



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #770

Division of Motor Vehicles Base Budget Reductions (DOT -- Motor Vehicles)

[LFB 2003-05 Budget Summary: Page 430, #2]

CURRENT LAW

DOT is required to develop a new vehicle license plate design every seventh year and issue two plates of that design to newly-registered vehicles. The Department is permitted, but not currently required, to issue two plates of a new design for vehicles subject to registration renewal. However, beginning with vehicle registration renewals on July 1, 2007, the Department will be required to issue two new plates of a new design upon registration renewal if no new plates have been issued for the vehicle in the previous seven years. Under this provision, the Department will be required to replace all remaining, red-lettered license plates by the end of 2007-08 (June, 2008). The Department began replacing red-lettered license plates with black-lettered license plates in July, 2001.

GOVERNOR

Reduce funding for the Division of Motor Vehicles by: (a) \$838,900 SEG in 2003-04 to reflect the elimination of the Division's new-employee recruit class training in that year; (b) \$513,200 SEG annually to reflect the elimination of funding for the replacement of red-lettered license plates with new, black-lettered plates; and (c) \$100,000 SEG annually to reflect a 26.5% reduction in the Division's budget for limited-term employee (LTE) staff.

DISCUSSION POINTS

1. This item in the Governor's bill is one of several measures identified by the administration to generate savings of \$15,000,000 annually from DOT appropriations for the

purpose of transferring this amount to the general fund. This issue paper focuses specifically on the part of this item that would reduce funding by \$513,200 SEG annually to eliminate funding for the replacement of license plates.

2. Although the bill would eliminate funding for license plate replacement, the statutory provision that requires DOT to develop a new license plate design and replace license plates on a seven-year schedule would not be affected. In a March 17, 2003, letter to the Co-Chairs of the Committee, the Department of Administration requested that several modifications to provisions in the bill be considered, including a proposal to eliminate the statutory license plate replacement requirement and, instead, administratively set the replacement cycle. The letter noted that this change would be intended to allow the Department to meet the budget reduction targets.

3. A gubernatorial veto of the 1999-01 budget (1999 Act 9) eliminated the deadline for the completion of the first replacement cycle in order to allow a delay in the start of that cycle. Without a deadline, the Department would not be statutorily required to replace the red-lettered plates until a current law provision takes effect that requires that plates more than seven years old be replaced upon renewal. This provision, which is intended to establish an ongoing seven-year cycle after the initial replacement cycle, would not take effect until July 1, 2007, meaning that any remaining red-lettered plates would not have to be replaced until their scheduled registration renewal in 2007-08. However, the Department made the decision to replace plates on a schedule that would allow all those plates to be replaced by June 30, 2007, which would be seven years from the beginning of the cycle, but one year earlier than the statutory requirement. Since the seven-year cycle provision would also require the Department to begin replacing the oldest black-lettered plates in 2007-08, completing the replacement of the red-lettered plates prior to June 30, 2007, would allow the Department to avoid having to replace both the remaining red-lettered plates and the oldest black-lettered plates during the same year.

4. If the provision in the bill that would eliminate funding for license plate replacement is approved, but the statutory provision requiring a seven-year license plate replacement cycle is retained, the amount of funding devoted to replacing license plates would need to be increased during the 2005-07 biennium in order to complete the replacement cycle by June 30, 2007. The Department indicates that increases of \$0.9 million to \$1.0 million, at current plate prices, would be required annually in 2005-06 and 2006-07 to replace the remaining red-lettered plates by June 30, 2007.

5. The Department indicates that, under the bill, plate replacement would stop in 2003-04. At that point, the oldest, red-lettered plates remaining will be those issued in July, 1994. Although these plates will, at that time, be nine years old, the red-lettered plates that have been most likely to fade were in a series that was issued prior to July, 1994. Consequently, the Department considers most of the remaining red-lettered plates to have adequate legibility.

6. If the statutory seven-year plate replacement cycle is eliminated, the Department indicates that decisions regarding license plate replacement would be made administratively. Plates would be replaced as needed and as funding is made available.

7. When the plate replacement cycle was created, proponents argued that it was necessary to create a statutory replacement cycle and provide funding for ongoing plate replacement in order to avoid a situation in which a large number of plates become increasingly illegible or lose their reflectivity. If it is determined that retaining this cycle is desirable, the Committee could approve the Governor's recommendation in the bill without eliminating the statutory replacement cycle. In this case, the Legislature would need to provide additional funding in the 2005-07 biennium to complete the reissuance cycle.

ALTERNATIVES

1. Approve the Governor's recommendation to reduce funding for the Division of Motor Vehicles by: (a) \$838,900 SEG in 2003-04 to reflect the elimination of the Division's new-employee recruit class training in that year; (b) \$513,200 SEG annually to reflect the elimination of funding for the replacement of red-lettered license plates with new, black-lettered plates; and (c) \$100,000 SEG annually to reflect a 26.5% reduction in the Division's budget for limited-term employee (LTE) staff.

2. Modify the Governor's recommendation by eliminating statutory provisions that require DOT to establish a seven-year license plate reissuance cycle.

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