



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #790

### **Production of License Plates Required Under 2021 Acts 163 and 178 (Transportation -- Motor Vehicles and Corrections -- Adult Institutions)**

[LFB 2023-25 Budget Summary: Page 649, #1 and Page 137, #12]

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#### **CURRENT LAW**

2021 Acts 163 and 178 require the Division of Motor Vehicles (DMV) to incur additional ongoing costs associated with manufacturing and distributing vehicle license plates, and also establish new registration fees designed to cover these additional costs. Act 163 requires DMV to issue new license plates for certain vehicles when these vehicles' registration plates are 10 years or older, and establish a registration fee of \$8.00 for a pair of replacement plates. It also established new manufacturing requirements for all plates, including materials standards for aluminum and prismatic sheeting. Act 178 allows owners of a fleet of 10 or more vehicles to register the vehicles as fleet vehicles, and requires DMV to issue distinctive fleet plates and provide the same registration expiration date, to the extent feasible, for each vehicle in a fleet. It also established an issuance fee of \$8.50 for the initial registration of each fleet vehicle.

#### **DISCUSSION POINTS**

##### **Background**

1. After many years of active use, vehicle license plates may become damaged, illegible, or suffer from 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. Responding to this concern, the Legislature enacted 2021 Act 163 on March 11, 2022, which required DMV to replace license plates for automobiles and certain other vehicles that are 10 years or older. The Act also established new manufacturing standards for license plates to increase their durability and

visibility, including a requirement that the plates be constructed with prismatic sheeting that contains embedded security features, possesses minimum levels of reflectivity and luminance, and is of a type successfully used by the manufacturer in multiple jurisdictions. In addition, the Act introduced an \$8.00 registration fee to be charged to customers who receive a pair of replacement plates, which was intended to cover the costs of manufacturing and distributing the plates.

2. Vehicle rental companies with large fleets of vehicles had indicated that they faced administrative burden associated with registering individual vehicles with separate expiration dates. To create a more efficient system for registering fleet vehicles and reduce the risk that rental customers experience inconvenient stops for expired plates, the Legislature enacted 2021 Act 178 on March 11, 2022, which created a distinctive fleet plate, and allowed the owner of a fleet of 10 or more automobiles or certain other vehicles to register the vehicles as fleet vehicles. The Act requires DMV to provide, to the extent feasible, the same registration expiration date for each vehicle, and established a one-time fee of \$8.50 for issuing a pair of fleet plates, which was intended to cover the costs to produce and distribute the plates.

3. The Department of Corrections (DOC) Bureau of Correctional Enterprises (BCE) is responsible for manufacturing all vehicle license plates in the state. After BCE procures the raw materials needed in the manufacturing process, the plates are produced by inmate-employees at the Waupun Correctional Institution. DMV then purchases the plates from DOC, and incurs costs related to handling, processing, and mailing the plates to customers.

4. The Department of Transportation (DOT) began issuing new license plates under Acts 163 and 178 beginning in December, 2022, and has issued 11,234 replacement plates and 3,847 fleet plates as of March 1, 2023. The Department indicates that it intends to ramp up issuance of the new plates with the target of producing over 30,000 plates per month by summer, 2023. This figure is approximately equal to the number of plates that the Department had estimated would need to be produced monthly under the Acts in when they were being considered by the Legislature in February, 2022. However, DOC has not finalized a contract for the prismatic sheeting required under the Act 163 materials standards, so the plates issued thus far have been manufactured under the old prismatic sheeting standards.

#### **A. Department of Transportation**

5. The additional expenditure authority needed by DOT to cover the costs of administration and for the production of license plates would be provided to the DMV general operations annual appropriation. Thus, if any amount of expenditure authority is provided for the production of license plates, but not ultimately expended in a given fiscal year, the unspent authority would either lapse at the end of that fiscal year, or be used for other DMV operations purposes.

