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FISCAL IMPACT REPORT

SPONSOR Pirtle **ORIGINAL DATE** 02/09/21
LAST UPDATED 03/08/21 **HB** _____

SHORT TITLE Standard License Plate for Worthy Purposes **SB** 270

ANALYST Graeser/Nichols

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY21	FY22	FY23	FY24	FY25		
	Uncertain, but possibly negative <100.0				Recurring	State Road Fund
	Uncertain, but possibly negative <50.0				Recurring	Local Government Road Fund
	Uncertain, neutral				Recurring	TRD Operating
	Uncertain, but possibly negative <50.0				Recurring	Beneficiary Agencies and Organizations

Parenthesis () indicate revenue decreases

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$183.0			\$193.0	Nonrecurring	TRD operating ***

Parenthesis () indicate expenditure decreases

*** TRD indicates that both the contract costs and the staff resources are within current budget, that is not feasible to implement this somewhat complex set of tasks by the 7/1/2021 effective date of the bill.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department, Motor Vehicle Division (TRD/MVD)

SUMMARY

Synopsis of Bill

Senate Bill 270 creates a standardized registration plate for worthy public purposes. This standardized plate allows for a space where a decal can be placed for the worthy public purpose. The fee will be \$10 in addition to the regular motor vehicle registration fee. These plates, by statute, will have

red lettering with a yellow background, have the phrases “New Mexico, USA” and “Land of Enchantment”, and provide for a decal that is 4 1/8 by 3/1/8 inches. This bill also allows for a one-time fee or a recurring fee for the special registration decals.

The effective date of this bill is July 1, 2021. TRD/MVD indicates that the complexity of the task makes this date infeasible and suggests an effective date of 1/1/22 or 7/1/22.

FISCAL IMPLICATIONS

This proposal is similar to the Armed Forces standardized plates authorized by 66-3-419 NMSA 1978. There are now 21 logos that can be affixed to the standardized plate and these plates are quite popular. Many, if not all, of these plates are issued at no cost above the registration fee. These armed forces veteran logos, however, are relatively small and currently cost \$2.75 each. A significant difference with the provisions of this bill is that MVD expects that a technically adequate logo decal in the required 4 1/8 by 3/1/8 inch size could cost in the range of \$10 to \$15 per unit, which would exceed the \$10 fee proposed by this bill. New worthy purposes plates would have to be enacted by statute. The provisions of this bill are quite similar to those of Section 66-3-424 NMSA 1978 (Standardized special registration plates with logos), which carry an additional fee sufficient to cover MVD’s costs. This bill limits the additional fee to \$10, which may not cover TRD’s costs. This may make these special worthy purposes plates more popular. The provisions of the bill do not allow part of an additional fee in excess of a statutory retention to MVD. These excess fees are distributed, generally, to a state agency for financial support of the worthy purpose. One possible consequence of the provisions of this bill would be that some motor vehicle owners would switch from a plate that provided funding for the cause and accept this cheaper alternative that honors the worthy cause but does not fund it.

SIGNIFICANT FEATURES

Under SB270, New Mexico drivers would be able to show support for a range of causes, if authorized by statute. The bill does not provide for financial support from license plate proceeds to any causes, as the \$10 fee is retained by TRD. Many of the state’s special license plates generate fees for state agencies, which use the fee revenue to support a specific cause. For example, an autism awareness license plate incurs a fee of \$35, of which \$25 is appropriated to the Department of Health to fund autism research, outreach, and education, and proceeds from a Route 66 commemorative license plate generate a similar fee for the Department of Transportation to fund the revitalization and preservation of historic Route 66 in New Mexico.

