

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Transportation Committee

BILL: SB 716

INTRODUCER: Senator Fasano

SUBJECT: Corporate License Plates

DATE: March 14, 2011

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Eichin	Spalla	TR	Pre-meeting
2.			BC	
3.				
4.				
5.				
6.				

I. Summary:

Senate Bill 716 creates a corporate license plate program within the Department of Highway Safety and Motor Vehicles (DHSMV, the department). The program would allow corporations to sponsor a corporate license plate displaying the corporation's logo. Vehicle owners would be allowed to apply for a corporate license plate and if approved, register their vehicle at 50% of the normal price. The sponsoring corporation would remit no less than \$75 to the department or each approved application, which under the current registration fee structure would pay the remaining 50% of the vehicle's registration cost and produce positive revenues to the department for deposit into the Highway Safety Operating Trust Fund for use in the general operations of the department.

This bill creates the following section of the Florida Statutes: 320.08052

II. Present Situation:

The Florida Department of Highway Safety and Motor Vehicles (DHSMV) administers the issuance of license plates as a part of the tag and registration requirements specified in ch. 320, F.S. Current law provides for several types of license plates. In addition to plates issued for governmental or business purposes, the department offers four basic types of plates to the general public:

- The standard license plate, which currently comes in three configurations, which include the county name designation, the state motto designation, and the state slogan designation.

- Several specialty license plates which are used to generate revenue for colleges, universities and other civic organizations. Organizations seeking to participate in the specialty plate program are required to make application with the department, pay an application fee and obtain authority from the Florida Legislature.
- Personalized prestige specialty license plates are available to motorists who wish to personalize a license plate. Personalized license plates allow motorists to define the alpha numeric design (up to 7 characters) on a standard plate that must be approved by the DHSMV.
- Finally, certain members of the general public may be eligible to apply for special use license plates if they are able to document their eligibility. This category of plates primarily includes special military license plates as well as plates for the handicapped. Examples include: the Purple Heart, Disabled Veteran, and Prisoner of War plates.

Florida license plates are issued for a 10 year period and are replaced upon renewal at the end of the 10 year period. The license plate fee for both an original issuance and replacement is \$28.00. An advanced replacement fee of \$2.80 is applied to the annual vehicle registration and is credited towards the next replacement. Both specialty and personalized prestige plates are subject to annual use fees defined in statute.¹

Florida Specialty License Plate Program

The Florida Legislature created the first specialty license plates in 1986, which included the Challenger license plate and one for each of the nine universities then in the state university system. Although the Legislature has the authority to create a specialty plate on its own initiative, most are the initiative of sponsor organizations who hope to market or advertise their organization's particular cause. Since the creation of the specialty license plate program in 1986, the number of specialty plates has steadily increased, and to date the Legislature has authorized 123 specialty plates; however, not all are in production and available at this time. Nine plates that were authorized during the 2010 Session are still in the implementation stages. Of the 17 million registered vehicles over 1.4 million display a specialty plate. In Fiscal Year 2009-2010, the DHSMV collected annual use fees for specialty plates in the state totaling more than \$35 million. These revenues are distributed to the sponsor organizations. State revenues collected during this same period relating to the processing fee for specialty and personalized plates totaled \$8.6 million.

Specialty license plates are uniquely designed license plates, that through the design, signify support for specific causes or organizations. The specialty license plate program provides an opportunity for Florida motorists to choose a specially-themed license plate instead of the standard Florida license plate. They are available to vehicle owners or lessees who choose to pay the annual use fee in addition to the annual vehicle registration fees authorized in statute. The annual use fees are distributed to the specialty plate organization as defined in statute, and range from \$15 to \$25. A \$5.00 processing fee is also charged for both specialty and personalized plates, which is distributed to the Highway Safety Operating Trust Fund.

The Legislature has addressed the increasing number of specialty license plates on three separate occasions. In 2004, the Legislature enacted ch. 2004-337, L.O.F., which requires the DHSMV to

¹ ss. 320.0805, 08056, and 08058, F.S.

discontinue the issuance of an approved specialty plate if the plate sales fall below 1,000 for a least 12 consecutive months. This legislation also authorized the DHSMV to discontinue a specialty license plate if the sponsor organization no longer exists, if the organization no longer provides the services authorized to be funded, or if the organization requests to discontinue. Only three plates have been discontinued due to lack of sales. These plates are the Girl Scouts plate, the Orlando Predators Plate, and the Tampa Bay Storm plate.

