



Legislative Fiscal Bureau

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April 7, 2010

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 456: Special Group License Plates for Motorcycle Safety (Harley-Davidson)

Senate Bill 456 was introduced on January 12, 2010, and referred to the Senate Committee on Transportation, Tourism, Forestry, and Natural Resources. On February 11, 2010, that Committee recommended the bill for passage on a vote of 6 to 1. On February 18, 2010, the bill was referred to the Joint Committee on Finance. On March 15, Senate Amendment 1 to SB 456 was introduced.

SUMMARY OF BILL

Senate Bill 456 would create a special group license plate for persons interested in supporting motorcycle safety, displaying a bar and shield logo associated with Harley-Davidson, Inc. on the left portion of the plates and the words "share the road" on the bottom portion of the plates. As with other special group license plates under current law, the Department of Transportation (DOT) would be allowed to issue the motorcycle safety plates 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 of not more than 12,000 pounds. 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). Of the amounts collected from the \$25 annual (or \$50 biennial) fee, DOT would retain the first \$43,200 for the initial costs of producing the plate. Any additional amounts collected would be credited as follows: (a) an amount to a new SEG appropriation for, paying reasonable licensing fees relating to the word or words or the symbol on, or otherwise required for, the plate; and (b) any

additional amount to a new SEG appropriation in DOT for activities under the motorcycle, moped, and motor bicycle safety program, limited to evaluation of basic rider education courses, conducting public workshops, rallies, and programs related to motorcycle safety and training, and making grants for providing motorcycle riding courses. [To be consistent with similar provisions for licensing costs and for state programs associated with special plates under current law, the bill could be amended to make these PR appropriations, instead of SEG appropriations.] The \$15 issuance and reissuance fee would be deposited in the transportation fund.

The Department of Transportation would be prohibited from issuing the motorcycle safety plates until six months after the Department has received information sufficient to determine that any approvals required for the use of any logo, trademark, trade name, or other commercial symbol associated with Harley-Davidson, Inc. has been obtained. DOT would be required to consult with the chief trademark officer of Harley-Davidson Michigan, LLC before specifying the design and colors of the plate. [Although the Department would be required to consult with Harley-Davidson on the color of the plate, a separate current law provision requires all special license plates, with a few exceptions, to have one combination of colors, which are currently white and red. The bill would not add the motorcycle safety plate to the list of exceptions. Consequently, although the logo for the plate could be of any color or colors, the background color would be white with red letters and numbers.]

The bill would provide \$43,200 SEG in 2010-11 in the Division of Motor Vehicles appropriation for costs associated with developing the motorcycle safety 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.

The provisions of the bill would take effect on the first day of the seventh month beginning after publication. Within three months of that date, DOT would be required to consult with the chief trademark officer of Harley-Davidson Michigan, LLC regarding the design and colors of the plate and regarding approval for the use of any logo or trademark.

SUMMARY OF SENATE AMENDMENT 1

Senate Amendment 1 to SB 456 would make two changes to the bill. First, it would eliminate provisions related to paying licensing fees associated with the use of logos or words on the motorcycle safety plate, including the elimination of the appropriation for making those payments. A representative of Harley-Davidson indicated that it was not the company's intention to require licensing payments for the use of its logo on the plate. If adopted, the amendment would specify that all fees collected from the \$25 annual (or \$50 biennial) fee would be credited to the motorcycle safety appropriation.

Second, the amendment would reduce the appropriation increase for the Division of Motor Vehicles from \$43,200 to \$23,700, and would likewise reduce the amount of retained revenues to \$23,700. These adjustments are based on the current estimated cost for developing a fund-raising special license plate.

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 456, 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 \$43,200 SEG in 2010-11 for these costs, although Senate Amendment 1 would reduce this amount to \$23,700.

Under the bill, 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 amended, the bill would require that the first \$23,700 be retained in the fund to offset the appropriation for plate development costs, while any remainder would be appropriated for the motorcycle safety program. Although the bill 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 bill, as amended, 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 bill 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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