Existing worthy public purposes authorized by statute include those in the following table. Some of these plates require additional fees in the range of \$25 to \$40 per plate, split generally \$10 to MVD and the remainder to a state agency to support a worthy cause:

66-3-420. Special children's artwork registration plate
66-3-420.1. Motorcycle registration plates to benefit the children's trust fund;
66-3-424.3. Special pet care registration plates.
66-3-424.6. Special wildlife artwork registration plates
66-3-424.8. Special route 66 commemorative registration plate.
66-3-424.12. Special registration plates for search and rescue members.
66-3-424.14. Special registration plates; New Mexico high school rodeo association.
66-3-424.15. Special organ donation awareness registration plate.
66-3-424.19. Cumbres and Toltec scenic railroad special registration plate

66-3-424.22. Special breast cancer awareness registration plate.
66-3-424.25. Special commemorative scouting registration plate; procedures; fee.
66-3-424.26. Special Santa Fe four hundredth anniversary registration plate.
66-3-424.27. Special bass fishing registration plates; procedures; fee.
66-3-424.29. Special New Mexico state 4-H registration plate.
66-3-424.30. Special farm and ranch community registration plate.
66-3-424.31. Special blood donor recognition registration plate.
66-3-424.32. Special New Mexico Amigos registration plate.
66-3-424.33. Special autism awareness registration plate.
66-3-424.34. Special New Mexico junior college registration plate.
66-3-424.37. Special support of pollinator protection registration plate.
66-3-424.38. Childhood cancer

The provisions of this bill limit the additional fee to \$10 and that amount is appropriated to the division to cover manufacturing and distribution costs.

TRD/MVD explains some of the issues involved in implementing the provisions of this bill. These can be considered Technical Issues:

The bill calls for the use of decals for the implementation of new plate designs for worthy causes as introduced by future legislation. The use of decals presents specific technical issues that may be cost prohibitive or present other challenges.

First, as decals can be produced digitally, creating a design space on a license plate that uses decals may create a situation where any member of the public could create and add an unauthorized decal to their license plate.

Decals cannot be attached during the manufacturing process and must be applied by hand. Decals that meet the necessary environmental stress requirements are expensive to produce, and the current license plate vendor has only agreed to produce our existing decals for veteran plates because they already provide other services and products to the Taxation and Revenue Department (TRD) (no other bids for this process were received). These veteran plate decals must be ordered in quantities of no less than 1,000 per order, at a cost of \$2.75 per decal, and are a simple font label, with no other design elements. The size specified in the bill is significantly larger than the decals already in use. Costs for a larger, more elaborate decal that includes other design elements could easily rise into the \$15 to \$20 range as they must be non-fading, sunfast, permanent, and UV resistant.

The bill requires the decal size to be 4 and 1/8 inches in height and 3 and 1/8 inches in width. Below is an example of how it would look on the current license plate as illustrated as a white square:



The size of the decal creates several issues. The amount of space required impacts the ability to include 5 alphanumeric characters. All special plates have an alpha sequence at the beginning or end so that law enforcement or the general public can differentiate the plate types. Without room for the full 5 characters, including either a leading or

ending Alpha character, the plate sequence will not be unique, which will lead to either plate number duplication or scarcity of availability for each plate type.

Given the challenges and costs related to utilizing decals, New Mexico MVD suggests amending the bill to utilize a digital image that can be added to the plate at the point of manufacture. Due to the limited available space on license plates, MVD also suggests amending the bill to make the space for a new design element smaller.

ADMINISTRATIVE IMPACTS

TRD expects implementation of the provisions of this bill to be somewhat difficult.

Design costs for each new design element would be a one-time fee of approximately \$250. Assuming there are no changes to the current plate designs, license plates utilizing these design elements would cost \$1.85 each. MVD would process requests for these plate types via direct distribution and would therefore incur a cost of \$2.25 for mailing. Including the lowest estimate of \$15 per decal, the total cost to MVD for each of these plates would be \$19.10 plus staff time to affix the decals to the plate. If these plates instead utilized a digital image, there would be a \$5.50 per plate fee and a \$2.25 mailing fee, bringing the total cost to MVD for those plates to \$7.75.

Implementation of this bill will impact TRD’s IT Division. The estimated time to develop, test and implement the changes is approximately 960 hours or 6 months and approximately \$183 thousand (\$133 thousand contractual resources and staff workload costs of \$50 thousand).

