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LB 977

Revision: 02

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised on 3/15/16 to reflect amendments adopted through 3/9/16.

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2016-17		FY 2017-18	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	\$10,379	\$2,650,888		\$2,804,413
FEDERAL FUNDS				
HIGHWAY TRUST FUND		\$37,250		\$44,750
TOTAL FUNDS	\$10,379	\$2,688,138		\$2,849,163

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 977 exempts implements of husbandry from statutory weight and load limits when operated on highways other than the Interstate, but they are not exempt from bridge weight limits or postings.

The potential increase in the weight of these vehicles could have a negative impact on the condition of the highways that they will be operated on. Variables such as the additional weight and the frequency of operation on the highways will determine the degree of damage to the highway surface.

The bill, as amended, includes the provisions of several other bills as follows:

LB 799 - The current public transportation assistance program provides grants to transit operators equal to 50% of eligible **operating** costs. The bill expands this program to include eligible **capital** costs to include the purchase, replacement, and rebuilding of buses and other vehicles used for public transportation.

Expansion of the program to fund capital costs will not require an increase in the appropriation, which is set by the Legislature at the level they choose, and funded with the Department of Roads Operations Cash Fund. So from an overall appropriation standpoint the bill has no fiscal impact. It will however potentially change the distribution of aid among the transit operators.

Since the current appropriation does not fully fund all aid requests the policy has been to fully fund the aid requests from the rural systems first and then prorate the remaining funding between Omaha (Metro Transit) and Lincoln (Star Tran). Assuming that some of the rural systems will request funding for capital costs the amount of money available for Omaha Metro Transit and Lincoln Star Tran will be reduced accordingly. The amount of any shift in aid distribution will depend on the rural requests for capital assistance.

LB 844 provides for the issuance of Breast Cancer Awareness license plates. The plates may be either numerical or message plates. Applicants for message plates pay an annual \$40 plate fee of which 75% is deposited in the Department of Motor Vehicles (DMV) Cash Fund and 25% accrues to the Highway Trust Fund (HTF). The plates are available beginning January 1, 2017.

All applicants for plates also pay the regular per plate fee, which is capped at \$3.50 by current statute. The bill has language providing for the plates to be designed to limit the manufacturing cost to equal to or less than the amount charged for the plates.

DMV Expenditures: The bill increases expenditures of the DMV by \$10,379 of cash funds in FY2016-17 to modify the Vehicle Titling and Registration and plate management computer systems to accommodate the new breast cancer awareness plates.

DMV estimates there may be about 10,000 sets of breast cancer awareness plates sold based upon their experience with other specialty license plates. Using this estimate, it is assumed half of this number (5,000) will apply in the initial fiscal year. It is also assumed that 85% of the plates issued will be numerical and 15% will be personalized.

Assuming the manufacturing cost is equal to the price charged for a plate, then expenditures by the HTF and revenue received by the fund from plate charges will equal \$35,000 (\$7.00/set x 5,000 sets) in FY2016-17 and double this amount in FY18 when an estimated 10,000 sets of plates are manufactured.

Revenues: Increased revenue from the \$40 fee for a personalized plate will be deposited in the DMV Cash Fund and the HTF. Assuming 85% of the plates issued each year are personalized, the estimated annual revenue increase from the \$40 personalized plate fee will be \$22,500 for the DMV Cash Fund and \$7,500 for the Highway Trust Fund in FY17. The amount will be double that in FY18.

The bill allows owners to apply to the county treasurer to transfer specialty plates from one owned vehicle to another. The application fee for the transfer is \$3. The fees are placed in the DMV Cash Fund. The number of transfers is unknown.

LB 872 allows vehicles operated by the Department of Roads or any local authority to have blue and amber rotating or flashing lights when operated for the inspection, construction, repair, or maintenance of highways, roads or streets. There is no fiscal impact related to these changes.

