

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 111
STATE OF NEW JERSEY
218th LEGISLATURE

DATED: MAY 24, 2018

SUMMARY

Synopsis: Authorizes special Combat Action Badge license plate program.

Types of Impact: Increased State Cost and Revenue

Agencies Affected: New Jersey Motor Vehicle Commission (MVC), Department of Military and Veterans' Affairs (DMAVA)

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Thereafter</u>
State Cost Increase	\$65,700	Indeterminate
State Revenue Increase	\$25,000	At least \$40,700

- The Office of Legislative Services (OLS) finds that the bill will likely produce annual State revenue and expenditure increases that will largely offset one another. The OLS cannot quantify the annual increases because it is unclear how many applications for the new specialty license plate the New Jersey Motor Vehicle Commission (MVC) will receive.
- The bill establishes the Combat Action Badge license plate program in such a manner that the MVC may fully recover the expenses incurred in administering the program. The MVC has identified its initial cost of designing and establishing a new license plate series as \$62,000, which is largely attributable to computer system changes, and approximately \$3,750, which is attributable to the per plate cost of an initial 550 plate run as \$6.60, for a total cost of approximately \$65,700.
- The bill requires MVC to receive a \$50 Combat Action Badge license plate application fee in addition to a \$10 annual renewal fee. Initial fee collections are to reimburse the MVC for the expenses it incurs in administering the program. In addition, the MVC is to receive an initial payment of \$25,000 to offset initial costs before license plate production begins. The MVC is also permitted to retain additional fee amounts until its costs are fully reimbursed.

- After the MVC's cost recovery, indeterminate excess application and renewal fee collections are to be appropriated to the Department of Military and Veterans Affairs (DMAVA) for programs benefitting combat veterans.

BILL DESCRIPTION

This bill authorizes special Combat Action Badge license plates. The license plate is to display the words, "Combat Action Badge" and the Combat Action Badge emblem. An application to obtain Combat Action Badge license plates is to include satisfactory proof that the applicant received the Combat Action Badge. In addition to the required motor vehicle registration fees, there is an application fee of \$50 and an annual renewal fee of \$10 for the Combat Action Badge license plates. After deducting the cost of producing and publicizing the plates, the additional fees collected will be deposited into the "Combat Action Badge License Fund" and the funds will be appropriated annually to DMAVA for programs to benefit combat veterans.

The Chief Administrator of the MVC is required to annually certify the average cost of producing, issuing, and publicizing the availability of the specialty license plates. If the average cost per plate exceeds \$50, the chief administrator may discontinue the license plate program.

The bill provides that no State or other public funds may be used by the MVC for the initial cost to implement the Combat Action Badge license plate program. The bill authorizes DMAVA to receive funds, in an amount not to exceed a total of \$25,000, from private sources to be used to offset the initial costs incurred by the MVC for designing, producing, issuing, and publicizing the availability of the license plates.

The provisions of the bill are to remain inoperative until the MVC receives the initial funds. The bill will expire if the funds to initiate the license plate program are not received within 12 months of the effective date.

FISCAL ANALYSIS

EXECUTIVE BRANCH

The Executive has not submitted a formal, written fiscal note for this bill. However, in response to an OLS Discussion Point in the FY 2017-2018 Department of Transportation and Motor Vehicle Commission Budget Analysis the MVC indicated that its upfront cost was \$65,700 to set up a license plate program, which includes computer changes and the initial print run of 550 plates.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that the bill will likely produce annual State revenue and expenditure increases that will largely offset one another. The OLS cannot quantify the annual increases because it is unclear how many applications for the new specialty license plate the MVC will receive.

The bill establishes the combat action badge license plate program in such a manner that the MVC may fully recover the expenses it incurs in administering the program. But the MVC may

also, at its discretion, operate the program at a net cost. If the MVC does not receive the initial \$25,000 payment within the first 12 months following the effective date, the bill will expire without the creation of the license plate program. If the number of initial applications is equal to or greater than 500, the MVC will likely be able to recover its costs within no more than three years of the creation of the program.

Before the MVC begins designing and producing the license plates, an entity designated by DMAVA is required to provide \$25,000. This requirement helps to ensure that the MVC will be able to recover some initial costs in producing the license plates, and if the funds are not provided, the MVC will not be required to produce the license plates. The payment of up to \$25,000 is required to come from private sources so the amount is not expected to be a State or local cost.

Upon production of the license plates, the MVC may still discontinue the program if the production cost exceeds \$50 per license plate, which is the initial fee that the MVC will collect for each plate. This ensures that the MVC will not experience any net costs in the administration of this license plate program. The current cost per plate to the MVC is \$6.60 so it is unlikely that the MVC will experience any net cost in the administration of the program.

The MVC indicated in response to an FY 2017-2018 OLS Discussion Point that it faced an upfront cost of \$65,700 to implement a license plate program, which includes computer changes and the initial print run of 550 license plates. The requirements of the bill provide the MVC with the first \$25,000 of those costs through the initial \$25,000 payment. The remaining \$40,700 will be recovered through the sale of additional combat action badge license plates and by retaining collections from the \$10 annual fee. Depending upon the distribution of applicants across the initial three years covered by this fiscal estimate, there will likely need to be between 500 and 700 sets of plates sold for the MVC to fully recover its costs within the first three years.

The bill prevents the MVC from realizing net revenues in administering the program because the bill requires the MVC to deposit all program fees into a special fund to be appropriated to DMAVA to support programs for combat veterans, once the MVC has subtracted its costs in administering the program. The combination of guaranteed fee collection for the MVC and the limit on retaining any fees greater than its cost creates a scenario where there is likely to be no long run net fiscal impact to the MVC in the administration of this license plate program.

The dedication of the remaining funds to DMAVA for combat veteran programs will either increase the amount of State funding for combat veteran programs or offset existing appropriations. In either case, fund balances will represent additional State revenue, and may or may not represent an increase in net expenditures by DMAVA. However, these programs are unlikely to realize any appropriations in the first three years, unless there are between 500 and 700 applications for license plates under the program over that time period.

Section: Authorities, Utilities, Transportation and Communications

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This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).