

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS		(\$470,900)		(\$953,000)
REVOLVING FUNDS	(See Below)	(See Below)	(See Below)	(See Below)
HIGHWAY TRUST FUND	(See Below)	(See Below)	(See Below)	(See Below)
TOTAL FUNDS				

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

LB 38 provides for the issuance of one license plate, rather than two, for motor vehicles beginning January 1, 2020.

Highway Trust Fund: The Highway Trust Fund (HTF) is the source of funding for the manufacture of license plates. Receipts from license plate fees are deposited in the HTF to cover the cost of producing license plates. Whenever new license plates are issued, the Department of Motor Vehicles (DMV) is to set a plate fee up to the current \$3.50 statutory maximum to cover the cost of the plate and renewal stickers. The current license plate fee is \$3.30. Assuming revenues from plate fees are equal to expenditures to produce license plates, there is no net fiscal impact for the HTF. However, total expenditures and revenues of the fund will decrease pursuant to the bill since only one plate will be issued for each vehicle.

\$100 One- Plate Fee: The bill repeals current provisions providing for a \$100 annual fee which is paid by individuals who are allowed upon request and payment of the fee to have only license plate on their passenger vehicle. One plate is allowed for passenger vehicles which are not equipped with a bracket on the front of the vehicle to display a license plate. Fee proceeds are placed in the HTF. DMV indicates the elimination of the fee will reduce annual revenue for the HTF by \$270,800. The proceeds of the HTF are allocated to the Department of Roads Cash Fund (53 1/3%), cities (23 1/3%) and counties (23 1/3%).

One-time Fiscal Impact for the Highway Trust Fund: DMV indicates that plates for the 2017 issuance will be in county inventories on the implementation date of the bill, but not all of the plates will have been issued. If so, then half of the plates will need to be destroyed because only one plate will be needed for each vehicle. DMV does not have an estimate of the number of plates that will need to be destroyed on the implementation date of the bill. This will result in a one-time unknown loss of revenue for the Highway Trust Fund, the proceeds of which are allocated to the Department of Roads Cash Fund (53 1/3%), cities (23 1/3%) and counties (23 1/3%).

Impact for Department of Correctional Services: Cornhusker State Industries (CSI), is an inmate labor and training program within the Department of Correctional Services which produces license plates. The training program is funded by revolving funds. If a single plate rather than dual plates are issued, the average cost per plate issued will increase. This is because fixed lease costs for digital equipment will continue despite the production of half as many plates and unit material prices will increase. It is assumed the statutory \$3.50 cap on the license plate fee will need to be increased to about \$4.09 per plate to cover actual production costs. An increase to this amount will insure there is no fiscal impact for the HTF.

CSI indicates the bill will result in a decrease in inmate work hours as well as a loss of revenue from license plate sales for the remainder of the six year issuance of plates that began in January, 2017. DMV estimates that the number of plates produced by CSI will decrease by about 142,700 in FY2019-20 (50% of the year) and by 288,800 in FY2020-21. This decreases revenue for CSI by approximately \$470,900 in FY2019-20 and \$953,000 in FY2020-21 based upon the current plate fee.

CSI accumulates earnings on the production of plates and uses the excess to proportionally absorb fixed overhead costs for the enterprise. A reduction in the number of plates produced decreases revenue available to cover these expenses which may have an impact on the cost and pricing of other CSI products. CSI notes that the fiscal impact of the bill in the next six year plate issuance cycle is over \$11.1 million of decreased revenue. The revenue loss from the decrease in producing plates is offset by about \$3.8 million of decreased costs for raw materials used in the manufacture of the plates in the next six years.

Impact for the Department of Motor Vehicles: Overall expenditures by DMV to pay for license plates and stickers with funds transferred from the HTF will decrease by \$470,900 in FY2019-20 and \$953,000 in FY2020-21 as shown on the DMV fiscal note if the license plate fee is increased to \$4.09 on the implementation date of the bill.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 38 AM: AGENCY/POLT. SUB: Nebraska Department of Correctional Services

REVIEWED BY: Lee Will DATE: 1/23/2019 PHONE: (402) 471-4175

COMMENTS: The Department of Correction's assessment of fiscal impact seems reasonable given the assumptions used.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 38 AM: AGENCY/POLT. SUB: Department of Motor Vehicles

REVIEWED BY: Lee Will DATE: 1/22/2019 PHONE: (402) 471-4175

COMMENTS: Concur with the Department of Motor Vehicle's assessment of fiscal impact.

