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FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO: No. 1
 Bill Version: SB153
 (S) Publish Date: 4/16/97

Revision Date: _____ Dept. Affected: Administration
 Title: An Act relating to issuance of special license BRU: Motor Vehicles
plates to commemorate the arts. Component: Field Services
 Sponsor: Senate Finance
 Requestor: (S) TRAN COMPONENT SERIAL NO. 0502

EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)

	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
OPERATING						
PERSONAL SERVICES	2.2					
TRAVEL						
CONTRACTUAL	17.7					
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	19.9	0	0	0	0	0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (1005)	135.0	•	•	•	•	•
Revenue Code						

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	19.9	0	0	0	0	0
1006 GF/MHTIA						
Other						
TOTAL	19.9	0	0	0	0	0

Estimate of current year (FY 97) impact: \$ _____

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

See Attached.

Prepared By: Juanita Hensley Phone: 465-2650
 Division: Motor Vehicles Date: 04/01/97
 Approved by Commissioner: Mark Boyer *[Signature]* Date: 4/2/97
 Agency: Administration

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STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO: SB 153 *1

Revision Date: _____ Dept. Affected: Administration

ANALYSIS CONTINUED:

This bill establishes a special license plate commemorating the arts. Under this proposed legislation the fee for purchasing the special plate is \$150 per set of plates. The license plate manufacturer requires a minimum of 900 sets of plates for the purchase of a new design plate. This bill requires the Commissioner of Administration, after consulting with the Alaska State Council on the Arts, determine the design and color of plates commemorating the arts. It will require a new design for the license plate.

The fiscal analysis assumes that all 900 sets of plates will be sold at \$150. The projected revenue is estimated at \$135.0. The personal services estimates the cost associated with reissue of the existing license plate for the new license plate depicting the arts. At this time we are not able to project future revenues.

SUMMARY OF EXPENSES

FY98

TRANSACTION COSTS

Personal Services cost associated with reissue of new plate 900 sets of plates at \$2.43 per set of plates =	2.2
Overhead cost associated with program and includes; forms, license tabs, DP chargeback, shipping/freight, etc. 900 sets of plates at \$3.05 per transaction =	2.7

NEW DESIGN COSTS

Set-up cost for new sheeting	10.0
Design cost for design of new plate	5.0

TOTAL \$19.9



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

SB 153 Sponsor Statement

Sponsored by Senate Finance Committee

In the Legislature's effort to bring state spending in line with our revenues, the State Arts Council has been dramatically reduced. Alaska is facing a dilemma. Finding funds for the arts is becoming more and more difficult with a population increasingly adverse to public arts funding. We need to look for innovative ways to fund our existing arts programs if we want public funding to continue. This bill provides the Arts Council a tool to use in this effort.

License plates have become an increasingly popular revenue source for states facing budget constraints. In Alaska we currently have a number of specialty plates that support various organizations. The intent behind adding another specialty plate is to provide the State Arts Council a revenue source to supplement decreasing general fund appropriations.

It has been the position of the Legislature to decrease funding for arts programs in the state and have private individuals and organizations monetarily support these programs. The specialty plate funding mechanism will do exactly this, providing Alaskans a way to voluntarily support funding of the arts and show their pride in doing so.

The plate will be designed in consultation with the State Arts Council and it will be the sole responsibility of the Council to promote the program to success.

SB153 Bill Analysis

Prepared by the Alaska State Council on the Arts

It is the recommendation of the Alaska State Council on the Arts that SB153 be amended to reduce the special fee for the arts license plate from \$150 to \$75 for the original plate, and that there be a biennial renewal fee of not more than \$40.

The California Arts Council recently released a detailed business review of the California arts license plate program. This fifty-two page report offers in depth analysis of sales trends, market size and pricing. The Alaska State Council furnished a copy of the full report to Senator Pearce, and the executive summary is attached. Here are a few highlights from that report.

California Target Market

California's population is 31,250,000 (1993). The California Arts Council has identified a target market of **men, 25+**, college graduates, employed in executive, professional, and managerial positions (especially entertainment or information/technology companies); and **women, 35+**, college graduates, employed in executive, professional, and managerial positions, and who are arts patrons and supporters. Size of California target market: 10 million.

Sales

Since October 1994, the California arts plate has had original sales of 27,546, and total gross sales of \$2 million. Renewals run very strong-- about 98 percent of all original purchases. In 1994, the arts plate sold 11,943 units. It sold 5,118 units in FY96. Renewals accounted for 54 percent of total sales in FY96. Since its inception, the program has generated \$650,000 in revenues to the California Council. The California Council's FY97 budget is \$13,640,200. As for market penetration, the California plate sells about 2.7 units per 1000 targeted customers.