In 2008, the Legislature enacted ch. 2008-176, L.O.F., which included a moratorium on the issuance of specialty plates by DHSMV. This moratorium was to be effective from July 1, 2008 to July 1, 2011. The moratorium, however contained an exception, “for [any] specialty license plate proposal which has submitted a letter of intent to the Department of Highway Safety and Motor Vehicles prior to May 2, 2008, and for which [the requesting organization] has submitted a valid survey, marketing strategy, and application fee as required by s. 320.08053, F.S., prior to October 1, 2008,” or “which was included in a bill filed during the 2008 Legislative Session.”² There were 12 organizations which met the moratorium exceptions. The University of Miami – Center for Autism and Related Disabilities, was the only organization meeting the moratorium exceptions that was successful in obtaining legislative approval of the “Autism Awareness” plate in 2009.³

The Legislature addressed the specialty license program again during the 2010 Legislative Session, and enacted ch. 2010-223, L.O.F., which extended the moratorium passed by the 2008 Legislature through July 1, 2014. This bill also revised the requirements for requesting the approval of a specialty license by replacing the scientific sample survey of Florida motor vehicle owners with a presale voucher delivery method. Organizations and the DHMSV must meet the following requirements after legislative approval of a new specialty plate:

- The organization must submit the proposed art design, in a medium prescribed by the DHSMV, within 60 days after the act approving the specialty license plate becomes law;
- Within 120 days of the specialty plate becoming law, the DHSMV must establish a method to issue a specialty license plate presale voucher to allow for the pre-selling of the specialty license plate.
- Within 24 months after the license plate voucher becomes available to the public, the organization must obtain a minimum of 1,000 voucher sales before manufacturing of the license plate can begin. If the presale requirement is not met, the specialty plate is removed from statute.

In addition to extending the moratorium, the 2010 Legislature enacted nine additional plates, including seven of the twelve plates meeting the exemption requirements mentioned earlier. Pursuant to s. 320.08053(2), F.S., the department has refunded the application fee to four of the remaining five organizations thereby eliminating them from further consideration. The fifth organization is involved in ongoing litigation with the State of Florida, therefore their application and fee is being held until the litigation is resolved.⁴

² See Section 45, Chapter 2008-176, Laws of Florida

³ See Section. 23, Chapter 2009-71, Laws of Florida

⁴ Sons of Confederate Veterans – “Confederate Heritage”

Finally, ch. 2010-223, L.O.F., also established a moratorium on new voluntary contributions on the motor vehicle registration application form and the driver’s license application form between July 1, 2010 and July 1, 2013, with a similar grandfathering clause as used for the specialty plate organizations.

Texas MyPlate.com Program

According to the Texas Department of Transportation (TxDot), Texas is the first state in the United States to outsource the marketing of specialty license plates. The Texas MyPlate.com Program, is not a “corporate program”. However, the program has generated corporate interest in using the specialty plate program as a venue for advertising.

A REMAX plate was introduced by the Texas MyPlate.com vendor in November in 2009, and over 240 plates have been ordered since the introduction. Texas has also recently approved plates for Ford, Our Energy, Vestas and Mighty Fine Burgers were made available to the public in November of 2010. The Texas Department of Motor Vehicles (TxDMV) indicates that fiscal data will be available on these corporate plates in 30 months. By the end of November 2010, Texas had 73 vendor and 195 non-vendor specialty plates, with more vendor plates likely in 2011. As the new program relates to the sales of established specialty plates in Texas, the TxDMV indicates the sale of established plates has gone down since the vendor began operations, but attributes this to a short-term decline based on variables such as the economy and slow down in vehicle population growth.

In the Texas program, the vendor pays the state a share of the plate sales proceeds. There is a contractual obligation with the vendor for a five year period. At the end of that period, the TxDMV will review the vendor’s performance and has the option of renewing for two more five-year terms. The contract requires the vendor to provide a revenue return of \$25 million to the state during the 5 year term of the initial contract.