Please complete ALL (5) blanks in the first three lines.

2019

LB⁽¹⁾ 38

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Department of Correctional Services

Prepared by: ⁽³⁾ Sara Sump Date Prepared: ⁽⁴⁾ 1/17/19 Phone: ⁽⁵⁾ 402.479.5702

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	<u>(\$641,320)</u>	<u>(\$894,731)</u>	<u>(\$641,320)</u>	<u>(\$905,223)</u>
TOTAL FUNDS	<u><u>(\$641,320)</u></u>	<u><u>(\$894,731)</u></u>	<u><u>(\$641,320)</u></u>	<u><u>(\$905,223)</u></u>

Explanation of Estimate:

LB38, 2019 requires only one license plate and one validation decal per vehicle.

Cornhusker State Industries (CSI) is a revolving fund program within the Nebraska Department of Correctional Services that is charged with producing Nebraska license plates and related decals. On a daily basis, CSI engages nearly 500 incarcerated men and women in job training. The impact of changing from a dual plate system to a single plate system will result in a reduction of work hours and a reduction in CSI revenue. In a six year license plate reissue cycle, CSI will experience lost revenue of approximately \$11.1 million. The fiscal impact during FY19-20 (\$894,731) and FY20-21 (\$905,223) is significantly lower than during years of peak license plate production. The bill would reduce the production of license plates by approximately 44%. Plate production costs would increase due to lower economies of scale; unit material cost will increase and fixed production costs will be spread over a smaller number of items. Maintaining financial sustainability would either require CSI to raise the cost of plates or the cost of other products. CSI projects the price per plate would increase from the current rate of \$3.12 to \$3.92. Similarly, validation decals over the six year plate life would increase from approximately \$0.16 per plate to approximately \$0.17 per plate. Revenue from single plate decals would also be lost. The fiscal note assumes that a legislative change to the plate price from \$3.50 to \$4.09 will occur in order to cover the full costs of license plate production. In addition, the reduction in positive cash flow could necessitate the elimination of other CSI product lines that are currently sustained through periods of lean sales or other disruption.

There would be six cost components that would offset the revenue losses from the reduced plate production. CSI estimates a reduction in cost of goods of (\$641,320) per year; which is about \$3.8 million dollars over the six year plate cycle. These estimates are all subject to change due to raw material costs based on lower volumes purchased and are unknown at this time.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____

Capital improvements.....

TOTAL.....

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2019

LB⁽¹⁾ 38

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Motor Vehicles

Prepared by: ⁽³⁾ Bart Moore Date Prepared: ⁽⁴⁾ January 17, 2019 Phone: ⁽⁵⁾ 402-471-3902

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS	(323,865)	(270,800)	(655,359)	(270,800)
FEDERAL FUNDS				
OTHER FUNDS		(470,955)		(953,004)
TOTAL FUNDS				

Explanation of Estimate:

LB38 allows for one license plate on a vehicle. The current \$100 fee for the one plate decal will be removed. The result will be lower revenue by at least \$270,800 each fiscal year for Program 070 Cash Fund.

Plate production as a result of LB38 would be reduced to 367,723 in FY 19-20 and 372,056 in FY 20-21. The original estimates of plates to be produced were 653,150 in FY 19-20 (the effective date is January 1, 2020 so 50% of FY 19-20 plates are reported in this Fiscal Note), and 660,845 in FY 20-21.

The loss of revenue is calculated at \$3.30 per plate for the 285,427 plates in FY 19-20 and 288,789 plates in FY 20-21. This revenue loss is for the Highway Trust and therefore reported in the Other Funds. The reduction in expenditures is for Program 090 Cash Fund for DMV. The net loss to the Highway Trust fund will be \$147,089 in FY 19-20 and \$297,645 in FY 20-21. These calculations are based on the 4th and 5th year of the plate cycle. Had this been in a plate year issuance the projected loss to the Highway Trust Fund would be significantly higher. The transfer amount from the Highway Trust to DMV for operational expenses for Program 090 may need to be reviewed if this legislation passes.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....			(323,865)	(655,359)
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			(323,865)	(655,359)