



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0764 - Revise certain license plate fees (Loge, Denley M)

Status: As Amended in Senate Committee

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2024	FY 2025	FY 2026	FY 2027
	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
Expenditures:				
General Fund	\$2,576	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	(\$20,265)	(\$20,265)	(\$20,265)	(\$20,265)
State Special Revenue	\$491,195	\$990,031	\$998,804	\$1,007,351
Net Impact-General Fund Balance:	<u>(\$22,841)</u>	<u>(\$20,265)</u>	<u>(\$20,265)</u>	<u>(\$20,265)</u>

Description of fiscal impact: As amended, HB 764 raises fees associated with the issuance of new or replacement license plates. The amended bill strikes previous language that allowed the Department of Justice and Department of Transportation to set license plate fees commensurate with costs. There is coordination instruction with HB 333 that implements changes to travel trailer and boat fees currently contained in HB 333 through HB 764 instead. Those fee changes include higher fees for travel trailers 31 feet or longer and lower fees for boats between 19 and 21 feet in length.

FISCAL ANALYSIS**Assumptions:****Department of Justice (DOJ)**

- Section 1 of HB 764 amends 61-3-321(13)(a)-(b), MCA, by raising the fees collected for issuance of new and replacement license plates. The \$10 fee in 61-3-321(13)(a), MCA, is increased to \$12, and the \$15 fee in 61-3-321(13)(b), MCA, is increased to \$16.
- Revenue from the fees provided for in 61-3-321(13), MCA, is split between the vehicle insurance verification and license plate operating account in the state special revenue fund and the general fund. The general fund receives a fixed \$2 allocation, which is not affected by HB 764; therefore, the fiscal impact to the general fund is \$0.

3. The full \$2 increase in the fee for new and/or replacement license plates will benefit DOJ and be deposited into the vehicle insurance verification and license plate operating account within the state special revenue fund.
4. License plate issuances subject to the \$2 fee increase are projected to be 482,021 in FY 2024, 485,730 in FY 2025, 489,989 in FY 2026, and 494,137 in FY 2027. These estimates are attained by assuming FY 2022 actual issuances of 480,993 plates follow the same trajectory through FY 2027 as the forecast growth in the motor vehicle stock contained in the HJ 2 revenue estimate.
5. Additionally, there is the 3% administrative charge applied to all Title 61, MCA, fees, revenue from which is directed to the motor vehicle division administration account within the state special revenue fund.
6. The revenue impact of the \$2 increase to the license plate fee in 61-3-321(13)(a), MCA, is detailed in Table 1 below. The revenue impact in FY 2024 is halved due to the bill's January 1, 2024, effective date.

Table 1.

Fiscal Impact of HB 764 License Plate Fee Increase				
	FY 2024	FY 2025	FY 2026	FY 2027
License Plate Issuances	241,010	485,730	489,989	494,137
Fee Increase	\$2.00	\$2.00	\$2.00	\$2.00
Fee Revenue to Insurance Verification Acct.	\$482,021	\$971,459	\$979,977	\$988,275
MVD Administrative Fee	3.0%	3.0%	3.0%	3.0%
MVD Administrative Fee Revenue	\$14,460.62	\$29,143.77	\$29,399.31	\$29,648.24
Total State Special Revenue Impact	\$496,481	\$1,000,603	\$1,009,376	\$1,017,923

7. The fiscal impact of the \$1 increase to the license plate fee in 61-3-321(13)(b), MCA, is de minimis since it affects a very small number of transactions.
8. This bill will require 10 hours of programming modifications to MERLIN at a cost of \$39.20 per hour (20*39.20=\$392), 10 hours of testing from Business Analyst at a cost of \$28.78 per hour (20*28.78=\$287.80) and Quality Assurance at a cost of \$17.90 per hour (20*\$17.90 = \$179). Total programming and testing costs will be \$858.80 in FY 2024.
9. Section 3 of amended HB 764 adds coordination instruction with HB 333. If both HB 333 and HB 764 are passed and approved, and both contain a section amending 61-3-321, MCA, then those sections are voided and 61-3-321, MCA, is amended as provided for in section 3 of HB 764. Section 3 instructs the license plate fee increases already laid out, plus the registration fee changes for travel trailers and boats that are currently contained in HB 333. The following assumptions detail the fiscal impact of the travel trailer and boat fee changes provided for in the section 3 coordination instruction.
10. The amendment to 61-3-321(9), MCA, raises the registration fee for travel trailers with lengths of 31 feet or longer from \$152 to \$192, an increase of \$40. Revenue from travel trailer registration fees is deposited in the general fund.
11. Data from the Motor Vehicle Division's MERLIN registration system informs an estimate that 4,193 travel trailers with lengths of at least 31 feet will register each year during the period FY 2024 – FY 2027. The \$40 fee increase associated with these registrations will raise general fund revenue by \$167,720 per year.
12. The higher registration fee for 31+ foot travel trailers will increase revenue from the 3% administrative fee provided for in 61-3-111, MCA, that is deposited into the MVD administration account within the state special revenue fund. Revenue from this fee will rise by \$5,032 per year due to the higher registration fee.
13. The amendment to 61-3-321(10), MCA, lowers the registration fee for boats (a broad term that includes motorboats, sailboats, personal watercraft, and motorized pontoons) with lengths greater than 19 feet but less than 21 feet from \$295.50 to \$125.50, a decline of \$170. Revenue from boat registration fees is deposited in the general fund.

