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Child Abuse and Neglect Prevention Board

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LFB Summary Item for Which an Issue Paper Has Been Prepared

Item #

Title

3

Children's License Plate Revenue (Paper #275)

Gov Agency: Child Abuse & Neglect Prevention Board - Children's License Plate Revenue

Recommendations:

Gard 1 a

Paper No. 275 Alternative 3B

Comments:

This alternative would prohibit the Board from expending any of the revenue from the sale of the license plate but would authorize the Board to expend all of the interest income generated by the fund's balance. This is consistent with the original intent of the budget bill establishing the Celebrate Children license plate. This will allow a significant balance to develop in the trust fund so the Board can eventually fund its grants and projects with the interest earnings derived from the fund's balance.

In addition it modifies the license plate fee to make it the same as the Endangered Resources plate. Unlike the popular Endangered Resources license plate, the Celebrate Children plate has a \$15 issuance fee which is retained by DOT which represents 43% of the total \$35 paid by the purchaser in the first year. To make the Celebrate Children plate like the Endangered Resources plate, this alternative eliminates the \$15 issuance fee and increases the annual fee to \$25 which is deposited in the Children's Trust Fund.

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April 22, 1999

Joint Committee on Finance

Paper #275

Children's License Plate Revenue (Child Abuse and Neglect Prevention Board)

[LFB 1999-01 Budget Summary: Page 124, #3]

CURRENT LAW

Beginning January 1, 1999, the Department of Transportation (DOT) is required to issue a special license plate with the words "Children First" on it for persons interested in expressing support for the prevention of child abuse and neglect. DOT charges a \$15 one-time fee for the issuance or reissuance of the plate. In addition, DOT charges a \$20 annual fee for the plate, of which the first \$35,000 or DOT's actual data processing costs for the plate, whichever is less, is retained by DOT. The remaining revenue collected from the \$20 fee is deposited to the children's trust fund and accumulates indefinitely. The \$20 fee is considered a tax deductible contribution to the children's trust fund.

The Board is required to solicit and accept contributions, grants, gifts and bequests for the children's trust fund. Further, with the exception of fees collected from the sale of a special license plate, the Board is authorized to expend all moneys in the trust fund in accordance with the wishes of the donor to award grants, fund the actual and necessary operating costs of the Board and for statewide projects to prevent child abuse and neglect.

In addition to revenue received from the sale of the license plate, the Board's grants, statewide projects and state operations are funded from program revenue (PR) available from the sale of duplicate birth certificate fees. The Board receives \$7 from the \$12 fee. Federal funding (FED) is available under Title II of the Child Abuse Prevention and Treatment Act. In addition, some revenue is available from private donations to the children's trust fund.

GOVERNOR

Provide \$30,000 SEG in 1999-00 and \$80,000 SEG in 2000-01 to reflect reestimates of the amount of funding available from the children's trust fund to support the Board's activities due to revenue from fees collected from the sale of the license plate. Further, authorize the Board to expend all moneys credited to the children's trust fund from fees collected from the sale of the license plate in order to support: (a) grants to prevent child abuse and neglect; (b) the actual and necessary operating costs of the Board; and (c) statewide projects to prevent child abuse and neglect. Require the Board to use the revenue from the sale of the special plate, like other moneys deposited to the trust fund, in accordance with the wishes of the donor. Further, specify that the license plate will have the words "Celebrate Children" on it, rather than "Children First" as required under current law.

The bill provides funding for the Board totaling \$2,294,900 (\$458,500 FED, \$1,776,400 PR and \$60,000 SEG) in 1999-00 and \$2,358,000 (\$458,500 FED, \$1,789,500 PR and \$110,000 SEG) in 2000-01.

DISCUSSION POINTS

1. The establishment of the special license plate was initially recommended by the 1997 Legislative Council Special Committee on Prevention of Child Abuse and Neglect and later enacted in 1997 Wisconsin Act 27 (the 1997-99 biennial budget act). This provision was designed to allow a significant balance to develop in the trust fund so that the Board could eventually fund its grants and projects with the interest earnings derived from the fund's balance.

Use of License Plate Revenue

2. Total contributions to the trust fund have never been a significant revenue source for the Board. The Board annually solicits contributions from a mailing list of potential contributors. Contributions however, are usually made in small amounts (\$5 to \$20 each). The Board receives few corporate donations which are rarely more than \$1,000. 1997 Wisconsin Act 279 authorized the Board to establish a nonstock, nonprofit corporation for the purpose of soliciting and accepting contributions, grants, gift and bequests for the children's trust fund. The Board is currently seeking tax exempt status under section 501 (c)(3) of the internal revenue code for the corporation, which will be called the "Celebrate Children Foundation, Inc." Once this status is received, it is anticipated that corporate contributions to the trust fund will increase.

