

STATEMENT OF PURPOSE

RS24850

The current \$3.00 license plate fee has not increased in over 20 years, purchasing power has diminished, and the Department continues to lose money on the production, handling and distribution of license plates. The Department has continued to use the reserve in the account to pay additional costs. However, that reserve has diminished as well. Of the current \$3.00 fee for all red, white, and blue plates, \$.50 is distributed to the Idaho Heritage Trust fund, leaving \$2.50 for the manufacture, production, handling and distribution of license plates. The costs for manufacturing have increased over the years, as has the handling labor costs, office supplies (including envelopes, boxes, shipping costs, postage strips and labels) to a level that the Department is losing a weighted average of at least \$0.32 cents for every plate in FY17 which increases to \$0.39 cents in FY18. The license plate fee is a cost to the consumer for each plate (\$6 for a pair of plates) that is paid every seven years, when the plate's physical life (reflectivity) has been exhausted. This equates to less than \$1 per year for a set of plates to the consumer. Current code requires the state highway account to pay for any shortage in the plate manufacturing account, where plate fees are distributed. Looking over the next few years, there will be a projected deficit in the plate manufacturing account of \$335,000 for FY18, \$487,000 for FY19, and \$667,000 for FY20 based on current estimated volumes without a fee increase. Estimated plate volumes that will be needed for FY18 are 973,000 plates, FY19 1,038,000, and FY20 1,178,000. It is important to note that actual production costs in FY05 for a standard plate was \$2.78 (including the \$.50 heritage trust fund fee), while in FY16 the actual production cost for a standard plate was \$3.13 (including the heritage trust fund fee). This represents a thirteen percent increase in costs over ten years strictly in production costs. It does not include increasing costs for actual supplies such as envelopes and shipping to county offices. Current Idaho Code mandates that the Department contract with Idaho Correctional Industries (CI) to manufacture license plates. CI, in turn, contracts with vendors to purchase aluminum, license plate supplies and production equipment. The Department recommends setting the fee at \$3.75 per plate, an increase of \$0.75. This would allow the plate fee to be commensurate with current production and distribution costs. This legislation also takes the opportunity to repeal several sections of special plate programs that have been canceled for over a year to eliminate sections in code that are no longer active and/or necessary.

FISCAL NOTE

FISCAL IMPACT IF BILL PASSES: Increasing the plate fee by \$0.75 would ensure that the department has funding to pay production and distribution costs over the next few years, based on current expected volumes. These fees are deposited in the plate manufacturing account which is solely dedicated to paying for license plates, after \$0.50 for each red, white, and blue plate is paid to the Idaho Heritage trust fund, for copyright use. **FISCAL IMPACT IF BILL FAILS:** If this proposal does not go forward, annual transfer requirements from the State Highway Account to the Plate Manufacturing fund are estimated at: \$ -0- FY17, \$335,000 FY18, \$487,000 FY19, \$667,000 FY20.

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DISCLAIMER: This statement of purpose and fiscal note are a mere attachment to this bill and prepared by a proponent of the bill. It is neither intended as an expression of legislative intent nor intended for any use outside of the legislative process, including judicial review (Joint Rule 18).