

Fiscal Estimate - 2021 Session

Original Updated Corrected Supplemental

LRB Number 21-3667/1 **Introduction Number** AB-0432

Description
 construction and issuance of motor vehicle registration plates

Fiscal Effect

State:

No State Fiscal Effect

Indeterminate

Increase Existing Appropriations Increase Existing Revenues Increase Costs - May be possible to absorb within agency's budget

Decrease Existing Appropriations Decrease Existing Revenues Yes No

Create New Appropriations Decrease Costs

Local:

No Local Government Costs

Indeterminate

1. Increase Costs 3. Increase Revenue

Permissive Mandatory Permissive Mandatory

2. Decrease Costs 4. Decrease Revenue

Permissive Mandatory Permissive Mandatory

5. Types of Local Government Units Affected

Towns Village Cities

Counties Others

School Districts WTCS Districts

Fund Sources Affected **Affected Ch. 20 Appropriations**

GPR FED PRO PRS SEG SEGS 20.395(5)(cq)

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Fiscal Estimate Narratives

DOT 11/17/2021

LRB Number	21-3667/1	Introduction Number	AB-0432	Estimate Type	Original
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Assumptions Used in Arriving at Fiscal Estimate

The bill creates new requirements for the materials used for license plate production. These specific requirements may have a negative impact regarding the number of vendors that can qualify to compete in the bidding process. Fewer qualifying vendors could result in a less competitive bidding process and a greater fiscal burden on the Department of Transportation when the contract is awarded. None of the figures in this estimate reflect the cost of materials meeting the new specification but are based on current costs for materials. If the specifications result in a requirement to use a single source of material to produce plates, or greatly reduces competitive bidding for materials, the cost estimates provided herein may be short of the eventual costs of acquiring bill-compliant materials.

This bill requires DOT to replace motor vehicle registration plates on a rolling seven-year basis beginning in fiscal year 2021-22 beginning in the month of July 2021. Based on a 5-year average, DMV issues approximately 725,800 sets of plates annually and will continue to do so in addition to replacing plates older than seven years.

There are approximately 3,050,000 license plates on the road that would require replacement in calendar year (CY) 2022 under the bill. The expense for these replacements would be split between two fiscal years, FY22 and FY23. The remaining six years of the replacement cycle will have a variable number of plates requiring replacement, ranging from a peak of 730,100 to a low of 513,900. The expenditures in the first fiscal year of the replacement cycle will be approximately \$10.1 million in FY22.

In the eighth year, as the seven-year replacement cycle begins again, it is estimated to cost \$11.9 million in FY29. This estimate does not include any future price increases due to postage or for any increase in manufacturing that may result from this bill's requirements. Please see Appendix A for greater detail.

The bill raises the fee for replacing license plates from \$4.00 to \$6.50. This \$2.50 increase is insufficient to cover department costs due to increases in postage. Costs associated with issuing license plates include manufacturing cost, postage, plate stickers, and personnel costs for administrating the program. Per set of license plates, manufacturing costs are \$2.85, postage is \$3.46, a handling surcharge is \$0.248, and the sticker cost is \$0.055, totaling \$6.613. Postage costs increase regularly. The change in manufacturing requirements could raise manufacturing cost as well. Using the annual average plate issuance of 725,800 sets of plates, increasing the existing fee from \$4.00 to \$6.50 would increase estimated revenue for current plate issuance from \$2.9 million to \$4.7 million. See Appendix A for greater detail.

The bill does not include an increase to the expenditure authority in Department of Transportation-Division of Motor Vehicles' operating appropriation, Wis. Stat. §20.395 (5) (cq). The bill raises the fee for a replacement set of license plates, but the generated revenue would be directed to the Transportation Fund while the expenditures would be incurred by the Division of Motor Vehicles' operating appropriation (Wis. Stat. §20.395 (5) (cq)). DMV's funding appropriated by 2021 Wisconsin Act 58 is incapable of assuming these large expenditures for any year of the replacement cycle. This may result in the Department submitting a Wis. Stat. §13.10 request to increase expenditure authority in Wis. Stat. §20.395 (5) (cq).

