSI would need to make dedicated trips to county locations to transport them for destruction. CSI estimates this cost to be \$21,650 for FY2023-24.

Nebraska Department of Motor Vehicles (NDMV) – Expenditures:

- LB807 changes the two-license plate requirement to one plate. There will be a cost reduction for plate decals for all plates. The amount to DMV Program 090 – License Plates will be \$69,300 per fiscal year.

Nebraska Department of Transportation (NDOT) – Expenditures:

- It is assumed the license plate fee will increase to the maximum plate fee of four dollars and twenty-five cents for the remaining FY2023 plate series pending production. The production cost for the remaining FY2023 plate series is estimated to be \$3,573,439 more than the revenue received in FY2024-25 and the three subsequent years.

Revenues: The revenue for FY2023-24 above are shown at 75% of a total fiscal year due to the effective date of the bill.

Nebraska Department of Corrections (NDCS) – Revenue Losses:

- Over the six years of the 2023 plate cycle, CSI license plate sales revenue would be reduced by \$3,683,336. This amount is partially offset by a reduction in material costs of \$2,934,169 resulting in a net financial loss to CSI of \$749,167. The loss will have an impact during the upcoming biennium as follows. FY2023-24: Reduction in revenue of \$2,227,423, reduction in material cost of \$1,774,380, net financial loss to CSI of \$453,043. FY2024-25: Reduction in revenue of \$381,306, reduction in material cost of \$303,751, net financial loss to CSI of \$77,555.

Nebraska Department of Motor Vehicles (NDMV) - Revenue Losses:

- Section 27 impacts multiple provisions for license plate issuance. Special Interest Plates will be eliminated. The current fee for this plate is \$50. The impact to the DMV Cash fund and the Highway Trust Fund will be \$25,000 each fiscal year and will continue into perpetuity.
- The Single Plate Decal and \$50 fee is eliminated. This revenue is credited to the Highway Trust Fund. We estimate the revenue reduction will be \$850,000 per fiscal year. This loss of revenue will continue in perpetuity. There will be a decrease to DMV Program 090 – License Plates for not incurring the cost of the single plate decals of \$12,000 per year.
- The impact to the Highway Trust Fund for the remainder of the 2023 plate series (CY2023-28) is listed below:
 - The plate fee is calculated on the projected number of plates produced over the six-year cycle and is set at \$4.10.
 - Loss of plate fee revenue of \$2,193,500 will be incurred for 535,000 plates which have already been produced but will not be issued to those who register their vehicles. The current plate fee is \$4.10 which will not be credited to the Highway Trust Fund. This impact is for FY2023-24 only.
 - The net revenue loss from a single plate issuance for the six-year cycle will be \$3,874,572. This is calculated based on our estimates of 2,007,550 single plates that have yet to be produced for the 2023 plate series. CSI has indicated the cost of production will be \$5.78 for each plate + \$0.25 for the decals for the remainder of the 2023 series. This will bring the total production costs to \$12,105,527. Based on the current allowable plate fee of \$4.25 the amount that would be collected from these plates is \$8,230,955. The total revenue loss of \$3,874,572 will occur during a four fiscal year period. The average of this will be \$968,643 per fiscal year.
 - Section 87 changes the fee for Support Our Troops Message license plate from \$70 to \$40 which reduces the amount of revenue for each collection and renewal. Our estimates are a reduction of \$8,000 to the DMV Cash Fund and \$24,000 to the Veterans Employment Program Fund each fiscal year.

Nebraska Department of Transportation (NDOT) – Revenue Losses:

- During FY2023-24 and FY2024-25 and the subsequent years, the Department of Transportation (NDOT) would consider the decrease revenue and changes in the transfers from the Highway Trust fund to the License Plate Cash Fund during the motor fuels tax setting process and adjust the variable rate accordingly to generate revenue for NDOT based on the Highway Cash Fund appropriation set by the Legislature.
- Likewise, this decrease in revenues to the Highway Trust Fund would also mean a decrease in funds to the Highway Allocation Fund, which is shared by cities and counties.

The estimates provided by NDCS, NDMV, and NDOT are all reasonable.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB:	807	AM:	AGENCY/POLT. SUB: Department of Motor Vehicles
REVIEWED BY:	Lee Will	DATE:	2/9/2023
		PHONE:	(402) 471-4175
COMMENTS: The Department of Motor Vehicles' assessment of fiscal impact seems reasonable given the assumptions provided.			

