TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL MEMORANDUM

SB 42 - HB 179

April 10, 2019

SUMMARY OF ORIGINAL BILL: Changes, from March 1 to March 15, the date by which the Commissioner of the Department of Revenue (DOR) must annually appear before the Transportation Committee of the House of Representatives and the Transportation and Safety Committee of the Senate to report the status of the computerized titling and registration system.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENTS (006360, 008027): Amendment 006360 deletes all language after the enacting clause and adds the following:

Sections 1, 2, and 3 delete the Mountain Tough Recovery Team specialty license plate and replace it with a new specialty earmarked license plate for Sevier County Partners in Progress Education Foundation.

Sections 4 and 5 create a new specialty earmarked license plate for Friends of Shelby Park and Bottoms.

Sections 6 and 7 create a new specialty earmarked license plate for Green County School System.

Sections 8 and 9 create a new specialty earmarked license plate for Knights of Columbus.

Section 10 creates a new military cultural license plate for Somalia Era Veteran.

Sections 11 and 12 create a new specialty earmarked license plate for Jackson State University.

Sections 13 and 14 create a new specialty earmarked license plate for Tennessee Voices for Victims.

Section 15 creates a new military cultural license plate for Korean Defense Service.

Sections 16, 17, and 18 create a new military cultural license plate for Women Veterans of Color.

Sections 19 and 20 create a new specialty earmarked license plate for Germantown Charity Horse Show.

Sections 21 and 22 create a new specialty earmarked license plate for Whitehaven High School.

Sections 23 and 24 create a new specialty earmarked license plate for Memphis Tennis.

Section 25 creates a new military cultural license plate for Operation Inherent Resolve.

Sections 26 and 27 create a new specialty earmarked license plate for Service Dogs.

Sections 28 and 29 create a new cultural license plate for Antique Auto.

Sections 30 and 31 create a new specialty earmarked license plate for University of Tennessee Health Science Center.

Sections 32 and 33 create a new specialty earmarked license plate for Juvenile Diabetes Research Foundation (JDRF).

Sections 34 and 35 create a new specialty earmarked license plate for Linemen Power Tennessee.

Sections 36 and 37 create a new specialty earmarked license plate for Order of The Eastern Star.

Sections 38 and 39 create a new specialty earmarked license plate for Fighting for At-Risk Youth.

Sections 40, 41, and 42 create a new military cultural license plate for Legion of Merit.

Sections 43 and 44 create a new specialty earmarked license plate for Blood Donors.

Section 45 extends until July 1, 2020, the timeframe for the new specialty earmarked license plate for Martin Luther King Jr. to meet the issuance requirement of 1,000 plates.

Section 46 extends until July 1, 2020, the timeframe for the new specialty earmarked license plate for the Niswonger Children's Hospital to meet the issuance requirement of 1,000 plates.

Amendment 008027 adds language to the bill as amended by amendment 006360 to create a new specialty earmarked license plate for Center for Living and Learning, Inc.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Increase State Revenue –

$269,500/FY19-20/Specialty Plate Organizations
$228,200/FY19-20/Tennessee Arts Commission
$57,100/FY19-20/Highway Fund

$297,500/FY20-21 and Subsequent Years/Specialty Plate Organizations
$252,000/FY20-21 and Subsequent Years/Tennessee Arts Commission
$63,000/FY20-21 and Subsequent Years/Highway Fund

Other Fiscal Impact – The Department of Revenue will retain approximately $3,300 from the sale of every 1,000 new specialty license plates and $330 from the sale of every 100 cultural license plates in FY19-20 to compensate TRICOR for production, warehousing, and distribution costs incurred by TRICOR. The total amount the Department will retain and remit to TRICOR in FY19-20 is estimated to be $59,400. TRICOR will receive $500 in net revenue for every 1,000 new specialty license plates produced, and $50 in net revenue for every 100 cultural plates produced in FY19-20. The total net revenue to TRICOR in FY19-20 is estimated to be $9,000.

Assumptions for the bill as amended:

Assumptions for the bill as amended relative to new specialty earmarked license plates:

- Pursuant to Tenn. Code Ann. § 55-4-202(h)(1), new specialty earmarked license plates will be subject to a minimum order of at least 1,000 plates prior to initial issuance. Any plate that does not meet the minimum order requirement within one year after passage of the authorizing act will become invalid.
- Tennessee Rehabilitative Initiative in Correction (TRICOR) produces license plates on behalf of the Department of Revenue (DOR).
- The cost for TRICOR to produce, warehouse, and transport such license plates is estimated to be $3.30 per license plate.
- The Department will reimburse TRICOR for the cost of the license plates.
- One-thousand new license plates will be produced that otherwise would not have been produced under current law, resulting in a one-time increase in state expenditures estimated to be $3,300 ($3.30 x 1,000 plates).
- Under the provisions of this legislation, it is estimated there will be an additional 17 new specialty earmarked license plates issued (sections 1-3, 4-5, 6-7, 8-9, 11-12, 13-14, 19-20, 21-22, 23-24, 26-27, 30-31, 32-33, 34-35, 36-37, 38-39, and 43-44 of amendment 006360 and the entirety of amendment 008027).
- The increase in state expenditures in FY19-20 for the production of all specialty earmarked license plates is estimated to be $56,100 ($3,300 x 17).

