



Legislative Fiscal Bureau

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April 7, 2010

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 307/Assembly Bill 465: Special License Plates for the Lions Clubs of Wisconsin

Senate Bill 307 was introduced on September 24, 2009, and referred to the Senate Committee on Transportation, Tourism, Forestry, and Natural Resources. On January 14, 2010, that Committee took executive action on the bill, adopting Senate Substitute Amendment 1 on a 7 to 0 vote and recommending the bill for passage, as amended, on a 6 to 1 vote. On January 19, 2010, the bill was referred to the Joint Committee on Finance.

Assembly Bill 465 was introduced on October 6, 2009, and referred to the Assembly Committee on Transportation. On January 21, 2010, that Committee took executive action, adopting Assembly Substitute Amendment 1 on a 12 to 0 vote and recommending the bill for passage, as amended, on a 12 to 0 vote. On February 3, 2010, the bill was referred to the Joint Committee on Finance. Assembly Substitute Amendment 1 to AB 465 is identical to Senate Substitute Amendment 1 to SB 307.

SUMMARY OF SUBSTITUTE AMENDMENTS

The substitute amendments would create a special group license plate for persons interested in obtaining a plate supporting the Lions Clubs of Wisconsin, displaying a logo or image of the lion associated with the Lions Clubs International. As with other special group license plates under current law, the Lions Clubs of Wisconsin plates could be issued for an automobile, a truck, a motor home, a dual purpose motor home or dual purpose farm truck with a gross weight of not more than 8,000 pounds, or a farm truck with a gross weight on not more than 12,000 pounds. The plates would be issued by the Department of Transportation (DOT) upon application, effective on the first day of the seventh month beginning after publication of the bill. The plate would be exempt from a provision that prohibits the creation of new special group plates after October 1,

1998, except by an administrative process for creating new plates upon application by a group.

Applicants for the plate would be required, in addition to paying the annual vehicle registration fee (or biennial fee, as applicable), to pay a \$15 fee upon initial issuance of the plate and upon any subsequent reissuance, and a \$25 annual fee (or \$50 fee for biennial registrations). The substitute amendments would specify that the annual or biennial fee would be deductible as a charitable contribution for purposes of the individual income tax. Of the amounts collected from the \$25 annual (or \$50 biennial) fee, DOT would retain the first \$23,700 for the initial costs of producing the plate, and any additional amount would be credited to a new transportation fund appropriation for making payments to the Wisconsin Lions Foundation, Inc.. [To be consistent with similar provisions for making payments to entities associated with special plates under current law, the substitute amendments could be amended to make this a PR appropriation, instead of a SEG appropriation.] The \$15 issuance and reissuance fee would be deposited in the transportation fund.

For each year that it receives payments, the Wisconsin Lions Foundation would be required to submit an audited financial statement of its use of the payments, prepared in accordance with generally accepted accounting principles, to the presiding officer of each house of the Legislature. DOT would be required to discontinue payments if the Wisconsin Lions Foundation dissolves, becomes insolvent, files a petition for bankruptcy, or is no longer a tax exempt organization under federal law.

The Department of Transportation would be required, prior to issuing plates, to determine that any license or other approval required for the use of any logo, trademark or service mark, trade name, or other commercial symbol used on the plate has been obtained, and that any such approval provides for the following: (a) that the approval is irrevocable with respect to all plates issued for vehicles after the plates are issued for these vehicles; and (b) that, if the approval is withdrawn, DOT may continue to renew the registration of vehicles previously issued a plate, without replacing those plates, but that the Department shall discontinue charging the \$25 annual or \$50 biennial fee with respect to these renewals. In addition, the substitute amendments would specify that if the approval is withdrawn, DOT would be required to discontinue issuing new plates unless an additional approval is obtained.

The substitute amendments would provide \$23,700 SEG in 2010-11 in the Division of Motor Vehicles appropriation for costs associated with developing the Lions Club of Wisconsin plate, but would specify that this amount shall be excluded from the appropriation base for the purpose of the preparation of the 2011-13 budget bill.

FISCAL EFFECT

The Department incurs costs associated with the initial development of a new special group license plate, as well as costs to produce and issue plates to individual applicants. According to the Department's fiscal estimate for Senate Bill 307 and Assembly Bill 465, the initial development

costs are estimated at \$23,700, which includes \$23,000 for data processing and \$700 for graphic design. The bill would provide an appropriation of \$23,700 SEG in 2010-11 for these costs.

Under the substitute amendments, the revenues collected from both the \$25 annual (or \$50 biennial) plate fees and the \$15 issuance or reissuance fee would be deposited in the transportation fund. As noted in the summary, the first \$23,700 would be retained in the fund to offset the appropriation for plate development costs, while any remainder would be appropriated for the Lions Clubs of Wisconsin. Although the substitute amendments would provide an appropriation in 2010-11, it is possible that not enough revenue would be generated from the combination of annual and issuance fees to offset that appropriation in that year. In order to completely offset the appropriation, a total of about 600 plates would need to be issued in 2010-11. To put that number into perspective of actual plate sales for other special group plates, there are currently about 440 Golf Wisconsin plates, 246 Donate Life plates, and 226 Women's Health Foundation plates, all of which also require a \$25 annual fee. If fewer than 600 plates are sold in 2010-11, the substitute amendment could result in a net reduction in the transportation fund balance in 2010-11, although this "deficit" could be made up in subsequent years as more plates are issued and renewed.

Based on revenue estimates available during the deliberations on the 2009-11 biennial budget bill, Act 28 was passed under the assumption that there would be no deficit at the beginning of the 2009-11 biennium. The 2009-11 biennium-ending balance was estimated at \$3.2 million. However, the transportation fund finished the 2007-09 biennium with a deficit of \$33.2 million, meaning that, assuming no net change to the budget's revenue and expenditure assumptions, that the projected biennium-ending deficit for the fund is now estimated at \$30.0 million. Under current law, if DOT conducts an estimate of transportation fund revenues and expenditures that indicates that the fund deficit exceeds \$30.0 million, the Department must submit a plan to the Joint Committee on Finance for addressing that deficit. Typically, the Department conducts a comprehensive revenue estimate in preparation for its biennial agency budget request in the summer of even numbered years. If the substitute amendments were to become law and resulted in a slight increase in the transportation fund deficit, as described above, that deficit would be reflected in the Department's estimate.

The Department did not include an estimate of the cost of producing and issuing individual plates to applicants, although this cost would vary depending upon the number of plate sets sold. The \$15 issuance fee is intended to approximate the per plate set production and issuance costs, although revenues from this fee are deposited in the transportation fund, without being appropriated for the Division of Motor Vehicles.

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