Texas MyPlate.com Revenues (11/1/09 – 8/31/10)	
Total Revenue	\$4,761,285.00
Vendor Share*	\$2,452,767.62
Texas General Revenue Share	\$ 539,848.00
Administrative Costs Recovered by TxDMV	\$ 539,848.00
Credit Card Fees*	\$ 112,343.28
<i>*Not state revenues</i>	

Current fiscal data on the Texas MyPlate.com program is incomplete as the vendor has been operational for less than a year. The TxDMV estimates that it will be about 30 months before the various components of the program are performing. Information on revenue generated since the start of the program (November 1, 2009 through August 31, 2010) is reported as \$4,761,285 million.

Customer Survey

As part of an interim project⁵, Senate professional staff, with the assistance of the DHSMV conducted a survey to weigh the interest of Florida’s citizens with respect to creating a corporate

⁵ Interim Report 2011-137, “Florida Corporate License Plate”. Available at:

license program. The survey polled DHSMV virtual office customer's who had voluntarily supplied email addresses when completing a transaction online. A five question survey instrument was sent to 20,000 email addresses and 1,028 responses were received which represents slightly over a 5% response rate. Of the 1,028 respondents, 74.3% currently display a standard Florida license plate, 17.3% a specialty plate, 4.5% a personalized standard plate, and 3.9% a personalized specialty plate.

The survey group was asked if they would consider purchasing a license plate with a corporate logo for a reduced registration, and what the primary consideration for the purchase would be. The responses indicated that 58.5% would consider the purchase and 42.8% indicated that the purchase decision would be based on the savings. The survey response indicates that there may be a threshold of savings required before a motorist might consider the purchase of a corporate plate, 28% indicated interest if a \$10 to \$25 savings were realized, and 18.6% replied that a \$26 to \$40 savings would be needed before considering the purchase. The complete survey questions and responses are contained within the report.

U.S. Patent No 6,866,191: Method and System for Generating and Administering Vehicle License Plates

Dombia Enterprises, Inc. an Illinois based company has developed and patented a system for generating and administering motor vehicle license plates. The abstract of the patented product reads "A method and system for generating and administering vehicle license plates is disclosed. A third party entity provides a database of advertising indicia adapted to be placed on a vehicle license plate. The database is made available to vehicle owners. A vehicle owner selects an advertising indicia to be placed on a license plate. The third party entity provides registration indicia to be placed on the license plate. The third party entity provides vehicle owner information, the selected advertising indicia and registration indicia to the government. The government issues a license plate to the vehicle owner and the issued license plate includes the selected advertising indicia and the registration indicia."⁶

According to information provided by Dombia, Inc.:

- The purpose of inventing the system was to create a license plate that would allow government to increase revenues without financially impacting private citizens.
- This system is a voluntary program for both vehicle owners and sponsors;
- Sponsors are able to advertise on the license plates of privately owned vehicles for one year;
- A private entity acting as a service agency is established between the Secretary of State and the Vehicle Owner, such as currency exchanges or as remittance agents are used between auto dealers and the Secretary of State. At no cost to the Secretary of State, a private entity will solicit sponsors, provide a website for the purpose of selecting a participating sponsor and available numbers or letters for the vehicle owner's plate and forward sponsorship funds that pay for each applicants plates. The vehicle owner will be required to pay a nominal processing fee at the time of application.

<http://www.flsenate.gov/Committees/InterimReports/2011/2011-137ta.pdf>

⁶ USPTO Patent Full-Text and Image Database

According to DHMSV, the programming and design of a corporate plate would cost approximately \$7,600 for each new plate design. Additional costs include \$2,406 to purchase the first order of 1,000 plates based on the current cost of \$2.46 per plate for manufacturing of the plate by Prison Rehabilitative Industries and Diversified Enterprises, Inc., (PRIDE) who currently manufactures both standard and specialty license plates.

III. Effect of Proposed Changes:

The bill creates s. 320.08052, F.S., to establish a corporate license plate program.

