

FISCAL NOTE
Requested by Legislative Council
01/13/2017

Amendment to: HB 1158

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$(1,386,068)		\$(1,391,648)
Expenditures				\$15,000		
Appropriations				\$15,000		

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties		\$(490,820)	\$(487,520)
Cities		\$(278,875)	\$(277,000)
School Districts			
Townships		\$(60,237)	\$(59,832)

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill, as amended, would eliminate the annual Personalized Plate fee, charging a one-time only fee of \$60.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of this bill would eliminate the annual personalized plate fee resulting in a revenue decrease each biennium. This bill would also require a one-time programming cost of \$15,000.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

There are approximately 62,320 currently issued personalized license plates. Under the provisions of Section 1 of this bill the Highway tax distribution fund will lose approximately \$2,231,000 in revenue the first biennium and continue to lose \$2,216,000 for each subsequent biennium.

The net loss in revenue of \$2,231,000 in the first biennium and loss of \$2,216,000 in each subsequent biennium is allocated through the Highway Tax Distribution Fund to NDDOT (61.3%), counties (22%), cities (12.5%), townships (2.7%), and transit (goes to NDDOT) (1.5%).

The amounts shown in Section 1A are a composite of the amounts impacting the Motor Vehicle Division of NDDOT (off the top), the 61.3% NDDOT Highway Tax distribution, and the 1.5% transit Highway Tax distribution.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

NDDOT Motor Vehicle Division will incur one-time costs of approximately \$15,000 for computer programming costs.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

NDDOT Motor Vehicle Division will incur additional one-time costs of approximately \$15,000 for computer programming. These additional costs were not included in NDDOT's appropriation request for the 2017-2019 biennium.

Name: Lindi Michlitsch

Agency: ND Dept of Transportation

Telephone: 328-2734

Date Prepared: 01/17/2017

HB1158 - Amended (version 17.0082.01001)

2017 Session

Fiscal Note Support

Assumptions:

Number of personalized license plates	62,320
Number of new personalized licensed plates (excluding duplicate plates)	15,000
Revenue per plate with one-time fee	\$ 60.00
Revenue per plate with personalized plate fee per biennium (\$25 x 2)	\$ 50.00
One time programming costs	\$ 15,000.00
Highway Tax Distribution Fund Percentages	
NDDOT	61.30%
Cities	12.50%
Counties	22.00%
Townships	2.70%
Transit (NDDOT)	1.50%

Total Revenue collected with one time fee \$60 x 15,000	\$ 900,000	
Less current revenue collected for personalized plates \$50 x 62,320	\$ (3,116,000)	
Total Revenue Impact		\$ (2,216,000)
One Time Programming Costs		\$ (15,000)
Total First Biennium Revenue Impact		<u>\$ (2,231,000)</u>

Revenue (HTDF) Impact

First Biennium:

MV Revenue Impact		\$ (2,231,000)
Revenue Reduction through HTDF Distribution		
NDDOT (61.3%)	\$ (1,367,603)	
Cities (12.5%)	\$ (278,875)	
Counties (22%)	\$ (490,820)	
Townships (2.7%)	\$ (60,237)	
Transit (NDDOT) (1.5%)	\$ (33,465)	
		\$ (2,231,000)

Second Biennium:

MV Revenue Impact		\$ (2,216,000)
Revenue Reduction through HTDF Distribution		
NDDOT (61.3%)	\$ (1,358,408)	
Cities (12.5%)	\$ (277,000)	
Counties (22%)	\$ (487,520)	
Townships (2.7%)	\$ (59,832)	
Transit (NDDOT) (1.5%)	\$ (33,240)	
		\$ (2,216,000)

17-19	19-21
Other Funds	Other Funds

Fiscal Note Section 1A - State Fiscal Impact:

Revenues	\$ (1,386,068)	\$ (1,391,648)
Expenditures	\$ 15,000	
Appropriations	\$ 15,000	

17-19	19-21
Biennium	Biennium

Fiscal Note Section 1B - City, County, School District, and Township Fiscal Impact:

Counties	\$ (490,820)	\$ (487,520)
Cities	\$ (278,875)	\$ (277,000)
School Districts		
Townships	\$ (60,237)	\$ (59,832)

