

SPECIALTY LICENSE PLATES; TRAILER TAX

**Senate Bill 785 (Substitute H-3)
First Analysis (12-16-03)**

**Sponsor: Sen. Bruce Patterson
House Committee: Transportation
Senate Committee: Transportation**

THE APPARENT PROBLEM:

The Michigan Vehicle Code authorizes the Office of the Secretary of State to develop and issue up to seven state-sponsored fund-raising registration plates, a fund-raising plate for the Michigan Olympic Education-Training Center, and plates recognizing Michigan's 15 public universities, as well as matching collector plates. Currently, the secretary of state issues fund-raising plates for the Michigan Veterans Memorial, Michigan water quality, Michigan's children, historic Michigan lighthouses, critical non-game wildlife habitat, agricultural heritage, and American pride. The provisions authorizing the secretary of state to develop and issue the specialty fundraising plates currently are set to be repealed on October 1, 2005.

Each time a new plate is authorized, a public act amends the vehicle code and the maximum number of specialty plates that the state may issue is raised. The office must pay \$15,000 in start-up costs to develop each new license plate, regardless of the number of plates actually sold. A \$10 service fee, paid by the applicant, covers the cost of manufacturing the individual plate but does not reimburse the secretary of state for its start-up costs, which ultimately are passed on to taxpayers. Some people question whether this cost is appropriate, especially when some plates have limited sales potential.

It has been suggested that the sunset should be eliminated and other fund-raising plate provisions changed in order to streamline the authorization process and ensure the discontinuation of less popular plates.

THE CONTENT OF THE BILL:

The bill would amend the Michigan Vehicle Code to do all of the following:

- Allow the secretary of state, beginning January 1, 2004, to develop and issue specialty fund-raising license plates and collector plates, if authorized by a public act.
- Require a start-up fee of \$15,000 for a new fund-raising license plate, and set sales goals for fund-raising plates.
- Authorize the secretary of state to develop, market, and promote a collector plate only with funds available from the collection of service fees.
- Reduce the maximum duration of a temporary permit for a fund-raising plate from 60 to 30 days.
- Require royalty fees from the authorized use of a fund-raising plate design, logo, or image to be credited to the Transportation Administration Collection Fund, instead of the Michigan Transportation Fund.
- Designate the Department of History, Arts, and Libraries as the entity in charge of administering funds from the sale of lighthouse preservation specialty plates.
- Repeal the October 1, 2005, sunset date for current fund-raising license plate provisions.
- Repeal a provision related to a monthly fee for an Olympic Education-Training Center fund-raising plate.
- Establish an effective date of October 1, 2003, on a provision related to the vehicle registration tax for a trailer.
- Delete a provision increasing fees for a trailer coach attached to a motor vehicle.
- Sets a five-year sunset for the program.

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The bill is described in further detail below.

Fund-Raising License Plates. The code allows the secretary of state to develop up to seven state-sponsored fund-raising registration plates. An application for a fund-raising plate must be accompanied by payment of the regular vehicle registration tax in addition to a service fee, as provided in Section 811f. (Under that section, an application for an original fund-raising plate must be accompanied by a \$25 donation, the regular registration tax, and a \$10 service fee. An application for renewal of a fund-raising plate must be accompanied by payment of the regular registration tax and a \$10 donation.)

The secretary of state must segregate the fund-raising service fees into a separate account for each type of fund-raising plate. After deducting the manufacturing and administrative costs associated with issuing, replacing, and substituting the plates, the secretary of state must transfer the balance to the state treasurer, on a quarterly basis. The state treasurer then must distribute the funds to the designated entity.

The bill would remove the seven-plate limit and allow the secretary of state to develop and issue fund-raising plates and collector plates, if authorized by a public act that, at a minimum, did all of the following:

- Identified the purpose of the fund-raising plate.
- Created a nonprofit fund or designated an existing nonprofit fund to receive any money raised through the sale of the fund-raising and matching collector plate.
- If a fund were created, named the person or entity responsible for administering it.

The code specifies that the state, through the Office of the Secretary of State, owns all right, title, and interest in all fund-raising plates and collector plates, including the right to use, reproduce, or distribute a fund-raising plate or collector plate, or an image of one, in any form. The SOS may authorize the commercial or other use of a fund-raising or collector plate design, logo, or image if written consent is obtained from the Michigan university or person that sponsored the plate, and the user agrees to the terms and conditions the secretary of state considers necessary, including the payment of royalty fees to the state. Currently, royalty fees must be credited to the Michigan Transportation Fund. Under the bill,

royalties would be credited to the Transportation Administration Collection Fund.

