

**FISCAL NOTE**  
**ASSEMBLY, No. 2709**  
**STATE OF NEW JERSEY**  
**214th LEGISLATURE**

DATED: SEPTEMBER 24, 2010

**SUMMARY**

**Synopsis:** Authorizes special Gold Star Family license plates.

**Type of Impact:** Net loss in first and third years and projected net gain in second year.

**Agencies Affected:** Motor Vehicle Commission, Department of the Treasury

**Executive Estimate**

<b>Fiscal Impact</b>	<b><u>Year 1</u></b>	<b><u>Year 2</u></b>	<b><u>Year 3</u></b>
<b>State Cost</b>	\$88,101	\$16,523	\$18,908
<b>State Revenue</b>	\$20,000	\$17,125	\$12,175

- The Office of Legislative Services (OLS) **concurs** with the Executive estimate.
- Following the first year and every year thereafter, the Motor Vehicle Commission (MVC) incurs an average of \$17,715 in additional costs.
- Neither the Executive nor OLS projects whether or when the Gold Star Family license plate program would reach a breakeven point.

**BILL DESCRIPTION**

Assembly Bill No. 2709 of 2010 authorizes special “Gold Star Family” license plates for families of servicemen and servicewoman who lost their lives while on active duty for the United States. A \$25 application fee in addition to the registration fees required by law would be charged for the issuance of the plates.

The bill provides that if the average cost per license plate is greater than the \$25 application fee in two consecutive fiscal years, the chief administrator may discontinue the issuance of the plates.

## FISCAL ANALYSIS

### *EXECUTIVE BRANCH*

The fiscal impact of this legislation on the MVC is estimated to be a net loss in the first year of \$68,101, with a projected total net gain of \$602 for year two and a \$6,733 loss for year three. Historically, sales of dedicated cause plates decrease significantly after the first year.

#### Revenue:

It is impossible to anticipate the number of special cause license plates that will be sold in any given year, especially as more and more are issued and the market becomes saturated. Therefore, projected sales for the first three years are based on an average of the first three years of sales of the recently issued Organ Donor, Meadowlands, and Liberty State Park special cause license plates. The average sales came to 800 in the first year, 685 in the second year and 487 in the third year. Estimated revenue for the first three years of sales for the special cause plates is as follows:

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Organ Donor (started in 2002):	830	818	608
Meadowlands (started in 2001):	413	370	281
Liberty State Park (started in 2000):	<u>1,156</u>	<u>866</u>	<u>572</u>
Total Sales:	2,399	2,054	1,461
Average initial sales:	800	685	487
Multiplied by \$25 for each initial sale:	\$20,000	\$17,125	\$12,175
Plus renewals for previous years at \$0 for each set:	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Projected Revenue:	\$20,000	\$17,125	\$12,175

#### Expenses:

The initial start-up cost for a special cause plate is \$88,101. However, it is important to note that every year thereafter, the MVC incurs, on-average, \$17,715 in additional costs. This brings the total three-year cost for a new special cause plate to \$123,532 (year two and year three costs are \$16,523 and \$18,908 respectively).

Issuance of the special cause license plates requires the production of the license plates with a unique design and color scheme. In addition, the MVC will be required to include a notice with all motor vehicle registration renewals and display appropriate posters or signs advertising the availability of these license plates. The notices, posters, and signs shall be designed and supplied by the MVC.

In order to properly stock 43 motor vehicle agencies and the central office in Trenton, the initial special cause license plate order requires a minimum order of 5,000 sets of plates at an average cost of \$9.95 per set for a total cost of \$49,750. A total of 50 pairs of sample plates are also required at \$9.95 per set for a total cost of \$498. The cost of the statutorily mandated posters is \$7,810 and an annual cost of \$2,571 for marketing inserts. There is also a first year cost of \$1,230 for program design and set-up. When the initial supply of these license plates has been exhausted, there will be an additional expense for production of more plates. The one-time cost of systems programming is \$15,096. There is also a first year cost of \$437 for postage, envelopes, and inserting based on 20 percent of total sales by mail.

Manpower charges that occur in more than one area of the MVC and also in the Department of Treasury, Division of Revenue are indirectly included in this fiscal note. Manpower costs will increase in future years because of increasing salary costs due to cost of living adjustments and increment increases. Manpower costs are based on processing special cause license plates at the

MVC Special Plate Unit and the 43 MVC agencies, loading and unloading plate inventory at the warehouse, and having accounting and budget personnel handle the collection and distribution of revenue to the various sponsors. Total manpower charges across all agencies and departments are \$7,244 which includes fringe benefits.

The last group of expenses which total \$434 is associated with the costs of shipping special cause license plates from DeptCor to the warehouse and to the MVC agencies, the cost of storage space at both the warehouse and the MVC agencies, and the cost of recently installed surveillance equipment at the warehouse to safeguard the storage of these plates.

The Executive offers the following additional comments:

With the proliferation of special cause plates available to the public, there is a decrease in the amount of money that each plate generates, and an ever-increasing likelihood of failure that the MVC can recover the costs associated with producing the plates. The MVC has found that the overall number of plate purchases does not radically increase when a new plate is introduced. Instead, adding more plate options appears to simply redistribute sales from existing special cause plates due to market saturation. An internal analysis of plates purchased shows that the new special cause plate sales typically peak the first year and then rapidly decline in subsequent years. As the number of special cause plates available continues to grow, eventually new plates may take 10 or more years to generate enough sales to cover start-up costs and produce a profit. Some recent plates have taken two or three years to hit the break even point.

Another issue of consideration is that new plates with similar special causes or themes of existing plates, such as "patriotic," may compete with plates already being produced; therefore, it becomes unlikely that the new plate will break-even in cost of production.

#### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS concurs with the Executive estimate of fiscal impact.

*Section: Authorities, Utilities, Transportation and Communications*

*Analyst: Joseph A. Hroncich  
Associate Fiscal Analyst*

*Approved: David J. Rosen  
Legislative Budget and Finance Officer*

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