



Legislative Fiscal Bureau

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March 14, 2012

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Transportation: Section 13.10 Request for an Appropriation Supplement for License Plate Stickers -- Agenda Item IV

REQUEST

The Department of Transportation requests a transfer of \$532,000 SEG in 2012-13 to the Department's Division of Motor Vehicles (DMV) appropriation from the Joint Finance Committee's appropriation to fund the costs of issuing license plate stickers.

BACKGROUND

A provision of 2011 Act 32 placed \$532,000 SEG in the Committee's supplemental appropriation, an amount equal to the annual cost of license plate stickers, which are used to indicate the month and year of vehicle registration expiration and, for vehicles registered by weight, the vehicle's weight class. The Act directed the Department of Transportation to submit a request for the Committee's third quarterly meeting of 2011-12 under s. 13.10 of the statutes for an appropriation supplement for license plate stickers in 2012-13. The request must include a proposal to establish a license plate sticker system under which stickers would be issued centrally by a third-party vendor and would carry an identification marker specific to the license plate or vehicle for which the sticker is issued (termed "unique identifier" sticker system in this memorandum). The Committee may approve, or modify and approve, the proposal and the Department must implement the Committee's decision.

Under the current license plate sticker system, the Department purchases stickers from Badger State Industries, a program operated by the Department of Corrections to give prison inmates work experience. The stickers are distributed, upon initial vehicle registration or registration renewal, either by mail, at Division of Motor Vehicles service centers, or by third-party

distributors (for instance, vehicle dealers and some retail businesses). All stickers within a given type are identical, and so contain no unique identifier that links them to the vehicle or plate for which they are issued. Consequently, a unique identifier sticker system would differ from the current system in three ways. First, it would require each sticker to contain an identifier that matches the sticker to the plate or vehicle. Second, it would specify that the stickers would be issued centrally by a third-party vendor. Third, the third-party vendor would produce the stickers, instead of Badger State Industries.

In its submittal to the Committee, the Department requests a transfer of the \$532,000 SEG in 2012-13 from the Committee's supplemental appropriation to the Department's appropriation for the Division of Motor Vehicles to continue using the current license plate sticker system through 2012-13. Although the Department proposes to continue the current sticker system in 2012-13, the request notes that the Department will continue to investigate the costs and implementation issues associated with adopting a new sticker system, and indicates that its 2013-15 biennial budget request will contain proposals in this area.

ANALYSIS

The Department identifies several issues that would be associated with implementing a unique identifier sticker system:

- A unique identifier sticker system would likely cost more than the current sticker system. In its preliminary investigation of a unique identifier system, the Department contacted the Indiana Bureau of Motor Vehicles, which has such a system. According to this review, DOT found that Indiana pays 33.7 cents per license plate sticker, while the stickers currently used in Wisconsin cost from 5.1 cents per sticker to 11.9 cents per sticker, depending upon the type. These figures are not strictly comparable, since the Indiana price includes the cost to print the certificate of registration and certain administrative and overhead costs that the Wisconsin prices do not. Nevertheless, the higher administrative costs associated with matching stickers with the correct plate or vehicle would be unavoidable in any unique identifier system.

- Because the unique identifier system requires "made-to-order" stickers, vehicle owners would not be able to receive a sticker upon renewal at a DMV service center unless the DMV service center has the equipment necessary to produce the sticker on site. Since DMV does not currently have this equipment, having the capability to distribute stickers at service centers would require the Department to purchase this equipment at an additional cost. Alternatively, all stickers could be mailed after the registration fee is paid.

- The Division of Motor Vehicles is currently implementing a self service registration system for owners of large fleets. Under this system, the fleet owner purchases a block of stickers and distributes them to the fleet vehicles. Under a unique identifier system, the fleet owner, rather than the DMV, would be responsible for matching the stickers to the correct vehicle, which may entail higher costs for the owner.

- It is unclear if the current third-party distributors would be able to continue to offer vehicle registration services. Certain retail stores and motor vehicle dealers currently offer vehicle registration services, including the distribution of stickers to their customers. If these third-party distributors are not able to participate, there would likely be a greater demand for registration services at DMV service centers, thereby increasing state costs.
- Although the unique identifier system is designed to reduce sticker theft, it would not necessarily eliminate the problem. The unique identifier would be too small to see except by close inspection. Consequently, having a sticker, even if it does not match the plate, may be enough to avoid detection in many cases.

Given these outstanding issues, the Department is not prepared to make recommendations on the implementation of a unique identifier system at this time. Approval of the Department's request would allow the Department to continue using the current license plate sticker system through 2012-13. The Department indicates, however, that it will present additional information and recommendations regarding license plate sticker policy in its 2013-15 budget request, although it should be noted that these recommendations will not necessarily include the implementation of a unique identifier system.

If a unique identifier system were to be enacted in the 2013-15 biennial budget, it would still be at least several more months before such a system is implemented. If the Committee decides that the Legislature's intent under Act 32 is that a unique identifier system should be implemented earlier, it could approve the Department's request for funding to continue the current sticker system in 2012-13, but direct the Department to take steps to begin implementation of a unique identifier sticker system at the beginning of 2013-14. This alternative would require the Department to direct base resources toward implementation of such a system, and would likely require the Legislature to provide an increase in funding for license plate stickers in 2013-14.

ALTERNATIVES

1. Approve the Department's request for a transfer of \$532,000 SEG in 2012-13 to the Department's Division of Motor Vehicles appropriation from the Committee's appropriation to fund the costs of issuing license plate stickers.
2. Approve the Department's request for a transfer of \$532,000 SEG in 2012-13 to the Department's Division of Motor Vehicles appropriation from the Committee's appropriation to fund the for costs of issuing license plate stickers, but direct the Department to take steps to begin implementation of a unique identifier sticker system at the beginning of 2013-14.
3. Deny the request.

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