This bill requires application and configuration changes to MVD’s Tapestry system to add new plates, inventory, registration processes for special registration decals, with new fees and new distributions. New fields for specifying distinct special registration decals in title, registration, renewal, and plate replacement processes will need to be added. System changes will also be required for the registration letter template to accept a decal type with a plate type.

Online (Web/IVR/Kiosk) systems will have to be modified to have the ability to process these changes for all plate types and assess correct fees. MVD and Financial Distributions Bureau staff will need to verify Tapestry system changes by performing selected tests of data, functionality and reporting, including performing a mock distribution prior to authorizing Tapestry to move changes into production.

Considering the effort to work with the plate vendor, the effective due date of 7/1/21 will not be feasible. A more feasible effective date would be 7/1/22.

Estimated Additional Operating Budget Impact*				Recurring or Nonrecurring**	Fund(s) or Agency Affected
FY2021	FY2022	FY2023	3 Year Total Cost		
\$133	--	--	\$133	Nonrecurring	ITD – Contractual Costs
\$50	--	--	\$50	Nonrecurring	ITD – Staff Workload

* In thousands of dollars. Parentheses () indicate a cost saving. ** Recurring (R) or Non-Recurring (NR).

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Similar bills HB306, SB269, and SB596 were introduced during the 2019 Regular Session. Refer to the following section for a discussion of conflicts with Section 66-3-424 NMSA 1978.

TECHNICAL ISSUES

In many ways, this bill could be considered as an amendment to a 2003 law that established standardized special registration plates with logos. Note that the provisions of this bill, unlike those of Section 66-3-424, do not allow for additional fees to be collected by MVD and transferred, generally, to a state agency to help support the worthy public purpose. Section 66-3-424 NMSA 1978 allows (Section A) the division to collect a fee that will cover the costs to manufacture the special plate and allows the division to rule on these costs and other features of the concept.

66-3-424. Standardized special registration plates with logos.

A. Standardized special registration plates with logos may be authorized by statute to show state support for worthy public purposes. The authorizing statute shall provide for collection of fees that, at a minimum, will cover the costs to the division of development, manufacture and issuance of the special registration plates and logos.

B. Standardized special registration plates, on the standardized areas, shall:

- (1) display the colors of the state flag, red lettering on a yellow background;
- (2) display the phrases "New Mexico USA" and "Land of Enchantment";
- (3) provide a space for applying the special registration logo, centered at the left edge of the plate, between the attachment holes, beginning one-fourth inch in from the edge of the plate and having the following dimensions: four and one-eighth inches in height and three and one-eighth inches in width; and
- (4) provide a vehicle registration number, to be assigned by the division, that consists of five alphanumeric characters displayed to the right of the special logo area.

C. Special registration logos, except for the standard dimension specified in Paragraph (3) of Subsection B of this section, shall be left to the design discretion of the division, in consultation with the public purpose interest group that requests the special registration plate.

D. Standardized special registration plates with logos, when authorized by statute for a particular public purpose interest group, shall meet the requirements specified in this subsection prior to plate issuance by the division. The public purpose interest group, no later than the effective date of the authorizing statute:

- (1) shall provide evidence acceptable to the division that it will generate a minimum number of prepaid applications as determined by the division for the special registration plate with logo;
- (2) shall provide a prepayment to the division in an amount sufficient to cover the plate and logo cost of the initial order;
- (3) shall provide a sample of the requested artwork design in a format specified by the plate manufacturer for the specialized logo; and
- (4) in cases where the authorizing statute includes revenue-sharing with distribution directed to a particular group or fund, shall show that the recipient is a governmental entity or a fund authorized for the use of a governmental entity.

E. The division may promulgate rules for implementation of the provisions of this section.

SUGGESTED AMENDMENTS

TRD suggests that the bill be amended to allow a digital image which can be utilized in the manufacturing process and not as a manually affixed to the standardized plate after manufacture.

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Secondly, reduce the prescribed dimension of the design element so that the plate can have five spaces for alphanumeric characters, which will avoid duplicating registration numbers that could be the same for various causes.

Consider changing the effective date to 7/1/22.

LG/sb