The code allows the secretary of state to issue a temporary registration permit to a person who applies for a fund-raising plate if the current vehicle registration will expire before he or she receives the plate. The temporary registration must expire when the applicant receives the plate or after 60 days, whichever is first. The bill would reduce the number of days to 30.

Start-Up Fee. The bill would require a nonrefundable \$15,000 start-up fee to be paid for any new fund-raising plates authorized by the secretary of state. A start-up fee would have to be deposited in the Transportation Administration Collection Fund to be used for the cost of creating, producing, and issuing the plates. If the start-up payment were not made within six months of the date the concurrent resolution was adopted, then the related fund-raising plate could not be created, produced, or issued.

At least three years after the secretary of state first issued one of the fund-raising plates, and upon payment of \$2,000, the Michigan university or other person sponsoring that plate could redesign it as approved by the secretary of state. The \$2,000 payment would have to be deposited in the Transportation Administration Collection Fund to be used for the cost of creating, producing, and issuing the plates. The payment would be nonrefundable.

Sales Goals. A new fund-raising plate would have to meet or exceed the sales goals of 2,000 plates in the first year and 500 original plates in the second and each subsequent year, for five years. Currently, the secretary of state may cease to issue a particular fund-raising plate or a duplicate replacement of a plate if fewer than 500 of that particular plate were issued in the previous 24 months. Under the bill, the secretary of state could cease to issue a fund-raising plate if the specified sales goals were not met.

Lighthouse Preservation Plates. The secretary of state currently may issue a lighthouse preservation fund-raising plate and matching collector plate, for which the service fees are deposited into the Lighthouse Preservation Grant Fund within the Department of Treasury.

Under the bill, the Department of History, Arts and Libraries, rather than the Office of the Secretary of State, would administer the fund, and could spend money through discretionary historical grants to

preserve Michigan lighthouses. Currently, the secretary of state may use not more than 10 percent of the funds for costs that occur from fund administration and grant project coordination; the bill would retain this provision for the Department of History, Arts and Libraries.

The bill also provides that the Department of History, Arts, and Libraries, rather than the secretary of state, could award grants for the preparation of plans and specifications for restoration and stabilization, rehabilitation, or other preservation work on a Michigan lighthouse, and would have to allocate grant funds pursuant to eligibility and scoring requirements that the Department of History, Arts and Libraries would establish. The bill would require the department to continue transferring the fund-raising donations to the state treasurer for credit to the fund, as the secretary of state does currently.

Olympic Education-Training Center Plate. Currently, an application for an Olympic Education-Training Center registration plate must be accompanied by payment of the regular registration tax and \$3 for the first month and \$2 per month for each additional month of the plate's registration period. The bill would delete the monthly payment requirements.

Repeal October 1, 2005, Sunset Date. The bill would repeal a sunset date of October 1, 2005, for Sections 6d, 17b, 30b, and 811d through 811n. Those sections contain certain definitions; provide for the application process and fees for a fund-raising license plate and matching collector plate; and allow the secretary of state to issue fund-raising plates recognizing water quality, Michigan's children, Michigan lighthouses, non-game critical wildlife habitat, and agricultural heritage. (Under the bill, the secretary of state still could develop fund-raising plates for those and other causes.)

Trailer Registration Tax and Fees. Under Section 801 of the code, the secretary of state must collect a vehicle registration tax according to a fee schedule based on the vehicle's weight. For each pole trailer, semi-trailer, trailer coach, or trailer, the tax is as follows: for a vehicle weighing up to 2,499 pounds, \$75; for a vehicle between 2,500 and 9,999 pounds, \$200; and for a vehicle weighing over 10,000 pounds, \$300. The code specifies that a registration plate issued for a trailer expires only when the secretary of state reissues a new registration plate for all trailers. If the secretary of state reissues a new registration plate for all trailers, a person who has once paid the tax cannot be required to pay it for that vehicle a second time, but must pay the cost of the

reissued plate. The bill would add an effective date of October 1, 2003, for this provision.

Under the code, for a trailer coach attached to a motor vehicle, the tax must be assessed as described above. Until October 1, 2009, the code mandates the following fee increases for such a vehicle and for other types of vehicles (e.g., trucks, buses, semi-trailers, hearses, and publicly owned vehicles): 1) A regulatory fee of \$2.25, which must be credited to the Traffic Law Enforcement and Safety Fund and used for the purpose of regulating highway safety; and 2) a fee of \$5.75, which must be credited to the Transportation Administration Collection Fund.

The bill would exempt a trailer coach attached to a motor vehicle from the fee increases.

(The Transportation Administration Collection Fund was created within the Department of Treasury on October 1, 2003. Money in the fund at the close of the fiscal year lapses to the Michigan Transportation Fund. The Department of State must spend money from the fund, upon appropriation, to pay the necessary expenses it incurs in the administration and enforcement of the code's registration fee provisions. The Department of Treasury must spend money from the fund, upon appropriation, to defray the cost of motor fuel tax collection.)