3. Expenditures from the trust fund for statewide projects have recently met or exceeded the total amount of revenue received by the trust fund and therefore, the balance in the fund has decreased in recent years. The administration has supported the use of the balance to fund current child abuse and neglect prevention activities. Beginning in 1996-97, the balance in the trust fund was \$99,300. The balance in the trust fund at the beginning of 1998-99 was \$48,900.

4. Other states have been successful at building a balance in a trust fund and using the interest earnings of the fund to awards grants and provide services to prevent child abuse and neglect. According to the 1997 annual report of the National Alliance of Children's Trust and Prevention Funds, 24 states are able to use interest earnings from their trust funds to provide services and grants. The amount of interest available varies significantly. The smallest amount reported totals \$900 by the Vermont Children and Family Council. The largest amount is the Texas children's trust fund, with almost \$1,087,300 in interest earnings. For the last ten years, the Texas children's trust fund has deposited half of all revenue received into its trust fund to contribute towards the fund's principal. Its current balance is approximately \$20 million.

5. The Committee could maintain current law which requires that the license plate revenue accumulate indefinitely in the trust fund as a prudent goal. Once the balance is large enough, the interest earnings would provide a stable and independent source of revenue for grants awarded by the Board.

6. The trust fund would benefit from having a stable source of income for its grants. PR from the issuance of duplicate birth certificates is a fairly stable source of income. However, federal revenue is subject to funding decisions made by Congress and changes in Wisconsin's share of the total allocation. Federal funding was decreased beginning in 1997-98 and as a result, the Board had to reduce grant amounts for family resource centers from \$100,000 each to \$80,000 each. Having a stable source of income from interest earnings from the trust fund could help protect the Board's grant recipients from appropriation changes made by the state or Congress.

7. However, the Committee could adopt the Governor's recommendation to authorize the Board to expend revenues available from the sale of the license plate for the following reasons:

- Building such a trust fund balance may be a disadvantage in promotion of the sale of the license plate. Vehicle owners may be more likely to purchase the plate if they knew their contribution would be used to increase support for, or expand current programs rather than if their contribution were used to increase the fund's balance to meet future program needs;

- Building a balance sufficient to generate significant interest earnings could take a number of years. It took Texas approximately 10 years to build a balance of \$20 million by placing half of all revenue in trust;

- While this approach has been pursued by other states, in most of those states, it has not generated a significant amount of revenue. According to the 1997 annual report of the National Alliance on Children's Trust and Prevention Funds, the amount of interest earnings available to the 24 states with interest earnings averages approximately \$122,000 in 1997. Only six of the states generated more than \$100,000 in interest earnings.

8. Alternatively, if the Committee supports the prudent goal of building the trust fund's balance and simultaneously supports using the revenue from the sale of the plate to support current

Board activities, it could authorize the Board to expend half of all revenue received from the sale of the plate and require that the other half accumulate indefinitely in the trust fund.

9. As of April 10, 1999, a total of 522 Celebrate Children plates have been sold. The plates that have already been sold have the words "Celebrate Children" on them, as provided under the Governor's bill, rather than "Children First," as required under current law. While DOT was required to design the plate, the Board was required to approve the words and any symbol on the plate. The Board felt that the words "Celebrate Children" represented a more positive message than "Children First" and is consistent with its other campaigns.

Estimated Revenue and License Plate Fee

10. Based on the current rate of sales of the plate (40 per week), it is estimated that the amount of revenue available from the sale of the plate would total \$45,000 SEG in 1999-00 and \$104,800 SEG in 2000-01. This represents a \$15,000 increase in 1999-00 and \$24,800 increase in 2000-01 from the estimates provided in the Governor's bill. This estimate represents a conservative estimate, since the first 13 weeks of sales may not be indicative of subsequent sales as the plate receives more visibility. However, the Board is authorized to expend all moneys received from the sale of the license plate, and therefore, under the Governor's bill the amounts provided in the appropriation schedule would not limit the Board's expenditure authority.

11. Sales of the Celebrate Children license plate are not likely to be comparable to sales of the endangered resources plate. In the first year of sales, the endangered resources plate sold an average over 250 plates per week. Revenue from the endangered resources plate totaled \$458,200 in 1995-96 its first fiscal year of sales. The number of sales of the endangered resources plate in its first year may be attributable to a statewide campaign to select the design of the plate, prior to its introduction. As a result, a substantial portion of potential purchasers were aware of the plate, prior to its introduction. The promotional campaign for the Celebrate Children plate started after introduction of the plate.

12. Another approach, taken by the Sesquicentennial Commission for the sale of its plate, is a promotional campaign which notifies vehicle owners of the availability of the plate at their time their registration must be renewed. Such a notification could cost approximately \$250,000. The Board was provided \$60,000 PR in one-time funding to promote the plate in 1998-99.