Pricing

The California arts plate is available in sequential (alphanumeric) and personalized versions. The sequential plate costs \$30 for the original and \$15 for renewal (plus the standard registration fees). The personalized plate sells for \$70, and \$40 for renewal. Personalized plates account for 54 percent of all original sales.

Alaska Market

If we apply some target market assumptions used in California, we may begin to get a rough estimate of Alaska's potential market for the arts plate. According to the Alaska Department of Labor's *Alaska Population Overview* (1995), there are 305,000 Alaskans between the ages of 25 and 54 (CA's prime market by age). In the *Alaska Population Overview* (1991) the Alaska Department of Labor estimates that 23 percent of Alaskans have a college education. To extrapolate, the arts plates have a potential market of 70,150 individuals (23 percent of 305,000). In order to make any significant contribution to the arts, Alaska must far exceed California's arts plate penetration of 2.7 units per 1,000 potential customers. If Alaska can generate sales of 5 units per 1,000 potential customers, we will sell 350 original plates (over a period of several years). At \$75 per plate, gross sales will total \$26,250. There after renewals may generate as much as \$14,000 every two years.

COASTLINE BUSINESS REVIEW EXECUTIVE SUMMARY
CALIFORNIA ARTS COUNCIL

"We knew that we needed better market information if we were going to be successful selling more Arts license plates and exceeding early expectations for local arts programming and education-funding success. Thus the need to conduct a business review of plate sales was identified and made a priority of the Marketing & Communications Officer. Armed with this critical data, a more thoughtful marketing plan is being developed."

What the Arts License Plate Program Means to the California Arts Council

Since 1976 the California Arts Council (CAC) has been a consistent funder of arts education in the state. Despite this major commitment to bring art into the lives of children who are at all socio-economic levels of our economy, arts programming in California has been hit harder than other public services. Yet the arts play a critical role in advancing cross-cultural understanding and in bolstering education, thus preparing a skilled workforce and developing our economy. It was because of this critical need that the CAC joined forces with ten Assembly and Senate members in 1992 to introduce AB 3632. Now citizens can make direct contributions to arts education in our schools and to communities by purchasing the Coastline license plate for their vehicles.

About the Market

> DMV has records on approximately 26 million registered vehicles, and there are four plate categories comprising 45 different plate types with various designs and color combinations. Of the seven graphic design specialty plates available through the DMV, Arts plate sales represent 24% of the total 101,387 plates in use (June 1996).

> This marriage of function and beauty returned to the California Arts Council, by June 1996, over \$650,000 in plate revenues for regranteeing through the State-Local Partnership and Local Arts Education Programs.

> **Definition of primary target market:**

Men, 25+, college graduates +, employed in executive, professional, and managerial positions most likely with entertainment-related or information-based companies. Interested in promoting a relationship with their cars and identification with status/success. Price is less of a concern than image.

Women, 35+, college graduates +, employed in executive, professional, and managerial positions, who are patrons of the arts, interested in supporting the arts, arts education, and/or community arts programs as well as having an attractive image on their license plates.

> Size of primary target market: 10 million

Sales Analysis

> Sequential and personalized plate sales are growing due to implementation of new plate programs.

> Personalized plates account for 54% of all original sales.

> Renewals continue to trend very strong (98% of total original purchases).

> In 1996, aggregate renewals accounted for 62% of fund revenues.

Specialty License Plates by Geographic Breakout

> Arts market is predominately Los Angeles, Orange, and San Diego (55% of total sales).

> Yosemite plate market is predominately northern California with significant sales in the San Francisco Bay area, Central Coast, Central Valley, and Gold Country regions (17,242 plates/48% of sales).

> Yosemite plate purchases in Los Angeles, Orange, and San Diego represent 37% of total sales.

> In general, the specialty plate market exists in the urban areas of the state where individuals are more concerned about image and status.

Buying Habits

> Existing and potential customers principally own high-end vehicles (sports car, sports utility, and luxury).

> 80% of recent market survey respondents indicated they would purchase the plate for an existing car, and only 10% for a new car.

> 45% of market survey respondents indicated they would purchase an additional license plate if they purchased another car, while 37% might, and 10% would not.

Chesapeake Tags Are Hot Plates

136,000 Purchased
In First 5 Months

Wash. Post 6-10-91
Associated Press

Maryland's "Treasure the Chesapeake" commemorative license plates are selling six times faster than expected and after five months have raised \$1.3 million for environmental projects, state motor vehicle officials said.

The amount raised so far is more than officials expected for the entire two years of the plate project.

The tags, depicting a great blue heron among stalks of marsh grass, cost at least \$20.

