

SUBJECT: Specialty license plates and vehicle registration

COMMITTEE: Transportation — committee substitute recommended

VOTE: 7 ayes — Krusee, Phillips, Edwards, Hamric, Harper-Brown, Hill, Mercer
0 nays
2 absent — Garza, Laney

SENATE VOTE: On final passage, May 8 — 31-0, on Local and Uncontested Calendar

WITNESSES: No public hearing

BACKGROUND: The Texas Department of Transportation (TXDOT) establishes and issues personalized prestige and other specialized license plates under Transportation Code, ch. 502, subch. F. It currently offers specialty license plates, almost all of which also may be personalized, featuring universities and colleges, military and veterans themes, non-profit and other organizations, sports teams, and miscellaneous designations, in addition to personalized standard plates.

DIGEST: **Recodification.** CSSB 1704 would repeal Transportation Code, ch. 502, subch. F. It would recodify provisions regarding specialty license plates into a new ch. 504. It would establish standards generally applicable to all specialty license plates and specify conditions for personalized license plates; those for persons with disabilities; military plates; restricted distribution plates, such as those for state officials and judges; plates for certain vehicles, such as classic cars and farm vehicles; and generally available plates, such as those for literacy promotion and universities.

The bill would establish new plates for federal administrative law judges, Texas constables, emergency medical services personnel, and members of the American Legion. New plates for general distribution would include United We Stand, Texas PGA Junior Golf, the Air Force Association, Urban Forestry, Share the Road, San Antonio Missions National Historical Park, El Paso Mission Valley, Cotton Boll, Daughters of the Republic of Texas,

Knights of Columbus, Texas Music, Space Shuttle Columbia, Be a Blood Donor, Texas County Child Welfare Board, Star Day School Library Readers are Leaders, Marine Mammal Recovery, 4-H, Smile Texas Style, Fight Terrorism, God Bless Texas and God Bless America, Texas Juneteenth, Keeping Texas Strong, March of Dimes, Master Gardener, Mother-Child Survivors Educational Scholarship Fund, Preserve America's Borderland, Eagle Scout, Tejano Monument, and Texas Lions Camp.

CSSB 1704 would permit the discontinuance of certain license plates that were purchased infrequently. It also would establish guidelines for the creation of new specialty license plates at the initiative of either TXDOT or an outside sponsor. If a sponsor requested that a new plate be offered, the sponsor would have to provide TXDOT with a \$15,000 deposit or 3,500 applications for the plate. For new plates, \$8 of the fee would go to TXDOT to cover its costs and the remainder would be deposited in a special account within general revenue if the sponsor nominated a state agency to receive the funds. If not, or if there was no sponsor, the remainder of the fee would go to the state highway fund.

The bill would move provisions regarding registration of golf carts, manufactured housing, power sweepers, motorized mobility devices, parade vehicles, and soil conservation equipment from Transportation Code, ch. 502, subch. F to other subchapters within ch. 502.

The bill contains a provision that would be implemented only if the Legislative Budget Board (LBB) determined that implementation of this bill would reduce the amount of money allocated to the general revenue fund from the issuance of TXDOT specialty license plates in fiscal 2004-05. If this contingency were triggered, TXDOT would have to reduce the amount of fees allocated from license plate sales to cover administrative costs and reallocate that money to general fund accounts specified in Transportation Code, ch. 504. This contingency would expire on September 1, 2005.

CSSB 1704 also would add Education Code, sec. 7.026 to establish the Austin Music Foundation account, funded by proceeds from the sale of the Texas Music license plate authorized by this bill. Similarly, it would add Health and Safety Code, sec. 162.016 to establish the Be a Blood Donor account funded by proceeds from the sale of the Be a Blood Donor license plate. The bill

would establish the Be a Blood Donor Advisory Committee to help the Transportation Board establish guidelines for expenditures from the account.

Marketing through private vendor. CSSB 1704 would add Transportation Code, sec. 504.851 to allow the Texas Transportation Commission to authorize TXDOT to contract with a private vendor for the marketing and sale of personalized prestige and other specialized license plates. If the commission authorized TXDOT to enter into such a contract, the commission would be required to establish reasonable fees for the plates offered for sale by the private vendor. The fee would be in addition to the registration fee and other fees prescribed by statute and could be increased or decreased at any time by the commission. The amount charged for the license plate could not be less than the amount in effect on January 1, 2003. Revenue from this fee would be the only source from which a contract between TXDOT and a private vendor could be paid.

The bill would authorize TXDOT to create new design and color combinations for personalized prestige and specialized license plates marketed by the private vendor. The plate designs would be TXDOT property. However, TXDOT would not be authorized to approve, and the private vendor could not sell, a design or color combination inconsistent with that specified for the plate in the statute authorizing its issuance. Further, TXDOT could cancel or discontinue a license plate design or color combination at any time if it deemed such action in the best interest of the state or the motoring public. The commission could authorize TXDOT to pay a licensing fee to use a trademark in connection with the marketing and sale of a license plate.