FISCAL NOTE
Requested by Legislative Council
01/05/2017

Bill/Resolution No.: HB 1158

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$(972,844)		\$(1,956,848)
Expenditures				\$15,000		
Appropriations				\$15,000		

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties		\$(346,060)	\$(685,520)
Cities		\$(196,625)	\$(389,500)
School Districts			
Townships		\$(42,471)	\$(84,132)

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill would eliminate the annual Personalized Plate fee, charging a onetime only fee of \$25.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of this bill would eliminate the annual Personalized Plate fee resulting in a revenue decrease for the next biennium and each subsequent biennium thereafter. This bill would also require a onetime programming cost of \$15,000.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

There are approximately 62,320 currently issued personalized license plates. Under the provisions of Section 1 of this bill the Highway tax distribution fund will lose approximately \$1,573,000 in revenue the first biennium and \$3,116,000 for each subsequent biennium.

The net loss in revenue of \$1,573,000 in the first biennium and \$3,116,000 in each subsequent biennium is allocated through the Highway Tax Distribution Fund to NDDOT (61.3%, counties (22%), cities (12.5%), townships (2.7%), and transit (goes to NDDOT) (1.5%).

The amounts shown in Section 1A are a composite of the amounts impacting the Motor Vehicle Division of NDDOT (off the top), the 61.3% NDDOT Highway Tax distribution, and the 1.5% transit Highway Tax distribution.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

NDDOT Motor Vehicle Division will incur one-time costs of approximately \$15,000 for computer programming costs.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

NDDOT Motor Vehicle Division will incur additional one-time costs of approximately \$15,000 for computer programming. These additional costs were not included in NDDOT's appropriation request for the 2017-2019 biennium.

Name: Lindi Michlitsch

Agency: ND Dept of Transportation

Telephone: 328-2734

Date Prepared: 01/10/2017

HB1158
2017 Session
Fiscal Note Support

Assumptions:

Number of personalized license plates	62,320
Revenue per plate with one-time fee	\$ 25.00
Revenue per plate with personalized plate fee per biennium (\$25 x 2)	\$ 50.00
One time programming costs	\$ 15,000.00
Highway Tax Distribution Fund Percentages	
NDDOT	61.30%
Cities	12.50%
Counties	22.00%
Townships	2.70%
Transit (NDDOT)	1.50%

Total Revenue collected with one time fee \$25 x 62,320	\$ 1,558,000
Less current revenue collected for personalized plates \$50 x 62,320	<u>\$ (3,116,000)</u>
Total Revenue	\$ (1,558,000)
One Time Programming Costs	\$ (15,000)
Total First Biennium Revenue	<u><u>\$ (1,573,000)</u></u>

Revenue (HTDF) Impact Due to Expenditure Reduction

First Biennium:

MVD - Off the Top Reduction (NDDOT)	\$ (1,573,000)
Revenue Addition through HTDF Distribution	
NDDOT (61.3%)	\$ (964,249)
Cities (12.5%)	\$ (196,625)
Counties (22%)	\$ (346,060)
Townships (2.7%)	\$ (42,471)
Transit (NDDOT) (1.5%)	<u>\$ (23,595)</u>
	\$ (1,573,000)

Second Biennium:

MVD - Off the Top Reduction (NDDOT)	\$ (3,116,000)
Revenue Addition through HTDF Distribution	
NDDOT (61.3%)	\$ (1,910,108)
Cities (12.5%)	\$ (389,500)
Counties (22%)	\$ (685,520)
Townships (2.7%)	\$ (84,132)
Transit (NDDOT) (1.5%)	\$ (46,740)
	\$ (3,116,000)

17-19	19-21
Other Funds	Other Funds

Fiscal Note Section 1A - State Fiscal Impact:

Revenues	\$ (972,844)	\$ (1,956,848)
Expenditures		
Appropriations		

17-19	19-21
Biennium	Biennium

Fiscal Note Section 1B - City, County, School District, and Township Fiscal Impact:

Counties	\$ (346,060)	\$ (685,520)
Cities	\$ (196,625)	\$ (389,500)
School Districts		
Townships	\$ (42,471)	\$ (84,132)

2017 HOUSE TRANSPORTATION

HB 1158

2017 HOUSE STANDING COMMITTEE MINUTES

Transportation Committee
Fort Totten Room, State Capitol

HB 1158
1/12/2017
#26844

- Subcommittee
 Conference Committee

Committee Clerk Signature

Jeanette Cook

Explanation or reason for introduction of bill/resolution:

A bill relating to the fee for personalized motor vehicle number plates; and to provide and effective date.