- The price for each specialty earmarked plate is $35 resulting in revenue of $35,000 (1,000 plates at $35 each). The total increase in revenue generated by all license plates is $595,000 ($35,000 x 17 additional license plates).
- Net proceeds from the sale of new specialty marked license plates will be allocated as follows: 50 percent to the specialty plate organization; 40 percent to the Tennessee Arts Commission; and 10 percent to the state Highway Fund.
- For FY19-20, the increase in revenue to the Department of Revenue (DOR) is $56,100; the increase in revenue to the specialty plate organizations is $269,450 [($595,000 – $56,100) x 50%]; the increase in revenue to the Tennessee Arts Commission is $215,560 [($595,000 - $56,100) x 40%]; and the increase in revenue to the state Highway Fund $53,890 [($595,000 - $56,100) x 10%].
- For FY20-21 and subsequent years, the increase in revenue to the specialty organizations is $297,500 ($595,000 x 50%); the increase in revenue to the Tennessee Arts Commission is $238,000 ($595,000 x 40%); and the increase in revenue to the state Highway Fund is $59,500 ($595,000 x 10%).
- Extending the timeframe for the two new specialty earmarked license plates to meet the issuance requirement of 1,000 plates will not result in a significant impact on state revenue or expenditures.

Assumptions for the bill as amended relative to the new cultural license plate:

- Pursuant to Tenn. Code Ann. § 55-4-202(b)(3)(B), new cultural license plates will be subject to a minimum order of at least 500 plates prior to initial issuance. Any plate that does not meet the minimum order requirement within one year after passage of the authorizing act will become invalid.
- One-time production costs of $3.30 per license plate resulting in one-time expenditures of $1,650 (500 x $3.30).
- Under the provisions of this legislation, it is estimated there will be one additional cultural license plate issued (sections 28 and 29). The increase in state expenditures in FY19-20 for the production of one cultural license plate is estimated to be $1,650 ($1,650 x 1 license plate).
- The price for each cultural plate is $35, resulting in revenue of $17,500 (500 plates at $35 each). The total increase in revenue generated by all new cultural license plates is $17,500 ($17,500 x 1 additional license plate).
- Pursuant to Tenn. Code Ann § 55-4-216, net proceeds from the sale of new cultural license plates will be allocated as follows: 80 percent to the Tennessee Arts Commission; and 20 percent to the state Highway Fund.
- For FY19-20, the increase in revenue to the DOR is $1,650; the increase in revenue to the Tennessee Arts Commission is $12,680 [($17,500 - $1,650) x 80%]; and the increase in revenue to the state Highway Fund $3,170 [($17,500 - $1,650) x 20%].
- For FY20-21 and subsequent years, the increase in revenue to the Tennessee Arts Commission is $14,000 ($17,500 x 80%); and the increase in revenue to the state Highway Fund is $3,500 ($17,500 x 20%).

- According to information provided by the DOR, military cultural license plates are not subject to any minimum order requirements. It is estimated that 100 of each such license plates will be produced and issued.
- One-time production costs of $3.30 per license plate resulting in one-time expenditures of $330 (100 x $3.30).
- It is estimated there will be five additional military cultural license plates issued (sections 10, 15, 16-18, 25, and 40-42).
- The increase in state expenditures in FY19-20 for the production of three military cultural license plates is estimated to be $1,650 ($330 x 5 license plate).
- Pursuant to Tenn. Code Ann § 55-4-203(c)(1), military cultural license plates are issued upon the payment of the regular registration fee and a fee equal to the cost of actually designing and manufacturing the plates. Therefore, the increase in revenue from these plates in FY19-20 is estimated to be $1,650.

General Assumptions for the bill as amended:

- The DOR will retain $3,300 from the sale of every 1,000 new specialty license plates, and $330 from the sale of every 100 cultural license plates in FY19-20 to compensate TRICOR for production, warehousing, and distribution costs incurred by TRICOR. The total amount the DOR will retain and remit to TRICOR in FY19-20 is estimated to be $59,400 ($56,100 for 17 new specialty license plates + $1,650 for 1 cultural license plate + $1,650 for 5 military license plates).
- TRICOR's actual cost to produce, warehouse, and distribute theses specialty license plates is estimated to be $2.80 per license plate, resulting in $0.50 net revenue per plate.
- TRICOR will receive $500 in net revenue for every 1,000 new specialty license plates produced, and $50 in net revenue for every 100 cultural license plates produced. The total net revenue to TRICOR in FY19-20 is estimated to be $9,000 ($8,500 for 17 new specialty license plates + $250 for 1 cultural license plate + $250 for 5 military cultural license plates).
- The total increase in state revenue to specialty plate organizations in FY19-20 is estimated to be $269,450.
- The total increase in state revenue to specialty plate organizations in FY20-21 and subsequent years is estimated to be $297,500.
- The total increase in state revenue to the Tennessee Arts Commission in FY19-20 is estimated to be $228,240 ($215,560 + $12,680).
- The total increase in state revenue to the Tennessee Arts Commission in FY20-21 and subsequent years is estimated to be $252,000 ($238,000 + $14,000).
- The total increase in state revenue to the Highway Fund in FY19-20 is estimated to be $57,060 ($53,890 + $3,170).
- The total increase in state revenue to the Highway Fund in FY20-21 and subsequent years is estimated to be $63,000 ($59,500 + $3,500).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista Lee Carsner

Krista Lee Carsner, Executive Director

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