A contract with a private vendor would have to comply with laws generally applicable to TXDOT contracts and require the vendor to submit quarterly accounts of its transactions to TXDOT. It also would require the vendor regularly to remit money payable to TXDOT. The contract could allow or require the vendor to establish a secure computer system compatible with TXDOT's by which vehicle owners could electronically submit applications and payments.

The bill would require TXDOT to deposit funds sufficient to cover administrative costs, including any payments to a private vendor, for all

license plates and amounts required by other laws into the highway fund. If money received by TXDOT from the vendor was governed by another law, it would have to be deposited in accordance with that law. Additional revenue received from the vendor would be deposited into the general revenue fund.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2003.

**SUPPORTERS
SAY:**

Recodification. Laws authorizing specialty license plates have been enacted by the Legislature over numerous sessions. Therefore, there is little consistency in the statutes governing each plate, which increases the administrative burden to TXDOT and confuses the public. CSSB 1704 would streamline laws regarding fees, replacement, and personalization of specialty license plates, would increase TXDOT's efficiency, and would make it easier for the public to understand the purchase of specialty plates. It also would authorize TXDOT to create new license plates without specific legislative approval. There is no reason why legislators should have to authorize the creation of each new plate when TXDOT has the expertise and ability to do so independently.

Some of the provisions in Transportation Code ch. 502, subch. F do not relate to specialty license plates. This bill would move them to more suitable locations within the chapter. Further, CSSB 1704 is estimated to have a net positive impact on general revenue of \$1.9 million over the fiscal 2004-05 biennium.

Marketing through private vendor. Under current law, TXDOT is required to offer personalized and special license plates, for which a vehicle owner pays a fee in addition to the standard registration fee. However, TXDOT does very little to market these plates. If the plates were marketed better, TXDOT likely could increase its sale of non-standard plates and raise additional revenue for the state. By contracting with a private vendor, the state would net an estimated \$2.4 million per biennium, which could allow the state to fund some of the critical programs currently threatened by budget shortfalls. Queensland, Australia has followed a similar model and seen sales increase by 400 percent in five years. Higher priced personalized or specialty plates are

not a tax because they are a discretionary purchase, and standard plates would be available, as always, to vehicle owners at the basic price.

Rather than requiring TXDOT to market the plates with internal resources, CSSB 1704 would allow it to contract with a third-party firm with the requisite experience to market the plates successfully. The bill is permissive and would not require the transportation commission to authorize private vendor contracts if it did not think doing so would be in the public interest. TXDOT would retain control over the plates, their design and color, their manufacture, their price, and the volume produced. Only marketing and sales would be affected. The bill would have the additional impact of encouraging private sector employment in the license plate marketing and sales niche.

The bill would have no negative effect on the county tax assessors who currently sell license plates. Vehicle owners still would pick up plates from the tax assessor, and counties still would receive the portion of license plate fees that they currently receive. The bill also would not affect the proceeds that some organizations currently receive from the sale of license plates promoting charitable causes.

It is likely that vendors would charge the same price as the county tax assessor for existing specialty plates, so as not to put themselves at a disadvantage. However, the private vendor could sell for a higher price new plates approved by TXDOT that likely would not be available through the county tax assessor. The bottom line is that a vendor could not profit from the contract by charging excessive fees, because the bill would require the commission to establish reasonable fees. The vendor could profit only by increasing sales of specialty and personalized license plates.

**OPPONENTS
SAY:**

Marketing Through Private Vendor. This bill could lead to higher license plate fees set by the transportation commission in order to cover TXDOT payments to the private vendor. It would delegate authority to the commission to increase the fee for personalized and specialized license plates beyond the level set by the Legislature but without accountability to the voters who would pay the fee.

It would be possible for a private vendor to sell the existing license plates that benefit charitable causes for more than the cost of the same plate through a

county tax assessor. This could mislead the public into thinking that purchasing the higher priced plate would increase the amount the charitable cause received, though it would be the private vendor that actually received the higher profit. If a private vendor sold existing charitable plates for a higher price, it should be required by the TXDOT contract to inform the purchasing motorist that charitable proceeds from the plate would be the same as if the plate were purchased from the county tax assessor.

If the Legislature enacted this bill, it unintentionally could create a new monopoly market. Since private marketing of license plates is not a common practice in the United States, there might be only one or two firms that are able and willing to contract with TXDOT for this service.

NOTES:

The committee substitute would move provisions from Transportation Code, ch. 502 into the new ch. 504, and would repeal ch. 502, subch. F. It also would create certain new plates that were not included in the bill as engrossed by the Senate, including plates for federal administrative law judges. The contingency provision regarding general fund revenues was not in the Senate version of the bill.

CSSB 1704 incorporates related bills dealing with personalized and specialized license plates: HB 3106 by Garza, reported favorably, as substituted, by the Transportation Committee on April 22, and HB 3292 by Krusee, which passed by the House on May 10. It also includes various bills authorizing new specialized license plates. It does not include HB 1655 by Wohlgemuth, which would have created a Choose Life license plate and account, which was postponed until May 12.