Minutes:

Attachment 1

Chairman Ruby brought HB 1158 before the committee.

Rep. Ben Koppelman, District 16 in West Fargo, introduced and spoke to support HB 1158. He provided written testimony. See Attachment #1.

5:37

Representative Owens: Do you remember what the purpose of the \$25 annual fee for specialized plates was in the first place?

Rep. Koppelman: I don't know if I ever got an answer as to the purpose of it. It brings in more income. I assume that it is similar to a luxury tax.

There was no further support for HB 1158.

There was no opposition to HB 1158.

Lindi Michlitsch, Motor Vehicle, North Dakota Department of Transportation, was called to answer questions.

Vice Chairman Rick C. Becker: What does it cost the Department of Transportation to produce and provide a specialized plate the first time? And what does it cost to continue to supply the tag for the plate or the renewals for a specialized plate?

Lindi Michlitsch: The cost that we are charged from Roughrider Industries for a plate is \$5.95. That does not include staff time, and there are a lot of different steps it takes to get a personalized plate from our system.

Chairman Ruby: Can you add what you think would be the cost in addition to the actual plate expense?

Lindi Michlitsch: With a personalized plate there are different steps. We need an application for the plate, and from that we have a review process to make sure that it fits within our policy. Then the order is submitted and sent to Roughrider Industries. When we get it back, all personalized plates are mailed out. With a standard plate they are already made, the plates can be handed right to the customer. There are not any additional steps.

Chairman Ruby: Does \$25 cover the work for the initial plate?

Lindi Michlitsch: I don't know the answer for that.

Representative Weisz: On the fiscal note in the first biennium it appears you assume twelve months of implementation. Shouldn't that be 18 months in the first biennium?

Lindi Michlitsch: When we calculated out the figures, we assumed they had already paid their \$25 for that year.

Chairman Ruby: I wish we knew an estimated cost. I don't want the Highway Distribution Fund to be subsidizing someone getting a personalized plate for the first time. I wonder if \$25 is enough?

Vice Chairman Rick C. Becker: There are three steps that add cost. First is interaction with the personnel. How many could a worker process in an hour?

Lindi Michlitsch: I would say it would add 3 to 5 minutes on to the interaction.

Vice Chairman Rick C. Becker: They could do 15 per hour?

Lindi Michlitsch: Yes. The second step is the review process.

Vice Chairman Rick C. Becker: How many plates can a reviewer look at in an hour?

Lindi Michlitsch: It depends on how much research has to be done. Sometimes it might take up to 20 – 30 minutes to review a difficult one.

Vice Chairman Rick C. Becker: How much does a reviewer get paid an hour?

Lindi Michlitsch: I don't know.

Mark Nelson, Deputy Director for Driver Vehicles. Department of Transportation: We have twelve reviewers who look at plates and vote on whether a plate should be allowed or not. The time would have to be multiplied by twelve for the time frame. That committee will make a recommendation. It will then come to me to look at it. Also, when the personalized plates get to Roughrider Industries, they have to shut down the system for standard plates. They then start to run the personalized plates through. There is a cost there.

I would like to talk to someone at Rough Rider Industries and ask him what time is involved for the production of the personalized plate series.

Vice Chairman Rick C. Becker: You get charged a flat fee from them, correct?

Mark Nelson: I misunderstood. I thought you wanted to know the exact cost of doing the plate itself.

Vice Chairman Rick C. Becker: I was just trying to figure out what it costs to make a personalized plate initially.

Mark Nelson: My personal feeling is that the \$25 does not cover the cost involved.

Representative Paur: There used to be a single up-front fee for a personalized plate that lasted for a period of time. Is that correct?

Mark Nelson: I am not aware of that.

Representative Paur: Do you know how long a person has a personalized plate?

Lindi Michlitsch: We don't track how long someone keeps a personalized plate.

Representative Paur: Is it possible to find out how long they might be kept?

Lindi Michlitsch: We don't keep track of how long the plate is kept. We could only track the revenue. We would have to go into each individual record.