The license plate replacement cycle would also create other burdens. It is estimated that there will be a requirement for approximately 16,000 hours of additional work in processing and issuing the replacement plates, necessitating 8.0 LTE for in the first year of the replacement cycle (CY2022) and 2.0 LTE for years 2-7 (CY23-CY28) of the replacement cycle. At \$14.30 per hour, LTE costs for salary and fringe would be \$128,100 in FY22, \$160,100 in FY23, \$64,000 in FY24-28.

Long-Range Fiscal Implications

The bill would require the Department to replace license plates every seven years resulting in increased expenditures and revenues. As written, the bill does not account for potential increased future costs due to postage rate increases, plate stock, or labor costs. The Department estimates that the total shortfall created by the bill would be \$718,300 over the course of the first seven-year cycle. Please see Appendix A for greater detail.

Wisconsin Department of Transportation

LRB #21-3667/1

construction and issuance of motor vehicle registration plates

Estimated Additional Costs of the License Plate Replacement Cycle										
Replacement Cycle	Plates	Replacement Cycle	Plates	Plate Cost @ \$2.85	Postage @ \$3.708	Sticker Cost @ \$0.055	Expenditure Total	Revenue Total	Shortfall	
Year 1 (CY2022)	3,049,996	FY2021-2022	1,524,998	\$4,346,244	\$5,654,693	\$83,875	\$10,084,812	\$9,912,487	-\$172,325	
Year 2 (CY2023)	511,180	FY2022-2023	1,780,588	\$5,074,676	\$6,602,420	\$97,932	\$11,775,028	\$11,573,822	-\$201,206	
Year 3 (CY2024)	516,606	FY2023-2024	513,893	\$1,464,595	\$1,905,515	\$28,264	\$3,398,374	\$3,340,305	-\$58,070	
Year 4 (CY2025)	702,566	FY2024-2025	609,586	\$1,737,320	\$2,260,345	\$33,527	\$4,031,192	\$3,962,309	-\$68,883	
Year 5 (CY2026)	757,626	FY2025-2026	730,096	\$2,080,774	\$2,707,196	\$40,155	\$4,828,125	\$4,745,624	-\$82,501	
Year 6 (CY2027)	544,070	FY2026-2027	650,848	\$1,854,917	\$2,413,344	\$35,797	\$4,304,058	\$4,230,512	-\$73,546	
Year 7 (CY2028)	550,000	FY2027-2028	547,035	\$1,559,050	\$2,028,406	\$30,087	\$3,617,542	\$3,555,728	-\$61,815	
Year 1 (CY2029)	3,049,996	FY2028-2029	1,799,998	\$5,129,994	\$6,674,393	\$99,000	\$11,903,387	\$11,699,987	-\$203,400	
Year 2 (CY2030)	511,180	FY2029-2030	1,780,588	\$5,074,676	\$6,602,420	\$97,932	\$11,775,028	\$11,573,822	-\$201,206	
Year 3 (CY2031)	516,606	FY2030-2031	513,893	\$1,464,595	\$1,905,515	\$28,264	\$3,398,374	\$3,340,305	-\$58,070	

Fiscal Estimate Worksheet - 2021 Session

Detailed Estimate of Annual Fiscal Effect

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
One-time costs would include an \$80,000 expense for equipment purchase and reorganization of warehouse storage. Increased storage will be needed to house a substantially increased stockpile of license plates.		
II. Annualized Costs:		Annualized Fiscal Impact on funds from:
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$91,500	\$0
(FTE Position Changes)	(0.0 FTE)	(-0.0 FTE)
State Operations - Other Costs	6,265,400	0
Local Assistance	0	0
Aids to Individuals or Organizations	0	0
TOTAL State Costs by Category	\$6,356,900	\$0
B. State Costs by Source of Funds		
GPR	0	0
FED	0	0
PRO/PRS	0	0
SEG/SEG-S (20.395(5)(cq))	6,356,900	0
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$0	\$0
GPR Earned	0	0
FED	0	0
PRO/PRS	0	0
SEG/SEG-S (Transportation)	6,158,300	0
TOTAL State Revenues	\$6,158,300	\$0
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$6,356,900	\$0
NET CHANGE IN REVENUE	\$6,158,300	\$0
Agency/Prepared By		
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		11/17/2021