13. Further, the number of likely purchasers of the Celebrate Children plate may be reduced by the number of endangered resources plates and sesquicentennial plates currently in use. As of January 1, 1999, there are approximately 406,000 sesquicentennial plates and 23,700 endangered resources plates in use. However, with approximately 3.5 million registered vehicles in Wisconsin that could be eligible for a special plate, vehicle owners for over 3.0 million vehicles are potential purchasers of the Celebrate Children plate.

14. In addition, the Celebrate Children plate may be disadvantaged because of the \$15 one-time issuance fee which is retained by DOT. Individuals purchasing the plate are required to pay the \$15 issuance fee, representing 43% of the total \$35 paid by the purchaser (in addition to the vehicle registration fee) in the first year. The endangered resources plate has no such issuance fee. Individuals interested in purchasing a plate in order to support child abuse and neglect prevention activities may be discouraged that a large part of their first year's payment is retained by DOT for costs associated with the plate.

15. Further, the amount of revenue available to for the trust fund on a per plate basis is less than the amount available from sales of the endangered resources plate, which has an annual fee is \$25 rather than \$20 for the Celebrate Children plate.

16. Since the endangered resources plate and the Celebrate Children plate have the same general goal of raising revenue for specific causes, the Committee may wish to make the fees for these plates the same by eliminating the \$15 issuance fee for the Celebrate Children plate and increasing the annual fee to \$25. If it is assumed that sales for the Celebrate Children plate would increase by 25% to 50 plates per week, total revenue to the trust fund would increase by \$21,900 in 1999-00 and \$42,500 in 2000-01 (\$36,900 in 1999-00 and \$67,300 in 2000-01 in addition to the amounts estimated in the Governor's bill). By eliminating the \$15 issuance fee however, it is estimated that transportation fund revenue would decrease by \$28,500 in 1999-00 and \$39,800 in 2000-01.

17. The alternatives presented in this paper are structured as follows:

- Alternatives 1a and 1b would authorize the Board to expend all revenue, including principal and interest revenue from the sale of the license plate for authorized purposes.
- Alternatives 2a and 2b would authorize the Board to expend 50% of all revenue from the sale of the license plate for authorized purposes and all interest income generated by the fund's balance.
- Alternatives 3a and 3b would prohibit the Board from expending any of the revenue from the sale of the license plate but would authorize the Board to expend all interest income generated by the fund's balance, as provided under current law.

For each of the alternatives, the Committee could either adopt the reestimate of the revenue from the plate under the current fee [Alternatives 1a, 2a or 3a] or the Committee could modify the fee to make it the same as the endangered resources plate [Alternatives 1b, 2b or 3b].

ALTERNATIVES

Authorize the Board to Expend All Revenue

1. Approve the Governor's recommendations to authorize the Child Abuse and Neglect Prevention Board to expend all moneys received from the sale of the special license plate which benefits the children's trust fund and to specify that the special license plate has the words "Celebrate Children" on it. Further, approve one of the following:

a. Provide \$15,000 SEG in 1999-00 and \$24,800 SEG in 2000-01 and increase revenue estimates for the children's trust fund by corresponding amounts to reflect a reestimate of the amount of revenue that would be available from the sale of the Celebrate Children license plate.

<u>Alternative 1a</u>	<u>SEG</u>
Children's Trust Fund	
1999-01 REVENUE (Change to Bill)	\$39,800
1999-91 FUNDING (Change to Bill)	\$39,800

b. Provide \$36,900 SEG in 1999-00 and \$67,300 SEG in 2000-01 and increase revenue for the children's trust fund by corresponding amounts and reduce transportation fund revenue estimates by \$28,500 in 1999-00 and \$39,800 in 2000-01 and delete the provision which requires the purchaser of the Celebrate Children special license plate to pay a one-time issuance fee and instead increase to \$25, the annual fee which is deposited in the children's trust fund. Specify that the fee change would be effective on the first day of the second month following enactment of the bill.

<u>Alternative 1b</u>	<u>SEG</u>
Children's Trust Fund	
1999-01 REVENUE (Change to Bill)	\$104,200
Transportation Fund	
1999-01 REVENUE (Change to Bill)	-\$68,300
1999-01 FUNDING (Change to Bill)	\$104,200

Authorize the Board to Expend 50% of Revenue

2. Modify the Governor's recommendations to authorize the Board to expend 50% of all moneys received from the sale of the special license plate which benefits the children's trust fund. Specify that the other 50% of moneys received from the sale of the special license plate will be deposited in the children's trust fund and accumulate indefinitely. Further, approve one of the following:

a. Reduce funding budgeted from the children's trust fund by \$7,500 SEG in 1999-00 and \$27,600 SEG in 2000-01 and increase children's trust fund revenue by \$15,000 in 1999-00 and \$24,800 to reflect a reestimate of the amount of revenue available from the sale of the Celebrate Children license plate and that only 50% of the revenue would be available for expenditure.