It was expected to take two years to sell 100,000 of the artistic plates when they went on sale Christmas Eve. Instead, it took four months to reach that figure. As of June 1, almost 136,000 had been sold.

"We have never experienced anywhere near the sales volume that we have with this plate," said W. Marshall Rickert, administrator of the state Motor Vehicle Administration.

Sales show no signs of slacking, particularly at motor vehicle offices in the affluent Washington suburbs and Annapolis. Figures show fewer are being sold in offices serving lower-income areas, such as Baltimore's Mondawmin office.

But Ellie Falk, of the governor's Chesapeake Bay Communications Office, said buyers are a diverse group. "We've seen these on all kinds of vehicles, from pickup trucks right down to yuppie Volvos," she said.

The tags were designed by Earle Palmer Brown Public Relations Inc. of Bethesda. Falk said the tranquil tidewater scene helps draw attention to the bay cleanup and to "restoring and preserving marshlands." But the state basically is in it for the money.

Half the \$20 fee goes to the Chesapeake Bay Trust, a nonprofit state foundation that hands out small grants for environmental efforts. The other \$10 goes to pay for the higher cost of printing the color artwork, motor vehicle officials say. Various custom bay plates, such as those ending with "BAY," cost more.

As Revenue Boosters, Plates Keep On Truckin'

Personalized license plates offer drivers the opportunity to display a wide variety of individual messages to their fellow travelers, such as "GR8MOM," "NUTBUS" or "IMLUVN."

Drivers can choose special license plates that raise money and show support for various causes. Colleges, professional sports teams, club membership or employment status also may be identified on license plates.

The trend toward more personal and unique plates continued in 1995; 33 states passed more than 80 special license plate bills.

So what new messages will we begin to see as we travel along our nation's highways?

In the spirit of the 1996 Olympic Games, states have been enacting legislation allowing commemorative plates. The sale of Olympic plates helps support the U.S. Olympic Committee and state athletic programs. In New Jersey, the Olympic plates cost \$50 in addition to the regular registration fees. After administrative expenses, the funds will be divided equally between the U.S. Olympic Committee and the Garden State Games, a sports festival for amateur athletes.

Plates designed to raise money for causes or projects bring in dollars for everything from the manatee to Chesapeake Bay to children's charities. In Massachusetts, "Preserve the Trust" plates have raised more than \$1 million for environmental projects.

License plates are an increasingly popular revenue source for states facing budget constraints. In fact, these efforts have become so successful that special plates are even receiving their own recognition.

The California Assembly went so far as to declare last June 23 as Yosemite License Plate Day. California set aside the day to recognize the

license plate as the greatest selling special plate in the history of the state. Since October 1993, sales raised more than \$1.2 million for preservation and conservation efforts in Yosemite National Park.

Assemblyman Richard Rainey, who introduced the Yosemite plate resolution, said that the plates brought in "money not otherwise available for special projects in the park."

Designs for special plates vary widely from state to state. The plates may display slogans, emblems or unique pictures. The Delaware General Assembly invited residents of the state to enter animal drawings in a contest to choose the design for new animal welfare plates.

License plates commemorating retirement proved to be popular this year. Retired Superior Court clerks in North Carolina gained approval for

their own plates. At least 11 states considered or added license plate programs for retirees or veterans of the armed forces including special recognition for recipients of the Purple Heart. Mississippi passed a bill that makes the spouse of a deceased retiree of the armed forces eligible for the same distinctive tag as the retiree.

Louisiana passed the most bills dealing with special plates. The Legislature decided to promote child safety, raise awareness of the black bear, recognize school teachers, and remember retired law officers and Marine Corps veterans. It also approved prestige plates for the Knights of Peter Claver and the Knights of Peter Claver Ladies Auxiliary. Unfortunately, fraternities and sororities lost out this year as the Legislature deleted a provision for their special plates.

HIV Testing of Pregnant Women Gets Go-Ahead

California is one of a number of states that has passed legislation requiring HIV counseling and encouraging voluntary testing of pregnant women.

The Golden State bill, sponsored by Senator Tim Leslie and signed into law in October, requires health care providers to offer HIV testing, risk assessment and counseling to every pregnant woman as part of her prenatal care.

Leslie proposed the legislation in response to recent studies showing HIV-positive preg-

nant women could cut by two-thirds their chances of transmitting the virus to their unborn children if AZT therapy is begun during pregnancy.

Similar legislation has been passed in Connecticut, New Jersey, Texas and Virginia.

In New York, Governor George Pataki has announced that the results of HIV tests given to newborns will be available to mothers. The "blind" state tests in which results were not made available to parents have been highly controversial.