



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #615

### **10-Year Replacement of Motor Vehicle Registration Plates and Related Fee (Transportation – Motor Vehicles)**

[LFB 2021-23 Budget Summary: Page 589, #1]

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#### **CURRENT LAW**

Registration plates can be redesigned at intervals determined to be appropriate by the Department of Transportation (DOT). The required replacement of vehicle registration plates can only occur after the Department redesigns the registration plate. Special group plates issued to the following persons are exempt from the requirement that new plates be issued: (a) persons who have had an immediate family member die while serving in the United States Armed Forces if the immediate family member meets the federal eligibility criteria for a gold star; (b) fire fighters and surviving spouses of fire fighters who die in the line of duty; and (c) emergency medical services practitioners and responders. DOT has statutory authority to assess a \$2 fee per plate replacement, or \$4 for a set of new plates, if an individual voluntarily applies to replace their plate(s) because their existing plates become illegible.

#### **DISCUSSION POINTS**

1. After many years of active use, vehicle license plates may become damaged, illegible, or have reduced reflectivity. This may cause safety issues for other motorists and limit the ability of law enforcement to read license plates. As a result, many states replace license plates on a routine basis. For example, Indiana and Minnesota require license plates to be replaced every seven years while Illinois, Iowa, and Michigan require plates to be replaced every 10 years. States also vary based on the fee they charge to reissue plates. Some states charge a fee that offsets the entire cost to manufacture the plates, some states charge a fee that partially offsets the cost, while other states do not charge a fee.

2. In an attempt to generate savings, the 2009-11 biennial budget act removed the

requirement for the Department to redesign and reissue vehicle license plates every 10 years and replaced the requirement with a provision that DOT may redesign and reissue plates at a time determined by the Department. Since that change, the Department has not had a statutory requirement to redesign or reissue plates on a routine basis. Prior to this law change, the cost of previous plate replacements were covered entirely by the state, at no cost to vehicle owners.

3. Current law requires motorists to replace their plates for a \$4 fee per set when the plates become illegible, although few choose to do so. In 2020, about 49,000 license plates were replaced voluntarily by customers, for reasons that may include illegible or damaged plates, among others. Replacing a set of license plates costs \$6.08, meaning DOT funds \$2.08 of the costs of replacing each set of plates on average.

4. The Governor recommends an increase in funding of \$2,100,000 annually associated with re-instating the requirement that DOT issue and deliver prepaid a new set of two non-specialized registration plates to individuals renewing their registration for which a registration plate has not been issued during the previous 10 years, beginning for registrations initially effective July 1, 2021. Under this provision, new plates would be issued upon receipt of: (a) a completed application to renew the registration of a vehicle for which a registration plate has not been issued during the previous 10 years; and (b) payment of a \$6.25 fee associated with the issuance of the plates. The current law exemptions for specific categories of special group plates would not be affected by this provision and would continue to apply. While the Governor's recommendation did not recognize the additional revenue that would be generated associated with the \$6.25 fee associated with the required replacement of the license plates, the Department estimates that it would generate \$2,100,000 annually and offset the additional Department costs. The Department indicates that there are over 1,700,000 active Wisconsin license plates that are more than 10 years old. In order to systematically replace these license plates on a cycle, the Department would utilize the alphanumeric of plates to control the number being replaced on an annual basis, with a goal of replacing approximately 335,800 each year. Reissuing 335,800 plates would cost the Department approximately \$2,042,000.

5. The Department indicates that it would take up to six months to implement a reissuance plan. Changes would include updates to information technology systems to incorporate the new fee and to identify vehicles that would need their plates reissued. Additional implementation challenges would include cooperating with the Department of Corrections to increase the manufacturing of license plates and updating registration renewal notices to reflect the new provision and fee. Given the time it would take the Department to implement the changes under this provision, it may be appropriate for the Committee to make these changes effective January 1, 2022, rather than July 1, 2021. This could provide the Department sufficient time to adequately implement the changes before they are in effect. A January 1, 2022, effective date would reduce the additional funding needed, and corresponding revenue generated, to half of the amount recommended by the Governor in 2021-22, or \$1,050,000. As a result, \$1,050,000 in 2021-22 and \$2,100,000 in 2022-23 could be provided, with the same amount of revenues from the \$6.25 fee being generated to offset the additional costs. [Alternative 1]