Representative Schobinger: What is the process if my personalized plate is destroyed and needs to be replaced? Will I be charged an additional fee?

Lindi Michlitsch: You would request a duplicate plate, and it is \$5.00

Chairman Ruby: What happens the next time that you do an issuance and you have someone who paid a one-time fee? Would they have to pay another fee, or would they retain the number in the new issuance?

Lindi Michlitsch: I don't think the bill really specifies whether we would be able to charge the \$25 again.

Representative Paur: Are there a lot of people that change their vanity plate every year?

Lindi Michlitsch: I can't answer how many, but we do see it happen.

Representative Paur: So, if they change their plate every year, we are losing money.

Lindi Michlitsch: That may be.

Vice Chairman Rick C. Becker: If the department were to issue new plates, would it be a new one-time fee?

Lindi Michlitsch: The way we handled this the last plate issuance was that everyone that had a personalized plate still paid the \$25.00, and we assumed that they wanted it again. I think we would make that same assumption again in the next plate issuance.

Representative Paur: From a simplification and financial stand point if we would change in this bill, the one-time fee to \$100 and basically merge that with the previous bill, we would cover both bases. It would be a one-time fee... This could minimize the damage to the Department of Transportation, couldn't it? Does that seem like a viable option?

Lindi Michlitsch: It would depend on if we would grandfather everyone in that is already paying the \$25. Since the \$25 is annually, when we change it to \$100 going forward, it would be a revenue loss.

Chairman Ruby: That is a good question if everyone would be grandfathered in or if they would have to still pay the one-time \$100 fee.

Mark Nelson: There would be an influx of money at the front, but at the end of the 4th year the revenue would be cut off. That money is split between the cities, counties, transit, and Department of Transportation, so that revenue would be a direct loss of \$3 million dollars split between those agencies. It is an **option** to get a personalized a plate. Those people choose to do it and pay the \$25.00.

The hearing was closed on HB 1158.

Vice Chairman Rick C. Becker moved an amendment on HB 1158. Page 1 Line - Strike \$25 and make it \$60. (17.0082.01001)

Representative Owens seconded the motion.

A voice vote was taken. All Aye. The motion passed.

Vice Chairman Rick C. Becker: In this committee we are always looking at fees. Our questions to the state agencies are always: Do we need to increase the fee? What is the purpose of the fee? We don't want to place unnecessary fees on the citizens. It seems like Rep. Koppelman's intent is right on. If the costs are born up-front, and there is no additional cost, are we are just putting on fees because it is a good revenue source? Then I think that having a one-time fee seem reasonable. You are going to have some increased revenue over the next biennium where we are really crunched. It will then show a decrease, but not as much with the amended amount. We are not just putting a fee onto the tax-payers because we like revenue, and we kind of need it right now.

Chairman Ruby: I would like to consider the replacement cost of a plate being \$5.00. I would like to bump that to \$10.

Representative Owens: It is not really about the cost of producing the plate. The original fee of \$25 is really about the state looking for ways to keep taxes down. That might sound strange, because it is a fee, but a voluntary fee. You don't have pay it. It is an area that no one can compete with the state. The state provides a service, and the extra money is intended to provide a little bit more money into the Transportation Distribution Fund. There

are 62,000 vehicles out of 1.1 million are personalized. I think it is because of the low fee. It was set at the low fee to entice people to get one. I just wanted you to understand that the state is eating the cost of managing the program because all of the money goes into the Highway Distribution Fund.

Representative Weisz: It is true it is not about revenue; we don't have allow personalized plates. It is a privilege.

Representative Dobervich: I don't understand what benefit it would be to limit the numbers of plates.

Representative Weisz: I'm not saying that we want to limit them. It is self-limiting by charging a fee.

Representative Westlind: People pay for vanity. It is a privilege to have the plates. I think by this would be a tremendous drop in income for the Department of Transportation. I would like to see a DO NOT PASS on the bill.

**Representative Dobervich moved a DO NOT PASS as amended on HB 1158.
Representative Westlind seconded the motion.**

Representative Jones: So, now we have a bill before us that will have a one-time fee of \$60?

Chairman Ruby: Yes.

Representative Jones: I would like to see the \$25 annual fee retained.