Subsection (1) authorizes the department to enter into agreements with any business entity, advertising firm, or for-profit business to enable the placement of a corporate logo on a Florida license plate.

Subsection (2) requires the design of any corporate license plate to be approved by DHSMV. The plate must have the word “Florida” at the top. Motorists may personalize the plate within the existing statutory limitations of personalization (see s. 320.0805, F.S.); however, each request for specific numbers or letters must be approved by the corporate sponsor, as well as the department.

Subsection (3) allows vehicle owners to apply for a corporate license plate for any motor vehicle that:

- is registered in the owner’s name;
- weighs less than 8,000 pounds; and
- is registered for private use.

The subsection prescribes the process for obtaining a corporate license plate. When applying for a corporate plate, the vehicle owner submits 50% of the normal registration fee. The sponsoring corporation, upon approval of the application, immediately submits no less than \$75 to the department, and the department issues the corporate license plate, registration, and decal to the vehicle owner. The registration is valid for one annual renewal period of not more than 15 months.

The department is authorized to provide a vehicle owner’s name and address to the sponsor of the corporate plate that a vehicle owner has applied for.

The proceeds of the fees paid by the vehicle owner and corporate sponsor are distributed as provided in ch. 320, F.S., with any all excess revenues deposited into the Highway Safety Operating Trust Fund for use in funding the general operations of the department.

Subsection (4) requires corporate sponsors who choose to participate in the corporate license plate program to submit an initial application fee of at least \$5,000 and provide evidence of the ability to pay \$75 per vehicle owner for a minimum of 5,000 vehicles.

Subsection (5) authorizes DHSMV to adopt rules in order to administer the corporate license plate program.

Other Potential Implications:

Specialty plate sponsor organizations have expressed concerns over the potential implementation of a corporate license plate program, these include:

- Potential fiscal impact a corporate license plate program might have on the sales of specialty plates already in production. If specialty plates sales dropped significantly, the various programs, supported by those revenues would be impacted, but it is not possible to determine to what degree sales would be affected;
- Certain restrictions currently apply to non-profit organizations such as limitations on administrative and marketing expenses that may not apply to corporations participating in the corporate program;
- Some organizations propose that if a corporate program is adopted, that the increased revenue should be shared with specialty plate programs to offset any revenue loss.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

See the table below.

B. Private Sector Impact:

The example below shows three standard vehicle weights and the current annual registration cost for each. A corporate plate could provide a consumer savings between \$22.83 and \$35.58 per year for each vehicle registered depending on the weight class of the vehicle.

Vehicle Weight	Registration Fee	Motorist Pays	Corporation Pays	Motorist Savings	Increased State Revenue Per Registration
Under 2,500 lbs	\$45.65	\$22.83	\$75	\$22.83	\$52.18
2,500 to 3,500 lbs	\$57.65	\$28.83	\$75	\$28.83	\$46.18
Over 3,500 lbs	\$71.15	\$35.58	\$75	\$35.58	\$39.43

Since the corporate plate would be an annual plate, it is possible that it could be available to a motorist one year and not available at the next renewal cycle should the corporate sponsor end participation in the program. In this case, the motorist would be required to pay the \$28 replacement fee for an original license plate issuance in addition to other annual vehicle registration fees.

C. Government Sector Impact:

According to DHMSV, the programming and design of a corporate plate would cost approximately \$7,600 for each new plate design. Additional costs include \$2,406 to purchase the first order of 1,000 plates based on the current cost of \$2.46 per plate for manufacturing of the plate by Prison Rehabilitative Industries and Diversified Enterprises, Inc., (PRIDE) who currently manufactures both standard and specialty license plates. Thus, for each new corporate plate type, DHSMV would experience a negative fiscal impact of over \$10,000. However, the bill requires corporate sponsors to submit an application fee of \$5,000 for the purchase of the initial inventory and to provide evidence of the ability to pay \$75 for no less than 5,000 vehicle owners (\$375,000).

It is not possible to accurately estimate the total value of increased state revenues that could be generated by the program. However, based on the results of a survey ascertaining interest based on the amount of potential savings to the customer, the 28% of respondents that indicated interest if a \$10 to \$25 savings were realized could be forecast into significant positive fiscal impact.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.