<u>Alternative 2a</u>	<u>SEG</u>
Children's Trust Fund	
1999-01 REVENUE (Change to Bill)	\$39,800
1999-01 FUNDING (Change to Bill)	- \$35,100

b. Provide \$3,500 SEG in 1999-00 and reduce funding by \$6,300 SEG in 2000-01 for the Board and increase revenue for the children's trust fund by \$36,900 in 1999-00 and \$67,300 in 2000-01 and reduce transportation fund revenue by \$28,500 in 1999-00 and \$39,800 in 2000-01 and delete the provision which requires the purchaser of the Celebrate Children special license plate to pay a one-time issuance fee and instead increase to \$25, the annual fee which is deposited in the children's trust fund. Specify that the fee change would be effective on the first day of the second month following enactment of the bill.

<u>Alternative 2b</u>	<u>SEG</u>
Children's Trust Fund	
1999-01 REVENUE (Change to Bill)	\$104,200
Transportation Fund	
1999-01 REVENUE (Change to Bill)	- \$68,300
1999-01 FUNDING (Change to Bill)	- \$2,800

Prohibit the Board from Expending Revenue

3. Maintain current law which requires that all of the revenue generated from the sale of the special license plate which benefits the children's trust fund to accumulate indefinitely, but approve the Governor's recommendation to specify that the special plate has the words "Celebrate Children" on it. Further, approve one of the following:

a. Reduce funding budgeted in the Board by \$30,000 SEG in 1999-00 and \$80,000 SEG in 2000-01 and increase children's trust fund revenue by \$15,000 in 1999-00 and \$24,800 to reflect a reestimate of the amount of revenue available from the sale of the Celebrate Children license plate and to delete the Governor's estimate of the amount of revenue from the trust fund that would be expended by the Board.

<u>Alternative 3a</u>	<u>SEG</u>
Children's Trust Fund	
1999-01 REVENUE (Change to Bill)	\$39,800
1999-01 FUNDING (Change to Bill)	- \$110,000

b. Reduce funding in the Board by \$30,000 SEG in 1999-00 SEG and \$80,000 SEG in 2000-01 and increase children's trust fund revenue by \$36,900 in 1999-00 and \$67,300 in 2000-01 and reduce transportation fund revenue by \$28,500 in 1999-00 and \$39,800 in 2000-01 and delete the provision which requires the purchaser of the Celebrate Children special license plate to pay a one-time issuance fee and instead increase to \$25, the annual fee which is deposited in the children's trust fund. Specify that the fee change would be effective on the first day of the second month following enactment of the bill.

Alternative 3b	SEG
Children's Trust Fund	
1999-01 REVENUE (Change to Bill)	\$35,900
Transportation Fund	
1999-01 REVENUE (Change to Bill)	- \$68,300
1999-01 FUNDING (Change to Bill)	- \$110,000

Prepared by: Rachel Carabell

MO# <u>1a</u>	MO# <u>2a</u>	MO# <u>3b</u>
BURKE	BURKE	BURKE
DECKER	DECKER	DECKER
JAUCH	JAUCH	JAUCH
MOORE	MOORE	MOORE
SHIBILSKI	SHIBILSKI	SHIBILSKI
PLACHE	PLACHE	PLACHE
COWLES	COWLES	COWLES
PANZER	PANZER	PANZER
<u>2</u> GARD	<u>2</u> GARD	GARD
PORTER	PORTER	PORTER
KAUFERT	KAUFERT	KAUFERT
ALBERS	ALBERS	ALBERS
DUFF	DUFF	DUFF
WARD	WARD	WARD
HUBER	HUBER	HUBER
RILEY	RILEY	RILEY

AYE 5 NO 11 ABS 0
 AYE 8 NO 8 ABS 0
 AYE 8 NO 8 ABS 0

MO# 3a

BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
MOORE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
PLACHE	<input checked="" type="radio"/>	N	A
COWLES	<input checked="" type="radio"/>	N	A
PANZER	<input checked="" type="radio"/>	N	A
GARD	<input checked="" type="radio"/>	N	A
PORTER	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
ALBERS	<input checked="" type="radio"/>	N	A
DUFF	<input checked="" type="radio"/>	N	A
WARD	<input checked="" type="radio"/>	N	A
HUBER	<input checked="" type="radio"/>	N	A
RILEY	<input checked="" type="radio"/>	N	A

AYE 16 NO 0 ABS 0