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House Bill 4437 (Substitute H-1 as passed by the House)
House Bill 5607 (Substitute H-3 as passed by the House)
House Bill 5979 (as passed by the House)

Sponsor: Representative Scott Hummel (H.B. 4437)
Representative Philip LaJoy (H.B. 5607 & 5979)

House Committee: Appropriations (H.B. 4437)
Transportation (H.B. 5607 & 5979)

Senate Committee: Appropriations (H.B. 4437)
Transportation (H.B. 5607 & 5979)

Date Completed: 5-9-06

CONTENT

House Bill 4437 (H-1) would appropriate \$11.0 million from the Michigan Transportation Fund (MTF) in fiscal year 2005-06 for the reissuance of license plates.

House Bill 5607 (H-3) would amend the Michigan Vehicle Code to do the following:

- Require the Department of State to offer a new standard design registration plate made of fully reflectorized material, beginning on January 1, 2007.
- Prohibit the Department, beginning on that date, from issuing or transferring a "standard design beads on paint" registration plate or issuing a registration tab or sticker for that plate.
- Require the Secretary of State (SOS) to report to the Secretary of the Senate and the Clerk of the House on the costs incurred and revenue spent to implement the bill.

House Bill 5979 would amend Public Act 51 of 1951, the MTF law, to allow the Legislature to exceed the statutory limit of \$20.0 million on an interdepartmental grant (IDG) from the MTF to the Department of State to cover additional expenses incurred in replacing the standard design license plate.

The bills are tie-barred to each other. They are described below in further detail.

House Bill 4437 (H-1)

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 specifies that the appropriations would be subject to the Management and Budget Act, which is standard language included in all appropriation acts. The bill also would authorize MDOT to accept billings from the Department of State for costs associated with reissuing registration license plates, which is the process for distributing the interdepartmental grant. In addition, the bill specifies that the appropriation of \$11.0 million in the Department of State would be for the incremental additional costs of reissuing registration license plates.

The bill also would authorize the establishment of a work project for the funding if it were not entirely spent by September 30, 2006. Work projects authorize expenditure of an appropriation for up to an additional four years; therefore, the funding would not lapse back to the MTF until that time.

House Bill 5607 (H-3)

Under the bill, beginning January 1, 2007, the Department could not issue or transfer a standard design beads on paint registration plate, or issue a registration tab or sticker for that plate, but would have to offer a new standard design registration plate that complied with the Code's requirements.

The new standard design registration plate would have to be of a common color scheme and design that was made of fully reflectorized material, and would have to be clearly visible at night.

The implementation of these requirements would be contingent upon appropriations sufficient to cover the costs to the Department of designing, manufacturing, distributing, and issuing the new plate. The SOS would have to file with the Secretary of the Senate and the Clerk of the House of Representatives a written report of the costs incurred and revenue spent to meet the bill's requirements, within 30 days after all of the standard design beads on paint plates to be replaced had been replaced.

House Bill 5979

Under Public Act 51 of 1951, the Legislature must appropriate from the MTF funds for the necessary expenses incurred in the administration and enforcement of the Motor Fuel Tax Act, the Motor Carrier Act, and Sections 801 to 810 of the Michigan Vehicle Code (which pertain to vehicle registration and taxation). Appropriations from the MTF for the necessary expenses incurred by the Department of State in administration and enforcement of Sections 801 and 810 may not exceed \$20.0 million per State fiscal year (FY). The bill would make an exception to this limit for FY 2005-06. For that fiscal year, the Legislature could appropriate more than \$20.0 million from the MTF for all incremental expenses incurred by the Department in enforcing Sections 801 to 810 that arose due to the replacement of standard design registration license plates as provided in Section 224 of the Code (which House Bill 5607 (H-3) would amend).

MCL 257.224 (H.B. 5607)
247.660 (H.B. 5979)

Legislative Analyst: Julie Koval

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).

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.