**A roll call vote was taken: Aye 12 Nay 1 Absent 1
The motion carried.**

Representative Dobervich will carry HB 1158.

1/12/17 DA

17.0082.01001
Title.02000

Adopted by the Transportation Committee

January 12, 2017

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1158

Page 1, line 11, overstrike "twenty-five" and insert immediately thereafter "sixty"

Renumber accordingly

Date: 1-12-17
 Roll Call Vote #: 1

**2017 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1158**

House Transportation Committee

Subcommittee

Amendment LC# or Description: 17.0082.01001

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Becker Seconded By Owens

Representatives	Yes	No	Representatives	Yes	No
Chairman Dan Ruby			Rep. Gretchen Dobervich		
Vice Chair. Rick C. Becker			Rep. Marvin Nelson		
Rep. Bert Anderson					
Rep. Jim Grueneich					
Rep. Terry Jones					
Rep. Emily O'Brien					
Rep. Mark Owens					
Rep. Gary Paur					
Rep. Randy Schobinger					
Rep. Gary Sukut					
Rep. Robin Weisz					
Rep. Greg Westlind					

*Vote
Vote
Motion
Carried*

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent: *a one-time*
Change the fee to \$60.00 fee.

Date: 1-12-17
 Roll Call Vote #: 2

**2017 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1158**

House Transportation Committee

Subcommittee

Amendment LC# or Description: _____

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Dobervich Seconded By Westlind

Representatives	Yes	No	Representatives	Yes	No
Chairman Dan Ruby	✓		Rep. Gretchen Dobervich	✓	
Vice Chair. Rick C. Becker		✓	Rep. Marvin Nelson	A	
Rep. Bert Anderson	✓				
Rep. Jim Grueneich	✓				
Rep. Terry Jones	✓				
Rep. Emily O'Brien	✓				
Rep. Mark Owens	✓				
Rep. Gary Paur	✓				
Rep. Randy Schobinger	✓				
Rep. Gary Sukut	✓				
Rep. Robin Weisz	✓				
Rep. Greg Westlind	✓				

Total (Yes) 12 No 1

Absent 1

Floor Assignment Dobervich

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1158: Transportation Committee (Rep. D. Ruby, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (12 YEAS, 1 NAYS, 1 ABSENT AND NOT VOTING). HB 1158 was placed on the Sixth order on the calendar.

Page 1, line 11, overstrike "twenty-five" and insert immediately thereafter "sixty"

Renumber accordingly

2017 TESTIMONY

HB 1158

1-12-17
HB 1158
1

HB 1158

1/12/17

Chairman Ruby and Members of the Transportation Committee,

I am Rep. Ben Koppelman from District 16 in West Fargo.

HB 1158 was introduced to address an unnecessary fee charged by the Department of Transportation at the time of renewal of personalized license plates, sometimes referred to as customized or vanity plates. The current law calls for the department to charge \$25 at the time of issuance of such a plate as well as \$25 each year after. These charges are in addition to any registration fees that are otherwise due.

Following the issuance of the new North Dakota plates, many citizens found the desire to get personalized plates for a number of reasons. First, those who did not have personalized plates before did not receive the same number on their new plates since the DOT decided to change from letters first to numbers first. Second, plates such as Lewis and Clark, or LC plates, and the ND series of standard plates were discontinued upon the plate re-issue. This has caused nearly everyone in the state to have to memorize a new plate number in place of the one that they may have had for more than a decade. One solution to this is to get personalized plates that include a number or word that is easy to remember.

Although I am not sure if the initial fee of \$25 is adequate or should be increased, I do believe that the \$25 fee that is charged annually in addition to the registration fee is excessive, and should be repealed. It seems like some sort of luxury tax for something that might just be a practical measure on the part of the vehicle owner. After speaking with DOT, I confirmed that there is absolutely no additional cost or effort in the renewal process for customized plates verses standard plates.

I also want to bring your attention to what I find to be an oversight in the fiscal note. It appears that the note includes all possible lost revenue without any consideration of all the revenue to be gained. It is likely that with the elimination of the annual plate fee for customized plates upon renewal, that many more vehicle owners will opt to get such plates, which will result in much higher annual collection of the one-time fee on the date of issuance.

Mr. Chairman and Members of the Committee, I respectfully request your Do-Pass recommendation and would be happy to answer any questions that you may have.