MCL 257.217d et al.

HOUSE COMMITTEE ACTION:

The members of the House Committee on Transportation adopted an H-3 substitute for the Senate Bill 785. The H-3 substitute differs from the Senate-passed version of the bill in six ways, as described below:

1. In section 811d, it removes from the definition of "fund-raising plate" any reference to the Olympic education-training center decal (but retains the Olympic plate);
2. In section 811p, removes the reference to the Olympic education-training center "decal," and replaces that term with "logo";
3. In section 811e, deletes the references to "state-sponsored" fund-raising plates, and refers instead simply to "fund-raising plates";

4. Exempts from the sales goals, all fund-raising plates in existence before this legislation was enacted into law and went into effect;

5. Modifies the sales goals to guarantee that any organization that met the goals for five years would no longer have to meet the goals, and would then be entitled to a permanent fund-raising plate; and,

6. Establishes a sunset for the program, ensuring that the provisions that would establish the program would be repealed five years after they were added.

BACKGROUND INFORMATION:

For further information about Senate Bill 785, please see the House Fiscal Agency's four-page analysis of the bill, dated 12-2-03.

FISCAL IMPLICATIONS:

The House Fiscal Agency notes that the bill would have an indeterminate fiscal impact, and has prepared a detailed four-page analysis of the bill, dated 12-2-03. It is available on the House of Representative's website. See Background Information above.

The Senate Fiscal Agency notes that for the first two quarters of FY 2002-03 (October 1, 2002, through March 31, 2003), the Department of State reported 40,467 special cause transactions that generated \$587,805 for the special cause, and 39,215 university transactions that generated \$517,640 for the universities. The new start-up fee and redesign fee for fund-raising plates would offset costs of creating, producing, and issuing fund-raising plates which are currently absorbed by the Department of State. The bill also would exclude the permanent trailer plate from the service fee and regulatory fee. (11-19-03)

ARGUMENTS:

For:

Currently, there are approximately 18 bills pending before the Legislature to amend the Michigan Vehicle Code and create new fund-raising license plates. Senate Bill 785 would create a more streamlined process for issuing fund-raising plates because the system would be market-driven. The new start-up fee would subsidize the costs to the Department of State of developing a new plate, and the proposed sales goals would give the department more leeway to discontinue an unpopular plate. However, any fund-raising plate that met the sales goals for five years would be granted a permanent specialty license plate.

For:

Public Act 152 of 2003 amended the Michigan Vehicle Code to increase a number of license and registration fees; create several new funds; replace the annual registration fee for trailers, pole trailers, semi-trailers, and trailer coaches with a one-time charge of \$75, \$200, or \$300, based on weight; and provide for a new service fee of \$5.75 and a new regulatory fee of \$2.25 on various types of vehicles, including trucks and trailers. Previously, the registration fee for trailer coaches was calculated differently than the fee for other trailers; reportedly, making trailer coaches subject to the new service fee and regulatory fee was inadvertent. By exempting trailer coaches from these fees, the bill simply would clean up the earlier amendments.

Against:

Each legislative session, numerous fund-raising license plates are proposed. By removing the current seven-plate limit, the bill would make it much easier for the various plates to be issued. A plethora of plates is unnecessary and could make it difficult for law enforcement personnel or witnesses to a crime to identify vehicles quickly.

Response:

The Department of State already may issue license plates not subject to the seven-plate limit. Under Section 803m of the code, any nonprofit fraternal or public service organization that submits a service fee of \$500 and can meet a 500-plate sales goal may request that the Office of the Secretary of State manufacture special organization plates for its members.

If sponsoring groups had to pay the significant start-up fee, they likely would carefully consider whether they could meet the required sales goals. Though there would be no numerical limit on the new plates the secretary of state could develop, the fee would prevent an explosion of requests.

Against:

With the exception of the American pride plate, all of the current fund-raising plates support state-created funds, in order to preserve or promote public projects. The bill, however, would encourage any group to request a license plate to promote any message as long as it established or named a nonprofit fund. For example, Blue Cross and Blue Shield of Michigan could use a license plate to advertise, or political parties could promote themselves through a plate. Specialty license plates for private causes would put the state in the position

of endorsing a particular group or message. If organizations want to engage in fund-raising and promotion, they can do so using methods that do not involve state endorsement, such as selling bumper stickers or front vanity plates.

POSITIONS:

The Office of the Secretary of State supports the bills. (12-10-03)

The County Road Association of Michigan indicated its support for the bill. (12-10-03)

The Thin Blue Line of Michigan indicated its opposition to the bill. (12-2-03)

Analyst: J. Hunault

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.