6. If instituting a fee that is greater than the current \$4 per set amount charged to individuals who voluntarily replace their plates is a concern, then requiring that the Department replace 10-year

old license plates but setting the fee at \$4 per set instead of \$6.25 per set could be an alternative. Using the same assumption that the Department would replace approximately 335,800 sets of plates each year, the Department would generate approximately \$1,343,200 annually in revenue from the fee once fully implemented to administer the program. Under this fee structure, the Department would have to fund the costs in excess of \$4 to reissue a set of plates, or \$2.08 per set of plates (\$698,500 annually) with existing resources. If the \$4 fee were first effective January 1, 2022, it would generate \$671,600 in 2021-22 and \$1,343,200 in 2022-23, and the Division of Motor Vehicle's general operations appropriation could be increased by an equivalent amount each year. [Alternative 2]

7. Regardless of the decision as to whether or not to statutorily require plates to be reissued on a 10-year cycle, the existing \$4 for a replacement set of plates could be increased to \$6.25 for those who request to voluntarily replace their license plates. This would allow the Department to fully cover the costs to manufacture and issue a set of plates. Assuming the Department would replace a similar amount of plates annually (49,000) as they did in 2020, the Department would collect approximately \$110,200 annually in additional revenue once fully implemented. Under a January 1, 2022, effective date, the Department would receive additional revenue of \$55,100 in 2021-22 and \$110,200 in 2022-23, and a similar amount of funding could be provided to cover the Department's administrative costs. [Alternative 3]

8. Under current law, DOT has the discretion to redesign vehicle license plates at intervals determined to be appropriate by the Department. However, the required replacement of vehicle registration plates can only occur after the Department redesigns the registration plate (termed "rebasings"). One impediment to redesigning a new license plate may be that Department does not have the ability to recoup the full cost of issuing a set of reissued plates. Given that the DOT has the discretion to redesign the plate, requiring the Department to replace 10-year old plates may not be needed. Alternatively, the Committee could increase the fee for the issuance of registration plates to \$6.25 at this time, which may allow the Department to cover the costs of replacing existing license plates with redesigned plates on a time table the Department deems appropriate. Given that the decision to redesign and require the replacement of the state's vehicle registration plates is at the Department's discretion, no additional funding or revenue to the transportation fund would be provided at this time. If DOT would use its current law authority to redesign and require the replacement of vehicle license plates, additional revenues associated with the fee increase would accrue to the transportation fund and the Department could request additional expenditure authority to cover its costs at a later date. [Alternative 4]

9. DOT has the authority to redesign the state's vehicle registration plate and require the replacement of those plates. If the replacement of older, more damaged plate is a priority of the Department, it could do so using this existing authority. Taking no action, would mean that Wisconsin drivers would not be required to be reissued license plates on a routine basis, and would continue to voluntarily replace plates on an as-needed basis as determined by the driver. The Department would continue to receive \$4 for voluntary license plate replacements, meaning they would continue to expend approximately \$2.08 from other budget resources for each replacement set. [Alternative 5]

## ALTERNATIVES

1. Require DOT to issue two new registration plates to individuals renewing their registration for which a registration plate has not been issued during the previous 10 years for a \$6.25 fee, effective January 1, 2022. Provide \$1,050,000 in 2021-22 and \$2,100,000 in 2022-23, and estimate gross revenues in equal amounts annually.

ALT 1	Change to Base	
	Revenue	Funding
SEG	\$3,150,000	\$3,150,000

2. Require DOT to issue two new registration plates to individuals renewing their registration for which a registration plate has not been issued during the previous 10 years for a \$4 fee, effective January 1, 2022. This would implement the 10-year replacement cycle and set the fee for the mandatory reissued license plates equal to the existing \$4 fee assessed for voluntarily replacement of license plates. Estimate gross revenues of \$671,600 in 2021-22 and \$1,343,200 in 2022-23 and provide an equivalent increase in funding each year to the Division of Motor Vehicle's general operations appropriation to administer these changes.

ALT 2	Change to Base	
	Revenue	Funding
SEG	\$2,014,800	\$2,014,800

3. Effective January 1, 2022, increase the fee from \$4 to \$6.25 charged to Wisconsin drivers who voluntarily choose to replace their set of license plates. Estimate gross revenues of \$55,100 in 2021-22 and 110,200 in 2022-23, and increase DOT expenditure authority by the same amount each year. This would generate revenue to fully offset the cost of issuing these plates.

ALT 3	Change to Base	
	Revenue	Funding
SEG	\$165,300	\$165,300

4. Effective January 1, 2022, provide the Department the authority to assess a \$6.25 fee for the issuance of a set of newly-designed vehicle license plates. Given that current law authority to redesign and then require the replacement of vehicle registration plates would be at the discretion of the Department, no estimate of revenue would be made at this time. The Department would have to request additional expenditure authority to administer this provision.

5. Take no action.

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