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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/26/13

SPONSOR Sharer LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Special License Plate Decals SB 496

ANALYST Smith

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	\$0.0	\$204.6	\$0.0	\$204.6	Nonrecurring	MVD Operating Budget
	\$0.0	\$13.5	\$0.0	\$13.5	Nonrecurring	ITD Operating Budget

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 496 amends Section 66-3-15 NMSA 1978, to provide for the issuance of standardized special registration plates for a fee of \$15.00 and a special registration decal for an additional \$35.00 plus an administrative fee of up to \$15.00, in addition to the regularly imposed registration fees, if purchased from the department, or for a different price if purchased from a public interest group.

A new section of the Motor Vehicle Code authorizes the department to issue new standardized, high-contrast and machine readable special plates with a space for a decal to honor New Mexico citizens or to support a worthy public purpose. Any public purpose interest group that is a 501(c)(3) nonprofit organization and has been in existence for at least three years may apply to the department for production of a decal that may be sold by the public interest group. In return for payment by the interest group of the cost of at least 1,000 decals, the department shall order the printing and delivery of the decals to the public interest group. Once the new standardized special registration plates are manufactured and delivered to the department, the department is required to shred its stock of existing special plates and is authorized to retain any money received from selling the shredded plates as scrap.

Revenues from decals that replace existing military special plates and special plates with logos would generally flow to the same funds that currently receive portions of those plate revenues. The bill does not affect vanity, mobility limitation, horseless carriage, state government or dealer plates, but does repeal all of the other special plate provisions currently in statute.

**Effective Date:** July 1, 2013

### **SIGNIFICANT ISSUES**

TRD believes that standardization of special plates, while consistently maintaining quality and both human and machine readability, may be desirable and could be accomplished with existing resources and without a sweeping overhaul of the state's special plates systems. However, the unique individual design features of existing special plates may be highly valued by those special plates' supporters and sponsors, and would be lost upon full implementation of this bill.

Decals are likely to be placed haphazardly by some vehicle owners, and with weathering will crack and peel over time. In addition, production of unique decals for each special plate may well cost more than the department now pays for the special plates themselves. A better manufacturing solution would be to have the plate manufacturer apply images directly, on demand and in a more permanent and cost-efficient manner. The Motor Vehicle Division (MVD) is currently considering a centralized production and distribution system that would lend itself well to such an approach.

### **ADMINISTRATIVE IMPLICATIONS**

TRD presents budget impacts by division.

#### **MVD:**

- Initial design and production cost , not including plates - \$30,000
- Cost of initial order of 5,000 standardized plates @ \$5.21 per plate - \$26,050
- Lost value of special plates currently in inventory at 30,000 x \$4.95 - \$148,500
- Expected net return from shredding and scrapping of old special plates - \$0
- **Total impact to MVD = \$204,550**

**ITD:** Implementation of this bill would have a low impact on ITD. Listed below are the affected programs and estimated timeframes:

- MVD 2.0 – 100 hours
- Point of Sale – 50 hours
- MVD Mainframe batch jobs – 40 hours
- MVD Mainframe Financial (MVRO) – 40 hours
- Testing – 40 hours
- **Total Hours – 270 at \$50 per hour = \$13,500**

MVD and ITD suggest that the effective date be pushed out to January 1, 2014, due to the high volume of work between now and July 1, 2013; the time that would be required for implementation of new plate and decal designs and production; and budgetary considerations (i.e., lack of available funding).

## TECHNICAL ISSUES

TRD notes the following:

- Page 19, Subsection L states that the decals are only valid for one year; however, registrations can be valid for two years. The language in the bill should be consistent with current law.
- There is an anti-donation violation caused by the proposal because it allows decal fees to be paid to independent 501(c)(3) organizations.
- The secretary of the Taxation and Revenue Department (TRD) would have to publish rules for implementation of the bill, as there are many questions left open to interpretation including how the department would manage the approval process for new decals and how revenues would be allocated.
- The requirement on page 2, line 25 to page 3, line 2 that all fees collected shall be paid to the state treasurer to the credit of the Motor Vehicle Suspense Fund conflicts with: a) the provision on page 19, lines 4-7, that the department shall deduct its costs from the payment by nonprofit organizations for decals and shall deposit the remainder to the credit of the state road fund; and b) the provision on pages 15-17 that fees collected by the department for specific standardized special registration plates and decals shall be deposited to various funds (consistent with the current distribution of special plate fees per statute) and any other public purpose the department approves.

This bill does not contain a sunset date. The LFC recommends adding a sunset date.

## POSSIBLE QUESTIONS

Does the bill meet the Legislative Finance Committee tax policy principles?

1. **Adequacy:** Revenue should be adequate to fund needed government services.
2. **Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
3. **Equity:** Different taxpayers should be treated fairly.
4. **Simplicity:** Collection should be simple and easily understood.
5. **Accountability:** Preferences should be easy to monitor and evaluate

SS/blm