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2023

LB⁽¹⁾ 807

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Motor Vehicles

Prepared by: ⁽³⁾ Bart Moore Date Prepared: ⁽⁴⁾ February 2, 2023 Phone: ⁽⁵⁾ 402-471-3902

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS	(60,975)	(42,750)	(81,300)	(56,000)
FEDERAL FUNDS				
OTHER FUNDS		(2,849,750)		(1,843,643)
TOTAL FUNDS				

Explanation of Estimate:

The revenue and expenditure calculations for Fiscal Year 2023-24 above are shown at 75% of a total fiscal year due to the effective date of the bill. I have rounded these calculations to begin October 1st for ease in understanding the calculations.

The impact to the Highway Trust Fund is shown in Other Funds above.

Section 27 impacts multiple provisions for license plate issuance.

Special Interest Plates will be eliminated. The current fee for this plate is \$50. The impact to the DMV Cash fund and the Highway Trust Fund will be \$25,000 each fiscal year and will continue into perpetuity.

The Single Plate Decal and \$50 fee is eliminated. This revenue is credited to the Highway Trust Fund. We estimate the revenue reduction will be \$850,000 per fiscal year. This loss of revenue will continue in perpetuity. There will be a decrease to DMV Program 090 – License Plates for not incurring the cost of the single plate decals of \$12,000 per year.

It changes the two-license plate requirement to one plate. There will be a cost reduction for plate decals for all plates. The amount to DMV Program 090 – License Plates will be \$69,300 per fiscal year.

The impact to the Highway Trust Fund for the remainder of the 2023 plate series (CY 2023-2028) is listed below:

The plate fee is calculated on the projected number of plates produced over the six-year plate cycle and is currently set at \$4.10.

Loss of plate fee revenue of \$2,193,500 will be incurred for 535,000 plates which have already been produced but will not be issued to those who register their vehicles. The current plate fee is \$4.10 which will not be credited to the Highway Trust Fund. This impact is for Fiscal Year 2023-24 only.

The net revenue loss from a single plate issuance for the six-year cycle will be \$3,874,572. This is calculated based on our estimates of 2,007,550 single plates that have yet to be produced for the 2023 plate series. CSI has indicated the cost of production will be \$5.78 for each plate + \$0.25 for the decals for the remainder of the 2023 series. This will bring the total production costs to \$12,105,527. Based on the current allowable plate fee of \$4.25 the amount that would be collected from these plates is

\$8,230,955. The total revenue loss of \$3,874,572 will occur during a four fiscal year period. The average of this will be \$968,643 per fiscal year.

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BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24</u>	<u>2024-25</u>
	<u>23-24</u>	<u>24-25</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....			(60,975)	(81,300)
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			(60,975)	(81,300)

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2023

LB⁽¹⁾ 807

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Department of Correctional Services

Prepared by: ⁽³⁾ Lisa Stanton Date Prepared: ⁽⁴⁾ 02/08/2023 Phone: ⁽⁵⁾ (402)479-5702

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	<u>\$(1,752,730)</u>	<u>\$(2,227,423)</u>	<u>\$(303,751)</u>	<u>\$(381,306)</u>
TOTAL FUNDS	<u><u>\$(1,752,730)</u></u>	<u><u>\$(2,227,423)</u></u>	<u><u>\$(303,751)</u></u>	<u><u>\$(381,306)</u></u>

Explanation of Estimate:

LB807 provides for one license plate per vehicle. The bill would significantly lower the number of plates manufactured by Cornhusker State Industries (CSI), a program of the Nebraska Department of Correctional Services (NDCS). During each six-year license plate cycle, CSI provides the Department of Motor Vehicles a cost estimate. A significant portion of this estimate is derived from the fixed costs of equipment and software required for plate production. These fixed costs are spread out over the estimated number of plates produced. Currently 7,972,488 plates are projected to be produced for the plate cycle which began 1/1/23. Under LB807, the estimated volume would change to 5,964,938 plates. Approximately 3,957,388 plates will have already shipped at the original pricing when this bill would become effective. Changing the quantity mid-cycle results in a disproportionate price increase for the remaining 2,007,550 plates to be shipped. New plate prices at the implementation of LB807 would become: Multicolored Passenger Plate - \$5.78, Single Color Passenger Plate - \$5.55 and Motorcycle Plate - \$4.77.

