

REQUIRE DEPARTMENT OF STATE TO REISSUE REGISTRATION LICENSE PLATES

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House Bill 5607 (Substitute H-3)

Sponsor: Rep. Philip LaJoy

Committee: Transportation

House Bill 5979 as introduced

Sponsor: Rep. Philip LaJoy

Committee: Transportation

House Bill 4437 (Substitute H-1)

Sponsor: Rep. Scott Hummel

Committee: Appropriations

Complete to 5-4-06

A SUMMARY OF HOUSE BILL 5607 (H-3), HOUSE BILL 5979, AND HOUSE BILL 4437 (H-1) AS PASSED THE HOUSE 5-4-06

House Bill 5607 would amend Section 224 of the Michigan Vehicle Code to require the use of a new standard design registration plate, beginning January 1, 2007, to replace the current standard design "beads-on-paint" plate. House Bills 5979 and 4437 would provide the spending authority needed to pay for the costs associated with reissuing registration plates. Specifically, House Bill 5979 would amend Public Act 51 of 1951 to lift, for the FY 2005-06 fiscal year only, the \$20.0 million limitation on appropriations from the Michigan Transportation Fund (MTF) for the Department of State's expenses incurred in administration and enforcement of Sections 801 to 810 of the Michigan Vehicle Code. House Bill 4437 is a FY 2005-06 supplemental appropriations bill. It would appropriate an additional \$11.0 million in a new Interdepartmental Grant (IDG) in the Transportation budget, *MTF grant to department of state for reissuance of registration plates*, to support a new line item in the Department of State's budget, *Reissue registration plates*.¹

House Bill 5607 (H-3) – as passed the House 5/4/2006

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. The new plate would be of a common color scheme and design made of fully reflectorized material that is clearly visible at night.

Implementation of the provisions of the bill would be contingent upon appropriations sufficient to cover the costs of designing, manufacturing, distributing, and issuing the new plate. The bill requires the department to report to the Secretary of the Senate, and the Clerk of the House of Representatives on the costs incurred and revenue expended within 30 days after all the standard design "beads on paint" plates have been replaced.

¹ The gross appropriation in the bill is \$22.0 million. However, this figure effectively double-counts the same appropriation, once for the IDG in the Transportation's budget, and in the once in the Department of State's budget. The relevant figure is the adjusted gross appropriation amount of \$11.0 million.

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 reissuing 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 reissued). The cost estimate is also based on department assumptions regarding production, processing, and mailing costs.

The department also estimates that reissuing 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 MTF. The MTF is the main collection and distribution fund for constitutionally-restricted transportation revenue, including vehicle registration taxes. The assumptions used in developing 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 reissued plate design were visually 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.

House Bill 5979 as passed the House – 5/4/2006

The department's on-going costs of administration and enforcement of the vehicle registration provisions of the Michigan Vehicle Code are currently 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. In order to provide funding for the additional costs required to reissue registration plates, the bill would lift the Act 51 limitation for the FY 2005-06 fiscal year only.

Section 10 of Act 51 currently states: "*Appropriations from the Michigan transportation fund for the necessary expenses incurred by the department of state in administration and enforcement of sections 801 to 810 of the Michigan vehicle code [...] shall not exceed \$20,000,000.00 per state fiscal year.*" House Bill 5979 would append to the sentence the clause "*except for the fiscal year ending September 30, 2006.*" The bill would insert a new following sentence to indicate that for the fiscal year ending September 30, 2006 "*the legislature may appropriation funds in excess of \$20,000,000.00 from the Michigan transportation fund for all incremental additional expenses incurred by the department of*

state [...] that arise because of the replacement of standard design registration plates as provide in Section 224 of the Michigan vehicle code..."

House Bill 4437 (H-1) – as passed the House 5/4/2006

As noted above, the department's on-going costs of administration and enforcement of the vehicle registration provisions of the Michigan Vehicle Code are currently funded through appropriations from the TACF and the MTF. These appropriations are not sufficient to provide for the additional costs associated with reissuing registration plates. House Bill 4437, a FY 2005-06 supplemental appropriations bill, would appropriate an additional \$11.0 million in a new Interdepartmental Grant (IDG) in the Transportation budget, *MTF grant to department of state for reissuance of registration plates*, to support a new line item in the Department of State's budget, *Reissue registration plates*.

Section 301 of the bill provides authority to the Michigan Department of Transportation to receive billings from the Department of State associated with the costs of reissuing license plates under Section 224 of the Michigan Vehicle Code.

Section 401 of the bill indicates that the appropriations in part 1 are intended to fund the incremental additional costs of reissuing registration license plates under Section 224 of the Michigan Vehicle Code.

Section 403 of the bill allows the appropriations to be designated as work projects under the provisions of 451a of the Management and Budget Act.

Tie-Bars

House Bills 5607, 5979, and 4437 are all tie-barred to each other.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.