LB 918 provides for 1% of motor vehicle tax proceeds to be credited to the Vehicle Title and Registration System Replacement and Maintenance Cash Fund (VTRSRM). These proceeds are currently allocated to counties (22%), school districts (60%) and cities (18%). The bill also provides for the VTRSRM Cash Fund to include fees collected by the Department of Motor Vehicles from participation in any multistate electronic data security program. These provisions of the bill are operative on July 1, 2016.

Revenue: The bill does not change provisions allowing counties to retain 1% of motor vehicle tax proceeds. However, LB 918 provides for an additional 1% of motor vehicle taxes to be allocated to the VTRSRM Cash Fund before the allocation is made to political subdivisions. DMV indicates a total of \$243.5 million of motor vehicle taxes were collected in calendar year 2015 for all registered vehicles. Using the data provided by DMV on motor vehicle taxes collected in the past four years and assuming a 5% increase in tax revenue each fiscal year, it is estimated the change will decrease revenue for counties, schools and cities and increase revenue for the VTRSRM Cash Fund as shown in the following table beginning in FY17:

	FY 2016-17	FY 2017-18
Schools	-1,572,308	-1,650,923
Cities	-471,692	-495,277
Counties	-576,513	-605,338
VTRSRM Cash Fund	<u>2,620,513</u>	<u>2,751,538</u>
Revenue Change	\$0	\$0

DMV estimates the bill will also generate \$16,680 in FY17 and \$17,430 in FY18 for the VTRSRM Cash Fund from participation in multistate electronic data security programs. This revenue is currently deposited in the DMV Cash Fund.

TEEOSA General Fund Impact: Motor vehicle taxes are considered to be an accountable receipt for purposes of state aid to schools per the Tax Equity and Educational Opportunities Support Act (TEEOSA). The reduction in motor vehicle tax revenue decreases accountable receipts for school districts which results in an increase in state aid of a like amount for districts receiving equalization aid. The increase in state aid occurs two years after the decrease in receipts occurs, so TEEOSA aid will increase by up to \$1.57 million in FY2018-19 and up to \$1.65 million in FY2019-20 per the bill.

LB 946 provides an additional responsibility for the chairperson of the Motor Vehicle Industry Licensing Board. The person is required to review actions taken by the board in instance where a controlling number of board members are active participants in the vehicle market in which an action is taken. It is assumed the responsibility can be handled with existing resources of the board so there is no fiscal impact.

LB 989 changes provisions relating to motor vehicles. Some of the provisions of the bill are incorporated into LB 977. The following changes may have a fiscal impact as described below.

Specialty License Plates: The bill provides for the issuance of specialty license plates for organizations that have 250 applications for plates. The current threshold for the manufacture of such plates is 500 applications for an organization. The lower threshold will likely increase the number of specialty plates issued which increases revenue from specialty plate fees. Applicants for specialty plates pay the annual \$3.50 fee per license plate plus an additional specialty plate fee of \$70. The specialty plate fee accrues to the DMV Cash Fund (\$10.50) and the Highway Trust Fund (\$59.50). DMV indicates there may be a couple of organizations that are near or over the 250 threshold at the present time. If so, the bill will allow them to apply for plates in FY17, which will increase annual revenue by \$35,000 (\$5,250 DMV CF, \$29,750 HTF), assuming 500 individuals apply.

Electronic Renewal of Some Commercial Drivers Licenses: The bill authorizes DMV to issue licenses electronically to some applicants for commercial motor vehicle licenses who have passed the skills tests and have a digital image and signature preserved in the drivers' license system and who meet a few other requirements. Currently, counties issue these CDL's. DMV estimates the issuance of up to 1,500 CDL's may shift to the state. If so, counties will lose \$1.75 for the issuance of each CDL and revenue for the DMV Cash Fund will increase by a like amount. The shift will be about \$2,625 of revenue per year from counties to the state.

LB 996 makes exceptions to prohibitions for manufacturers per the Motor Vehicle Industry Regulation Act. The enforcement of the changes will not have a fiscal impact for the Motor Vehicle Industry Licensing Board.

SUMMARY: The total estimated fiscal impact of the bill for state agencies is shown on the table on the following page.

