



Legislative Fiscal Bureau

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August 16, 2022

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Transportation: Section 13.10 Request for Division of Motor Vehicles Expenditure Authority -- Agenda Item I

REQUEST

The Department of Transportation (DOT) requests an ongoing increase of \$3,253,000 in segregated (SEG) expenditure authority to its vehicle registration, inspection and maintenance, driver licensing and aircraft registration, state funds appropriation [s. 20.395 (5) (cq)]. DOT indicates that the expenditure authority is being requested for 2022-23.

BACKGROUND

The Department indicates that the requested expenditure authority is needed to cover increased costs associated with manufacturing and distributing registration plates, as required under two acts passed during the 2021 legislative session: Act 163 and Act 178.

2021 Act 163

Act 163 requires DOT to issue new license plates for automobiles, and motor trucks and dual purpose motor homes weighing 8,000 pounds or less that have not been issued a license plate during the previous ten years. Issuance of the new registration plates will occur when residents who have plates ten years or older apply for their annual vehicle registration. This would create a ten-year plate replacement cycle, where the entire stock of registration plates on the road in a given year would be replaced over the following ten years (this would not include plates that are lost due to attrition before they have been on the road for ten years). The Act allows the Department flexibility in developing a schedule for replacing old registration plates during an initial ten-year period following its passage, but requires that these plates all be replaced by July 1, 2032.

The Act also establishes new manufacturing standards for all registration plates, mandating that they be constructed with aluminum of a particular hardness and thickness, and with prismatic

sheeting containing embedded security features. The sheeting must be of a type successfully used by the manufacturer in multiple jurisdictions, and must have minimum levels of reflectivity and luminance. In order to offset the costs associated with this program, including those related to the updated manufacturing standards, the Act increases the existing statutory fee that registrants must pay when receiving a pair of new plates, from \$4 to \$8.

Act 163 does not provide DOT with additional expenditure authority to implement these provisions. Rather, it specifies that DOT could request ongoing funding for the costs to administer the replacement of registration plates from the Joint Committee on Finance (Committee) under s. 13.10. If funding is approved by the Committee, DOT would be required to submit a notice specifying the date that the funding is approved to the Legislative Reference Bureau for publication in the Wisconsin Administrative Register. The provisions of the Act would first be effective on July 1, 2022, except for the provision requiring DOT to issue replacement plates for all those plates ten years old or older. That provision would instead be effective on the date specified in the notice published in the Wisconsin Administrative Register following approval of ongoing funding from the Committee under s. 13.10, or on July 1, 2023, whichever is earlier.

2021 Act 178

Act 178 stipulates that the owners of a fleet of 10 or more vehicles that are automobiles or motor trucks with a gross weight 8,000 pounds or less may, upon application, register the vehicles as fleet vehicles. Upon receipt of an application and the initial registration fees, DOT is required to issue registration plates of a distinctive design with the word "Fleet" embossed on the plate for all of the vehicles in the fleet. DOT is not allowed to require the placement of an annual registration sticker on the fleet registration plates and the Department is to provide, to the extent feasible, the same registration expiration date for each vehicle in a fleet. A vehicle may be registered as part of a fleet regardless of whether, at the time of application for the initial registration of the fleet, the vehicle is currently registered with the Department.

The Act further stipulates that, as with other vehicles, fleet vehicles are required to annually register with the state for a fee between \$85 and \$106, depending on the type of vehicle. In addition to this annual registration fee, the Act authorizes the Department to charge an initial issuance fee of \$8.50 for the initial registration of each vehicle registered as part of a fleet. The fee would generate additional revenue to the transportation fund. However, no additional funding was provided to carry out the Act's provisions. DOT is also required to establish a system by which the registration of a fleet of vehicles may be renewed by electronic means, and the fleet owner would be required to renew the registration of their fleet of vehicles using that system.

ANALYSIS

Act 163 specifies that DOT could request ongoing funding from the Committee for the replacement of registration plates. The requested expenditure authority would be provided to the Department's vehicle registration, inspection and maintenance, driver licensing and aircraft registration, state funds appropriation [s. 20.395 (5) (cq)], which primarily provides operational funding for the Division of Motor Vehicles.