Over the six years of the 2023 plate cycle, CSI license plate sales revenue would be reduced by \$3,683,336. This amount is partially offset by a reduction in material costs of \$2,934,169 resulting in a net financial loss to CSI of \$749,167. The loss will have an impact during the upcoming biennium as follows. FY23-24: Reduction in revenue of \$2,227,423, reduction in material cost of \$1,774,380, net financial loss to CSI of \$453,043. FY24-25: Reduction in revenue of \$381,306, reduction in material cost of \$303,751, net financial loss to CSI of \$77,555.

Additionally, CSI is responsible for the destruction of license plates that are surplus or are returned to county DMV locations. Since many plates will have already been shipped as pairs, but will only be able to be provided as single plates, CSI would need to make dedicated trips to county locations to pick them up and transport them for destruction. CSI estimates this cost to be \$21,650 for FY2023-2024.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24 EXPENDITURES</u>	<u>2024-25 EXPENDITURES</u>
	<u>23-24</u>	<u>24-25</u>		
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	<u>\$(1,752,730)</u>	<u>\$(303,751)</u>
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	<u><u>\$(1,752,730)</u></u>	<u><u>\$(303,751)</u></u>

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2023

LB⁽¹⁾ 807

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Department of Transportation

Prepared by: ⁽³⁾ Liza Alderman Date Prepared: ⁽⁴⁾ 2/6/23 Phone: ⁽⁵⁾ 402-479-4692

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	(\$1,629,868)	_____	(\$936,460)
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	(\$1,426,132)	_____	(\$819,400)
TOTAL FUNDS	=====	(\$3,056,000)	=====	(\$1,755,860)

Explanation of Estimate:

LB 807 provides for a single license plate per motor vehicle or trailer. Statute section 60-3,102 provides for a license plate fee to be collected on each plate issued to cover the cost of the license plate and validation decal. If enacted, LB 807 would continue to allow the Department of Motor Vehicles (DMV) to adjust the plate fee up to four dollars and twenty-five cents. All fees collected shall be remitted to the State Treasury for credit to the Highway Trust Fund.

Currently, Statute 60-3,100 states one license plate shall be issued for (i) apportionable vehicles, (ii) buses, (iii) dealers, (iv) minitrucks, (v) motorcycles, (vi) special interest motor vehicles that use special interest motor vehicle license plate authorized by and issued under section 60-3,135.01, (vii) trailers, (viii) truck tractors. In addition, Statute 60-3,100 states one license plate shall be issued, upon request and compliance with this subdivision, for any passenger car which is not manufactured to be equipped with a bracket on the front of the vehicle to display a license plate. A license decal shall be issued with the single license plate as provided in the subdivision. In order to request a single license plate and license decal an additional annual non-refundable registration fee of fifty dollars plus the cost of the decal shall be paid to the county treasurer at the time of registration. All fees collected under this subdivision shall be remitted to the State Treasurer to be credited to the Highway Trust Fund. LB 807 would eliminate the license decal cost and annual non-refundable fees.

Revenue to Highway Trust Fund		
	FY2023/24	FY2024/25
Elimination of Special Interest Plates	(12,500)	(12,500)
Elimination of Single Plate Decal	(850,000)	(850,000)
Duplicate Plates Currently Produced	(2,193,500)	
FY2023 Plate Series Remaining Production		(893,360)
Total	(3,056,000)	(1,755,860)

This estimate of decreased tax revenue was obtained from the DMV. For purposes of this fiscal note, it is assumed the license plate fee will increase to the maximum plate fee of four dollars and twenty-five cents for the remaining FY2023 plate series pending production. The production cost for the remaining FY2023 plate series is estimated to be \$3,573,439 more than the revenue received in FY2024-2025 and the three subsequent years.

During FY2023-24 and FY2024-25 and the subsequent years, the Department of Transportation (NDOT) would consider the decrease revenue and changes in the transfers from the Highway Trust fund to the License Plate Cash Fund during the motor fuels tax setting process and adjust the variable rate accordingly to generate revenue for NDOT based on the Highway Cash Fund appropriation set by the Legislature. The decrease in revenues to the Highway Trust Fund also affect the Highway Allocation Fund, which is shared by cities and counties.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2023-24	2024-25
	<u>23-24</u>	<u>24-25</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				