



OHMVR COMMISSION MEETING
San Benito County Board of Supervisors Chambers

December 1, 2012

STAFF REPORT: DMV Specialized License Plate Program

STAFF: Tom Bernardo

SUBJECT: Review of the DMV Specialized License Plate Program as related to participation by the Off-Highway Motor Vehicle Recreation Commission

Summary

With the recent passage of SB 1018, the Department has the ability to initiate its own specialized license plate. At the September 15, 2012, meeting of the Off-Highway Motor Vehicle Recreation (OHMVR) Commission, a subcommittee of Commissioners Paul Slavik and Breene Kerr was created to investigate the options for creation of a specialized OHV license plate. Commissioners Stan Van Velsor and Teresa Villegas requested a cost-benefit analysis and specifics of the license plate program. Specifics on implementing the license plate program and three cost-benefit scenarios are provided.

Discussion

At the request of Commissioner Kerr, a small team was established at the OHMVR Division to gather information for the Commission's use in evaluating the pros and cons and various approaches to creating a specialized OHV license plate.

Recently passed SB 1018 authorizes the California Department of Motor Vehicles (DMV), in consultation with DPR, to design and make available for issuance special state parks environmental license plates bearing a full-plate graphic design depicting a California redwood tree. We contacted Park Operations Division at DPR to find out the status of this program. To date, they have not begun planning for this plate.

We also contacted Park Operations Division for background information on the Snoopy plate. Based upon the popular cartoon character, the Snoopy plate is an ongoing attempt by the California Association of Museums to generate enough interest for a specialized plate to support museums in California. So far, the California Association of Museums has only established a website to gauge interest in the plate. It has not reached the formal application stage yet.

Specialized license plate applications cost \$50 per the California Vehicle Code (CVC); renewals cost \$40. As detailed in Attachment B, the CVC would require the OHMVR Division to collect and hold the applications, including the fees, until it has received a minimum of 7,500. Only upon reaching that threshold could the Division then submit the applications along with the fees to the DMV. At that point, the DMV would be authorized to establish the specialized plate. The DMV charges a one-time fee of \$375,000 for program start up, which equals 7,500 applications at \$50 each. Fees for any applications above the first 7,500, minus a DMV processing fee, would go to the OHMVR Division as would all renewal fees. Once the DMV receives the initial applications, it takes approximately nine months to issue the plates. The program would need to maintain at least 7,500 plates for the DMV to continue to issue new plates, although the DMV would continue to renew any plates already in the program.

The OHMVR Division would have one year to gather 7,500 applications. The OHMVR Division could request a one-year extension, allowing up to two years to meet the threshold. If 7,500 applications are not received by the deadline, absent special exemption from the Legislature, all fees would need to be refunded.

The DMV would only process new applications and renewals once the program is established. The OHMVR Division would thus likely use a contractor to process the initial applications and collect the fees. The contractor would also process the refunds, if necessary.

Kinsail, a contractor currently used by the Division to sell and process California Non-resident OHV Use Permits and SNO Park Permits, was contacted for advice on the cost to gather, deposit, track, and possibly refund upwards of 7,500 paid initial applications. Kinsail would charge \$1.95 + 5% of the \$50 DMV application fee for each transaction. If the 7,500 threshold is not met, Kinsail would process the refunds, and credit the Division the 5% transaction fee per refunded application. Kinsail would also charge \$1.00 for each refund issued by paper check.

With the above cost and revenue information as background, we provide three scenarios for the Commission's consideration:

Scenario #1 shows that an order of 7,500 plates will not meet the break-even point of the \$375,000 DMV start-up costs assuming a contractor is used to administer the program. The program would generate \$40 from each plate renewal plus a portion of the fee for new applications.

Scenario #1: Minimum Orders Met
(Estimated 7,500 Plates Sold)

Item	Amount per Transaction	Estimated Transactions	Total Amount
Sequential License Plate Order	\$50.00	7,500	\$375,000.00
Contractor Transaction Fee (\$1.95 + 5%)	(\$4.45)	7,500	(\$33,375.00)
DMV Startup Costs	(\$375,000.00)	1	(\$375,000.00)

Total Estimated Revenue First Year (33,375.00)*

* Does not included costs for design and printing of brochure and website design.

Scenario #2 shows it will require almost 8,500 applications to break even the first year. If all 8,500 applicants renew their specialized license plate registrations the second year, the program would collect revenue of \$360,000.

Scenario #2: Minimum Orders Met
(Estimated 8,500 Plates Sold)

Item	Amount per Transaction	Estimated Transactions	Total Amount
Sequential License Plate Order	\$50.00	8,500	\$425,000.00
Contractor Transaction Fee (\$1.95 + 5%)	(\$4.45)	8,500	(\$37,825.00)
DMV Startup Costs	(\$375,000.00)	1	(\$375,000.00)

Total Estimated Revenue First Year \$12,175.00*

* Does not included costs for design and printing of brochure and website design.

Scenario #3 shows that if 5,000 applications are received and the plan fails to meet the 7,500 minimum and all application funds must be refunded, the cost to the Division would be approximately \$10,500. In addition, any costs for design and printing of the brochure and website design would be lost.

Scenario #3: Minimum Orders Not Met
(Estimated 5,000 Plates Sold. Program ended and fees refunded)

Item	Amount per Transaction	Estimated Transactions	Total Amount
Sequential License Plate Order	\$50.00	5,000	\$250,000.00
Contractor Transaction Fee (\$1.95 + 5%)	(\$4.45)	5,000	(\$22,500.00)
License plate refunds	(\$50.00)	5,000	(\$250,000.00)
Contractor credit (5%)	\$2.50	5,000	\$12,500.00
Paper check refunds (est.)	\$1.00	500	(\$500.00)
Total Estimated Revenues			(\$10,500.00)*

* Does not included costs for design and printing of brochure and website design.

In deciding how to proceed, the Commission and the Division may also want to take into account more intangible considerations. The ability to garner participation strong enough for success is not a given. The current economic and political climate and some distrust of government may make this a controversial endeavor. The legislature has taken funds destined for the OHV Trust Fund and borrowed funds already in the OHV Trust Fund to prop up the state General Fund. It would be disappointing to solicit public support for an OHV-themed Specialized License Plate and then see revenue from it used for other purposes. On the other hand allowing OHV enthusiasts to show their support for their chosen mode of recreation is admirable, and the publicity and support given to a cause such as the Rubicon Trail could be very beneficial.

Commission Action

The Commission may take no action, may request more information, or may recommend that the OHMVR Division take the necessary steps to initiate a specialized plate program.

Attachments

- Attachment A: DMV Administrative Services Fee Chart
- Attachment B: Specialized License Plate Program Background and Requirements
- Attachment C: Environmental License Plate Fund Condition Statement
- Attachment D: CA Specialized License Plate Template
- Mock up license plate designs available for Commission to review