The Department estimates that, under the two Acts, it would be required to distribute an additional 406,000 sets of registration plates per year: 396,000 under Act 163, and 10,000 under Act 178. The \$3,253,000 in requested expenditure authority would be funded from the estimated revenues that would be generated from issuing this number of plates given the fees allowed under the Acts: \$8.00 for a new set of plates under Act 163, and \$8.50 per set of fleet vehicle plates under Act 178. These revenues would be deposited into the transportation fund.

Based on information provided during legislative deliberations on Act 163 in February, 2022, the costs associated with the Acts may exceed the amount of funding requested by DOT, as well as the revenue projected to be generated under the Acts. The Department of Corrections' (DOC) Bureau of Correctional Enterprises is responsible for the production of state vehicle registration plates, including procurement of raw materials such as aluminum and plastic sheeting. DOT then purchases the registration plates from DOC, and also incurs costs related to the handling, processing, and mailing of the plates. DOC and DOT estimate that the cost to supply a set of vehicle registration plates under the Act 163 standards would be \$9.54, as follows: (a) \$5.78 in manufacturing costs; (b) \$3.71 for postage costs; and (c) \$0.05 for registration plate sticker costs. This cost estimate per set of plates exceeds the \$8 and \$8.50 fees respectively authorized under Acts 163 and 178. Using the per-plate set cost estimate, the Department could incur an annual cost of \$3,872,700: \$3,777,800 to replace the estimated 396,000 additional sets of plates per year required under Act 163, and \$94,900 to produce 10,000 sets of plates per year required under Act 178. The cost estimate for Act 173 does not include the \$0.05 sticker cost per set of plates (\$9.49), as the Act exempts fleet plates from legal requirements for registration stickers. Alternatives A2 and B2 would provide funding to meet the estimated costs of the plates.

If the Department's request is approved, projected costs under the February, 2022, estimate could exceed revenues by \$619,700. The costs would be paid from the balance of the transportation fund. Based on preliminary 2021-22 revenues and expenditures, the transportation fund condition is estimated to have a biennium ending balance of \$46.9 million, which would be sufficient to cover the estimated net costs under the two Acts.

Act 163 specifies that its provision requiring the replacement of old registration plates would become effective on the date that the Committee approves additional funding for the provision, or on July 1, 2023, whichever comes earlier. Under the Act, DOC is required to both manufacture registration plates with new materials, and produce an increased volume of plates each year. To satisfy these conditions, DOC indicates that it would need to implement several operational changes, including employing more laborers and supervisors from the corrections system, establishing contracts with materials suppliers, and procuring new manufacturing equipment. DOC further indicates that, to fund these changes, it may need to submit a request for additional expenditure authority under s. 16.515, or in its 2023-25 biennial budget request. As a result, DOC may take several months to ramp up its production of replacement plates. DOC indicates that it will be able to comply with the requirements of Act 163 on or before July 1, 2023. A request for proposal (RFP) for the new license plate sheeting has been published; bids are due on August 31, 2022. Consequently, if DOT's funding request is approved, it may not need all of the additional expenditure authority in 2022-23. However, because the funding is being requested from an annual, sum certain operations appropriation, any unused expenditure authority would lapse at the end of the fiscal year.

If the Department's request is approved, it would need to request additional expenditure authority in the 2023-25 budget to secure ongoing funding for the replacement of registration plates, as the expenditure authority requested in 2022-23 would not roll over into the Department's base. If the Department's request is not approved, the Act 163 provision requiring replacement of old license plates would not become effective until July 1, 2023. The Department could request the additional ongoing expenditure authority in the 2023-25 budget, and the funding would become available on July 1, 2023.

ALTERNATIVES

A. 2021 Act 163 Funding Request

1. Approve the Department's request for \$3,168,000 SEG under its vehicle registration, inspection and maintenance, driver licensing and aircraft registration, state funds appropriation in 2022-23.
2. Provide an increase of \$3,777,800 SEG to the Department's vehicle registration, inspection and maintenance, driver licensing and aircraft registration, state funds appropriation in 2022-23.
3. Deny the request

B. 2021 Act 178 Funding Request

1. Approve the Department's request for \$85,000 SEG under its vehicle registration, inspection and maintenance, driver licensing and aircraft registration, state funds appropriation in 2022-23.
2. Provide an increase of \$94,900 SEG expenditure authority to the Department's vehicle registration, inspection and maintenance, driver licensing and aircraft registration, state funds appropriation in 2022-23.
3. Deny the request

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