

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 3123
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: SEPTEMBER 12, 2023

SUMMARY

Synopsis: Authorizes special “We Support the Arts” license plates with proceeds to New Jersey State Council on the Arts.

Type of Impact: Potential annual State revenue and expenditure increases.

Agencies Affected: New Jersey Motor Vehicle Commission; New Jersey State Council on the Arts.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Thereafter</u>
Potential State Expenditure Increase	\$65,700	Indeterminate
Potential State Revenue Increase	\$50,000	At least \$15,700

- The Office of Legislative Services (OLS) finds that the bill will potentially produce annual State revenue and expenditure increases that will largely offset one another. The OLS cannot quantify the annual increases because it is unclear how many applications the New Jersey Motor Vehicle Commission will receive for the new “We Support the Arts” license plate. However, the OLS notes that the commission is required to receive a minimum of 500 applications for the new specialty plate to implement the bill.
- The bill establishes the “We Support the Arts” license plate program in such a manner that the commission may fully recover the expenses incurred in administering the program. The commission has identified its initial cost of designing and establishing a new license plate series as \$65,700, which is largely attributable to computer system changes and an initial print run of 550 plates.
- The commission will receive a \$50 “We Support the Arts” license plate application fee and a \$10 annual renewal fee for each license plate issued under the program, which fees will reimburse the commission for the expenses it incurs in administering the program. In addition, the commission will have to receive an initial payment of up to \$25,000 and a minimum of 500 license plate applications for a total of \$50,000 to offset initial costs before license plate production begins. The commission will then be permitted to retain additional fee amounts until its costs are fully reimbursed.



- After the commission's cost recovery, indeterminate excess application renewal fee collections will be appropriated to the New Jersey State Council on the Arts for art programs within the State.

BILL DESCRIPTION

This bill requires the commission to issue special "We Support the Arts" license plates, with proceeds dedicated to the New Jersey State Council on the Arts.

In addition to the required motor vehicle registration fees, there is an application fee of \$50 and an annual renewal fee of \$10 for the license plates. After deducting the costs to implement the license plate program, the fees collected will be deposited into the Support the Arts Fund established by this bill. The proceeds of the fund will be distributed annually to the council to support the arts in the State.

The commission is required to certify annually the average cost of producing, issuing, renewing, and publicizing the availability of the specialty license plates. If the average cost per plate exceeds \$50 in two consecutive fiscal years, the commission may discontinue the "We Support the Arts" license plate program. The bill prohibits the commission from using State or other public funds to cover the initial cost of implementing the "We Support the Arts" license plate program. The bill requires an individual or entity designated by the council to contribute non-public monies, not to exceed \$25,000, to offset the initial costs to design, produce, issue, and publicize the license plates and for any computer programming necessary to implement the program. The bill also permits the council to receive funds from private sources to offset the initial costs.

The commission is not required to design, produce, issue, or publicize the availability of the license plates or make any necessary programming changes until: (1) an individual or entity designated by the council has provided the commission with the money necessary to offset the initial costs incurred by the commission in establishing the license plate program; and (2) the council has provided the commission with a minimum of 500 completed applications for the license plates and the accompanying application fees.

The provisions of the bill will remain inoperative until the first day of the seventh month after the date when the appropriate applications and fees required to offset the initial costs incurred by the commission are provided to the commission. The bill expires on the last day of the 12th month after the bill's enactment if sufficient applications and fees to offset the initial costs are not received by that date.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that the bill will potentially produce annual State revenue and expenditure increases that will largely offset one another. The OLS cannot quantify the annual increases

because it is unclear how many applications the commission will receive for the new specialty license plate.

The bill establishes the “We Support the Arts” license plate program in such a manner that the commission may fully recover the expenses it incurs in administering the program. If the number of license plate applications is below 500 in the first 12 months following the effective date, the bill will expire without the creation of the license plate program. Conversely, if the number of applications is equal to or greater than 500, the commission will be able to recover its costs within no more than three years of the creation of the program.

Before the commission begins designing and producing the license plates, an entity designated by the council is required to provide up to \$25,000 and pre-register 500 applicants for the license plates. This requirement ensures that the commission will be able to recover its initial costs of producing the license plates. If enough funds are not provided, the commission will not be required to produce the license plates. The payment of up to \$25,000 is required to come from private sources, so the amount would not be a State or local cost.

Upon production of the license plates, the commission may still discontinue the program if the production cost exceeds \$50 per license plate, which is the initial fee that the commission will collect for each plate. This ensures that the commission will not experience any net costs in the administration of this license plate program. The current cost per plate to the commission is \$6.60, so it is unlikely that the commission will experience any net cost in the administration of the program.

In response to an FY 2017-2018 OLS Discussion Point, the commission indicated that it faced an upfront cost of \$65,700 to set up a license plate program, which includes computer changes and an initial print run of 550 license plates. The requirements of the bill would provide the commission with the first \$50,000 of those costs through the initial \$25,000 payment and the first 500 license plate sales. The remaining \$15,700 would either be recovered through the sale of additional “We Support the Arts” license plates or by retaining collections from the \$10 annual renewal fee. The first 500 plate sales will generate \$5,000 per year from the \$10 annual renewal fee. As a result, in the event that no other plates are purchased under the program, the commission would largely recover the remaining costs after three years of collecting the annual fee.

The bill prevents the commission from realizing net revenues in administering the program because the bill requires the commission to deposit all program fees into a special fund to be distributed to the council to support the arts once the commission has subtracted its costs of administering the program. The combination of guaranteed fee collection for the commission and the limit on retaining any fees greater than its cost creates a scenario where there is likely to be no net fiscal impact on the commission for administering this license plate program.

Section: Authorities, Utilities, Transportation and Communications
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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).