14. It is estimated that 1,225 boats with lengths between 19 and 21 feet will register each year during the period FY 2024 – FY 2027. The \$170 fee reduction associated with these registrations will reduce general fund revenue by \$208,250 per year.
15. The lower registration fee for boats will also result in lower revenue from the 3% administrative fee provided for in 61-3-111, MCA, that is deposited into the MVD administration account within the state special revenue fund. Revenue from this fee will decline by a total of \$6,248 per year due to the lower registration fees.
16. The estimated revenue impacts in assumptions 11, 12, 14, and 15 are halved in FY 2024 because the bill is effective January 1, 2024, halfway through FY 2024.
17. Implementing the travel trailer and boat fee changes in section 3 of the bill will require 20 hours of programming modifications to MERLIN at a cost of \$39.20 per hour (20 X 39.20=\$784), 20 hours of testing from a Business Analyst at a cost of \$28.78 per hour (20 X 28.78= \$575.60), and 20 hours of Quality Assurance review at a cost of \$17.90 per hour (20 X \$17.90=\$358.00). Total programming and testing costs are \$1,718 in FY 2024.
18. The reduction in motor vehicle revenue deposited in the general fund resulting from the net impact of higher travel trailer and lower boat registration fees has a negligible effect on the transfers made pursuant to 15-1-122, MCA, where a small portion of general fund motor vehicle revenue is allocated to a collection of state special revenue accounts. The motor vehicle recycling program account administered by the Department of Justice receives 1.48% of motor vehicle revenue deposited in the general fund. This account will experience a very small revenue decline due to the lowering of general fund motor vehicle revenue.

Department of Transportation (MDT)

19. HB 764, as amended, removes previous language instructing MDT to charge license plate fees commensurate with costs. It restores current law language that allows MDT to collect a fee of \$2 per plate.
20. Both the State Motor Pool and MDT's Equipment Bureau manage vehicle fleets that pay for license plates from DOJ.
21. MDT assumes the number of plates issued will remain consistent at 4,678 plates per year.
22. DOJ currently charges MDT \$10 for each plate, and 61-3-722, MCA, allows MDT to collect \$2 for each plate issued, resulting in net revenue loss of \$8 per plate.
23. HB 764, as amended, allows DOJ to charge \$12 for each plate. MDT will continue to collect a \$2 fee for each plate issued, resulting in a net revenue loss of \$10 per plate.
24. Net MDT revenue loss for each year in the FY 2024 – FY 2027 period due to the \$2 increase in the fee charged by DOJ is -\$9,356 (4,678 plates x -\$2 loss per plate = -\$9,356).
25. The bill's January 1, 2024, effective date cuts the estimated fiscal impact for FY 2024 in half to -\$4,678 since plate issuances are consistent throughout the year.

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
Operating Expenses	\$2,576	\$0	\$0	\$0
TOTAL Expenditures	\$2,576	\$0	\$0	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$2,576	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	\$2,576	\$0	\$0	\$0
<u>Revenues:</u>				
General Fund (01)	(\$20,265)	(\$20,265)	(\$20,265)	(\$20,265)
State Special Revenue (02)	\$491,195	\$990,031	\$998,804	\$1,007,351
TOTAL Revenues	\$470,930	\$969,766	\$978,539	\$987,086
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$22,841)	(\$20,265)	(\$20,265)	(\$20,265)
State Special Revenue (02)	\$491,195	\$990,031	\$998,804	\$1,007,351



 Sponsor's Initials

April 5 2023

 Date



 Budget Director's Initials

4-5-23

 Date