	FY2016-17 Expenditures	FY2017-18 Expenditures	FY2018-19 Expenditures	FY 2016-17 Revenue	FY2017-18 Revenue	FY2017-18 Revenue
LB 844						
DMV Cash Fund	10,379			22,500	45,000	45,000
Highway Trust Fund	<u>0</u>			<u>7,500</u>	<u>15,000</u>	<u>15,000</u>
Total	10,379			30,000	60,000	60,000
LB 989						
DMV Cash Fund				7,875	7,875	7,875
Highway Trust Fund				<u>29,750</u>	<u>29,750</u>	<u>29,750</u>
Total				37,625	37,625	37,625
LB 918						
General Funds - TEEOSA			1,572,308			
DMV Cash Fund				-16,680	-17,430	-18,214
VTRSRM Cash Fund				2,637,193	2,768,968	2,907,330
Total						
General Funds			1,572,308			
Cash Funds	10,379			2,650,888	2,804,413	2,941,991
Highway Trust Funds				<u>37,250</u>	<u>44,750</u>	<u>44,750</u>
Total	\$10,379	\$0	\$1,572,308	\$2,688,138	\$2,849,163	\$2,986,741

Political Subdivisions: The bill, per provisions in LB 918, also decreases revenue for schools, cities and counties from motor vehicle taxes beginning in FY2016-17. Schools will have decreased revenue of \$1,572,308 in FY17 and \$1,650,923 in FY18. Beginning in FY19, TEEOSA aid will increase to offset the reduction made two years earlier. Cities will have decreased revenue of \$471,692 in FY17 and \$495,277 in FY18. The decrease in revenue for counties is estimated to be \$576,513 in FY17 and \$605,338 in FY18. Counties will also have decreased annual revenue of about \$2,625 per provisions in LB 989 because the issuance of some CDL's will shift to the state.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 977	AM: 2318 & 2489	AGENCY/POLT. SUB: Nebraska Department of Motor Vehicles
REVIEWED BY: Lee Will	DATE: 3/14/2016	PHONE: 471-4175
COMMENTS: The Department of Motor Vehicles' estimate of fiscal impact appears to be reasonable given the assumptions used.		

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

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14-Mar-16

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ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2016-2017		FY 2017-2018	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	\$ 10,379	\$ 2,673,466		\$ 2,788,313
FEDERAL FUNDS				
OTHER FUNDS		\$ (2,673,466)		\$ (2,788,313)
TOTAL FUNDS	\$ 10,379	\$ -	\$ -	\$ -

Explanation of Estimate:

LB 977 as amended provides for the issuance of Breast Cancer Awareness license plates. The plates will be available as either an alphanumeric or as a message plate. The addition of the new plate types will require modifications to the existing VTR and Plate Management computer systems.

	Hrs.	Rate	Amount
Computer Programming	115	\$ 90.25	\$ 10,379

LB 977 as amended also provides an on-going revenue source to the Vehicle Title and Registration System Replacement and Maintenance Cash Fund. The revenue sources would be 1% of the total motor vehicle tax proceeds collected through the VTR system and from fees collected by DMV from participation in any multistate electronic data security program. Changes to the VTR system can be accomplished with existing appropriation.

Motor Vehicle Tax	Year	\$ Amount
	2012	210,481,692
	2013	219,467,812
Actual	2014	230,850,190
	2015	243,485,483
	2016	253,669,732
Estimated	2017	265,678,568
	2018	277,088,339

Estimated Amount Generated by 1% Commission

FY17	\$ 2,656,786
FY18	\$ 2,770,883

Estimated Amount Generated by multistate electronic data security programs

FY17	\$ 16,680
FY18	\$ 17,430

NEBRASKA DEPARTMENT OF MOTOR VEHICLES

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ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

<u>MAJOR OBJECTS OF EXPENDITURE</u>				
<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>FY 2016-2017</u>	<u>FY 2017-2018</u>
	<u>16-17</u>	<u>17-18</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits				
Operating			\$ 10,379	
Travel				
Capital Outlay				
Aid				
Capital Improvements				
Total			\$ 10,379	\$ -