

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 89
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: MAY 28, 2021

SUMMARY

Synopsis: Authorizes creation of special license plates commemorating horse as State animal.

Type of Impact: Annual State revenue and expenditure increases.

Agencies Affected: New Jersey Motor Vehicle Commission; Department of Agriculture.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Thereafter</u>
State Cost Increase	\$65,700	Indeterminate
State Revenue Increase	\$50,000	At least \$15,700

- The Office of Legislative Services (OLS) finds that the bill will 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 OLS notes, however, that the implementation of the bill is conditioned upon the receipt by the MVC of a minimum of 500 applications for the new specialty license plate.
- The bill establishes the State animal 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 \$65,700, which is largely attributable to computer system changes, and the initial print run of 550 plates.

- The MVC will receive a \$50 State animal license plate application fee in addition to a \$10 annual renewal fee. Initial fee collections will reimburse the MVC for the expenses it incurs in administering the program. In addition, the MVC will have to receive an initial payment of up to \$25,000 and a minimum of 500 license plate applications for a total of \$50,000 to offset initial costs before license plate production begins. The MVC will then be 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 will be appropriated to the New Jersey Department of Agriculture for horse welfare programs.

BILL DESCRIPTION

This bill authorizes the MVC to issue special State Animal license plates. The license plates are to be designed by the Chief Administrator of the MVC, in consultation with the Secretary of the Department of Agriculture, and feature an emblem that indicates that the horse is the official State Animal of New Jersey.

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 State Animal license plates. After deducting the costs to implement the plates, the additional fees collected are to be deposited into the "State Animal License Plate Fund." The proceeds of the fund are to be appropriated annually to the department to support any departmental program to support the health and wellbeing of horses and to provide therapeutic riding to individuals with special needs in the State.

The chief administrator 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 in two consecutive fiscal years, the chief administrator may discontinue the State Animal license plate program. The bill also requires that the secretary appoint a liaison to represent the department in all communications with the MVC regarding the State Animal license plates.

The bill provides that State or other public funds may not be used by the MVC for the initial cost to implement the State Animal license plate program. The bill requires an individual or entity designated by the secretary to contribute non-public monies, not to exceed \$25,000, to

offset the initial costs to design, produce, issue, and publicize the license plates and for any computer programming necessary to implement the program. The bill authorizes the department to receive funds from private sources to be used to offset the initial costs.

The MVC is not required to design, produce, issue, or publicize the availability of the State Animal license plates, or make any necessary programming changes, until: (1) an individual or entity designated by the secretary has provided the MVC with the money necessary to offset the initial costs incurred by the MVC in establishing the State Animal license plate program; and (2) the secretary, or the secretary's designee, has provided the MVC with a minimum of 500 completed applications for the State Animal license plates and the accompanying application fees.

The provisions of the bill will remain inoperative until the appropriate applications and fees required to offset the initial costs incurred by the MVC are provided by the department's designee. The bill expires after 12 months if sufficient applications and fees to offset the initial costs are not received.

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 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 State animal license plate program in such a manner that the MVC may fully recover the expenses it incurs in administering the program. If the number of license plate applications is below 500 in the first 12 months following the effective date, the bill will expire without the creation of the license plate program. Conversely, if the number of applications is

equal to or greater than 500, the MVC will 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 the department is required to provide up to \$25,000 and pre-register 500 applicants for the license plates. This requirement ensures that the MVC will be able to recover its initial costs in producing the license plates, and if enough 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 set up a license plate program, which includes computer changes and the initial print run of 550 license plates. The requirements of the bill would provide the MVC with the first \$50,000 of those costs through the initial \$25,000 payment and the first 500 license plate sales. The remaining \$15,700 would either be recovered through the sale of additional State animal license plates or by retaining collections from the \$10 annual fee. The first 500 plate sales will generate \$5,000 per year from the \$10 annual renewal fee. So in the event that no other plates were purchased under the program, the MVC would largely recover the remaining costs after three years of collecting the annual fee.

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 the department for horse welfare programs, 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 net fiscal impact to the MVC in the administration of this license plate program.

Section: Authorities, Utilities, Transportation and Communications

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

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