

Legislative Analysis



NEW LICENSE PLATE DESIGN

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 5607

Sponsor: Rep. Philip LaJoy

Committee: Transportation

Complete to 2-24-06

A SUMMARY OF HOUSE BILL 5607 AS INTRODUCED 1-24-06

The bill would amend the Michigan Vehicle Code to require the use of a new standard design registration plate by January 1, 2008, to replace the current standard design "beads-on-paint" plate.

Under the bill, the Department of State, beginning January 1, 2007, could not transfer a standard design "beads-on-paint" registration plate or issue a registration tab or sticker for that plate. Instead, the department would be required to replace such a plate with a new standard design registration plate. All plates subject to replacement would have to be replaced before January 1, 2008. The replacement plates would be of a common color scheme and design that is clearly visible at night.

MCL 257.224

FISCAL IMPACT:

The Department of State indicates that there are currently 5.6 million of the "blue and white" standard registration plates in circulation. The department estimates that re-issuing these 5.6 million plates with new one-color graphic reflective plates would result in a one-time cost of \$10.9 million, with an additional annual on-going cost of \$690,000. These estimates are based on the assumption that only the blue and white plates would be reissued, and not other plate designs, such as Great Lakes Splendor, Auto Centennial, Fundraising, Historical, or Trailer Plates (which were recently re-issued). The cost estimate is also based on department assumptions regarding production, processing, and mailing costs.

The department also estimates that re-issuing the blue and white plates could generate \$15.3 million in gross additional revenue, which would more than offset one-time costs, resulting in a net revenue increase of \$4.4 million for credit to the Michigan Transportation Fund (MTF). The MTF is the main collection and distribution fund for constitutionally-restricted transportation revenue, which includes vehicle registration taxes. The assumptions used in computing this estimate are described below.

The department estimates that there is a 3 percent rate of non-compliance with the statutory vehicle registration requirement. This non-compliance rate represents vehicles driven on public roads without a valid registration plate – many of which display an

expired plate, or a plate unlawfully transferred from another vehicle. If a re-issued plate design were significantly different from the current plate design, non-compliant vehicles would stand out. Non-compliant vehicle owners would be more readily apprehended and thus may be more likely to buy valid registration plates. The 3 percent non-compliance rate represents 166,735 vehicles. The purchase of valid registration plates for 166,735 currently non-compliant vehicles, at an average registration tax renewal of \$92, would generate additional revenue of \$15.3 million.

The department's on-going costs of administration and enforcement of the vehicle registration provisions of the Michigan Vehicle Code are funded through appropriations from the Transportation Administration Collection Fund (TACF) and the MTF. The MTF share of those costs is currently limited by Public Act 51 of 1951 to \$20.0 million per state fiscal year. It is not clear how the additional up-front costs of re-issuing plates would be funded.

Legislative Analyst: Chris Couch
Fiscal Analyst: William Hamilton

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