



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 4437 (Substitute H-1 as reported without amendment)

Sponsor: Representative Scott Hummel

House Committee: Appropriations

Senate Committee: Appropriations

CONTENT

The bill would appropriate \$11.0 million from the Michigan Transportation Fund (MTF) in fiscal year 2005-06 for the reissuance of license plates.

In annual operating budgets, revenue from the Michigan Transportation Fund is appropriated to departments other than the Michigan Department of Transportation (MDOT) as interdepartmental grants. This bill would appropriate \$11.0 million as an IDG in MDOT to the Department of State for the reissuance of registration plates. This would be a new line item separate from the annual appropriation of \$20.0 million to the Department of State for the collection of revenue and fees. The bill then would appropriate that interdepartmental grant in the Department of State for a new line item to reissue registration plates. While the gross appropriations in the bill would be \$22.0 million, only \$11.0 million actually would be available for expenditure since the MDOT appropriation would provide the funding for the Department of State to reissue the plates.

The bill is tie-barred to House Bill 5607 and 5979. (House Bill 5607 (H-3) would require the Department of State to offer a new standardized license plate beginning January 1, 2007. House Bill 5979 would allow the Legislature to exceed the statutory limit of \$20 million on an IDG from the MTF to the Department.)

FISCAL IMPACT

The Department of State estimates one-time costs related to the new plate at approximately \$11.0 million. Under the bills, the cost of the new plate would be funded from the Michigan Transportation Fund. The cost estimate is based on the design and production of 6.0 million plates, including postage and handling costs. The bills also would result in additional annual ongoing costs in future years of \$690,000. The Department annually orders 1.5 million plates related to new vehicles and replacement plates. The reflective plate required by House Bill 5607 (H-3) costs \$0.46 more per plate than the current blue plate.

The Department of State anticipates that the new plate would result in improved compliance with vehicle registration laws, more than offsetting one-time costs related to the new plate. This is based on a noncompliance rate of 3% (166,735 vehicles). Using an average registration cost of \$92 per vehicle, the Department estimates that \$15.3 million in additional revenue would be generated to the MTF (a net MTF increase of \$4.4 million after one-time costs associated with the new plate).

Date Completed: 5-11-06

Fiscal Analyst: Bill Bowerman
Jessica Runnels

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Bill Analysis @ www.senate.michigan.gov/sfa

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