6. On September 16, 2022, the Joint Committee on Finance approved a request from the Department of Transportation for \$3,253,000 of expenditure authority in 2022-23 to fund the first year of implementing the two Acts. This funding was not approved in time to be included in the base funding for the DMV general operations appropriation. Thus, the bill would provide the funding necessary to carry out the license plate issuance required under the Acts on an ongoing basis.

7. The \$3,253,000 amount was based on a DOT estimate for the number of plates that would be produced annually under the Acts, and the fees instituted by the Acts: 396,000 plates annually under Act 163 (for a registration fee of \$8.00), and 10,000 plates annually under Act 178 (for a registration fee of \$8.50). DMV indicates that the same estimated number of plates will be produced in future years, including each year of the 2023-25 biennium. Thus, an identical annual amount could be provided for the production license plates in the 2023-25 biennium. [Alternative A1]

8. During deliberations on the September, 2022, funding request, DOT and DOC provided estimates indicating that the additional costs associated with the Acts could exceed the estimated fee revenues. DOC and DOT estimated that the costs to supply a set of vehicle registration plates under the Act 163 standards would be \$9.54 each, as follows: (a) \$5.78 in manufacturing costs (indicated by DOC); (b) \$3.71 for postage costs (indicated by DOT); and (c) \$0.05 for registration plate sticker costs (indicated by DOT). Under this estimate, the cost to manufacture 406,000 pairs of plates annually would be \$3,872,700. This amount could be provided to DMV to cover the estimated additional costs. Under this estimate, costs to provide the plates would exceed revenues by \$619,700 annually, with any net costs being paid from the balance of the transportation fund. [Alternative A2]

9. Alternatively, the Committee could choose not to provide additional expenditure authority to DMV. DMV would still be required to provide the additional license plates to customers, and would still collect revenue from the \$8.00 and \$8.50 fees. However, DMV would not be provided with additional expenditure authority to expend these revenues. [Alternative A3].

## **B. Department of Corrections**

10. As previously noted, Department of Corrections inmate-employees manufacture all of the state's vehicle license plates. In 2021-22, the metal stamping industry at Waupun Correctional Institution employed 30 inmates at an average hourly wage of \$0.86. The prison industries appropriation is budgeted \$21,422,700 PR and 72.85 PR positions annually.

11. The Department anticipates incurring the following increased expenses based on the materials standards identified in the enacted legislation and the estimated manufacture of approximately 400,000 sets of plates per year: (a) \$825,000 in 2023-24 and \$725,000 in 2024-25 for equipment replacement (including embossers and ink rollers); (b) \$242,700 annually for increased staff overtime needed to cover an additional inmate-employee work shift; (c) \$42,500 annually for inmate-employee wages; and (d) \$1,902,500 in 2023-24 and \$1,940,700 in 2024-25 for additional materials (including aluminum, sheeting, envelopes, and validation stickers).

12. If the Committee provides an increase in expenditure authority of \$3,012,700 in 2023-24 and \$2,950,900 in 2024-25 to the prison industries appropriation, the Department could expand BCE metal stamping operations to comply with the requirements of 2021 Acts 163 and 178. [Alternative B1]

13. Alternatively, if the Committee chooses not to provide additional expenditure authority, the Department would need to work within the confines of the existing prison industries expenditure authority. [Alternative B2]

## ALTERNATIVES

### A. Department of Transportation

1. Provide \$3,253,000 annually to the Division of Motor Vehicles general operations appropriation to fund the production and issuance of license plates under 2021 Acts 163 and 178.

ALT A1	Change to Base
SEG	\$6,506,000

2. Provide \$3,872,700 annually to the Division of Motor Vehicles general operations appropriation to fund the production and issuance of license plates under 2021 Acts 163 and 178.

ALT A2	Change to Base
SEG	\$7,745,400

3. Take no action.

### B. Department of Corrections

1. Provide an increase in expenditure authority of \$3,012,700 in 2023-24 and \$2,950,900 in 2024-25 in the prison industries appropriation to expand the Bureau of Correctional Enterprise's metal stamping operations and to comply with the requirements of 2021 Acts 163 and 178.

ALT B1	Change to Base
PR	\$5,963,600

2. Take no action.

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