



The Florida Senate

Interim Report 2011-137

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Committee on Transportation and Economic Development
Appropriations

FLORIDA CORPORATE LICENSE PLATE

Issue Description

Legislation was introduced during the 2010 Session proposing the implementation of a Florida Corporate License Program which would allow license plate sponsors to display the name, likeness, or logo of their company on a Florida license plate approved by the Department of Highway Safety and Motor Vehicles. This report reviews the 2010 legislation, the laws currently in place for Florida's Specialty Plate program, and similar programs that have been implemented or are currently being considered in other states. This report also considers the fiscal impact of a corporate license plate program including potential costs to the state, new revenue from the sale of corporate plates, impact to specialty plate programs already in place and the potential savings to the Florida motorist.

Background

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 currently comes in three configurations, which include the county name designation, the state motto designation, and the state slogan designation.
- There are 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;

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

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 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

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

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

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

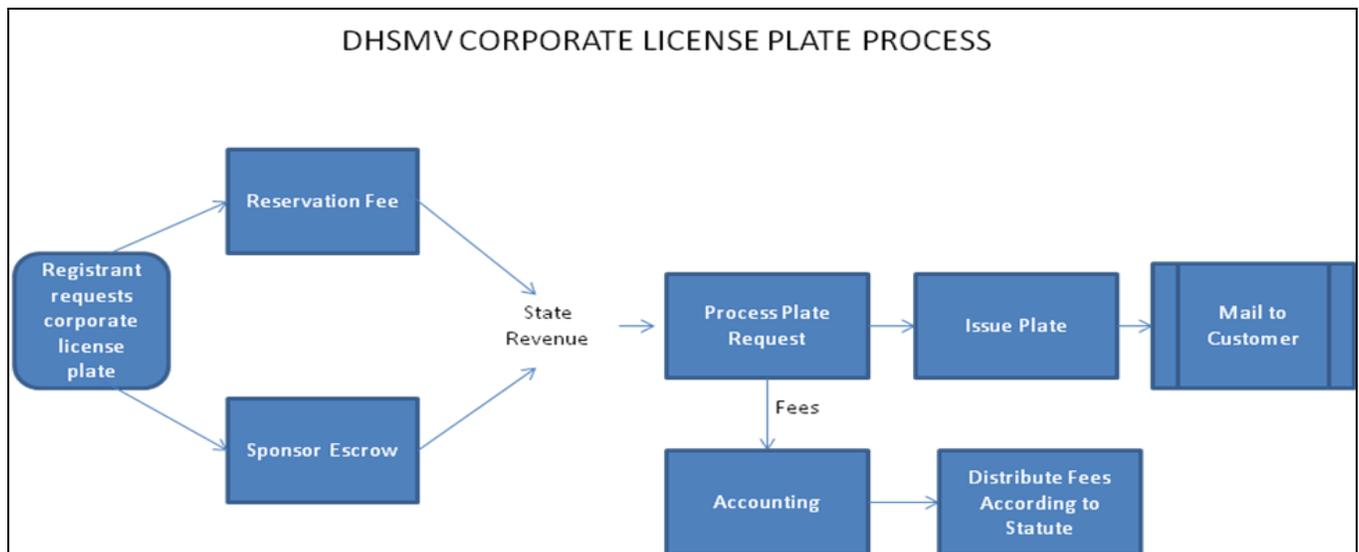
Finally, ch. 2010-223, L.O.F., also established a moratorium on new voluntary contributions on the motor vehicle registration application form and the driver’s license application form between July 1, 2010 and July 1, 2013, with a similar grandfathering clause as used for the specialty plate organizations.

Corporate License Plate

The 2010 Legislature considered, but did not pass, legislation that would have introduced a corporate license plate program. SB 1442 proposed to create and implement a program whereby corporations could sponsor a vehicle registration for a Florida vehicle owner in return for the placement of advertisements on the license plate. While the current Florida specialty license plate program requires the sponsoring organization to obtain approval of the Legislature for each specialty plate, the corporate license plate program, as proposed in SB 1442, would authorize the DHSMV to create and implement the program, placing the approval of each corporate plate and design with the DHSMV.

A corporate license plate program would, like the specialty license plate program, provide an opportunity for corporations to market a product or service through a specially designed plate bearing the name, logo or emblem of the corporation. The corporation sponsoring the plate would not receive any revenue generated from plate sales, but would in fact pay a flat fee on each plate sold to the State, and the motorist choosing to purchase the plate would pay a reduced flat fee for the license plate regardless of the type of private vehicle being registered. A corporate license plate as proposed would have a life cycle of only 1 year.

During the 2010 Legislative Session, Senate professional staff worked in conjunction with the DHSMV to develop statutory requirements for implementing a program and to define the process for approval and distribution of a corporate license plate. The following chart was prepared by the DHSMV.



Developed by the Department of Highway Safety and Motor Vehicles based on Senate Bill 1442, 2010 Legislative Session

The proposal would authorize DHSMV to enter into agreements or contracts with entities or vendors that provide legal documentation authorizing the use and display of a trademarked logo/emblem, or company name on a Florida license plate. The entity or vendor would receive a portion of the Corporation’s revenue contribution towards the purchase of a plate.

Under the provisions of SB 1442, corporate participation would have required, at a minimum, a nonrefundable payment of \$205,000 to the DHSMV for the cost of inventory and the guarantee of the delivery of 1,000 vehicles plates during a

⁴ Sons of Confederate Veterans – “Confederate Heritage”

1 year period (based on an application fee of \$5,000 and the guaranteed payment of \$200 per vehicle for a minimum of 1,000 vehicles.) The cost of corporate participation is an important component of the program, as it must be enough to cover the total cost of the vehicle registration to ensure no state revenue loss. The 2010 legislation required the proposed corporate cost per plate to be \$200 regardless of the weight class⁵ of a registered private use vehicle. The vehicle owner who chooses to make application for an available corporate plate would pay no more than \$25. A small but indeterminate amount of state revenue may be generated from the sale of corporate license plates as proposed in the 2010 Legislation.

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 \$20 and \$46 depending on the weight class of the vehicle.

| Vehicle Weight | Registration Fee | Motorists Pays | Corporation Pays | State Revenue from Corporation | Vendor Marketing Fee | Motorist Savings | Increased State Revenue Per | Potential Increased State Revenue* |
|-----------------------------|------------------|----------------|------------------|--------------------------------|----------------------|------------------|-----------------------------|------------------------------------|
| Under 2,500 lbs. | \$45.65 | \$25.00 | \$200.00 | \$175.00 | \$25.00 | \$20.65 | \$129.35 | \$43,112.36 |
| Between 2,500 and 3,500 lbs | \$57.65 | \$25.00 | \$200.00 | \$175.00 | \$25.00 | \$32.65 | \$117.35 | \$39,112.76 |
| 3,500 or more | \$71.15 | \$25.00 | \$200.00 | \$175.00 | \$25.00 | \$46.15 | \$103.85 | \$34,613.21 |
| TOTAL | | | | | | | | \$116,838.32 |

*Potential Increased State Revenue is based on 1,000 corporate plates with sales evenly distributed between the three vehicle weight classes.

A corporate license plate program, as described in this report, could have reduced the costs of the annual vehicle registration for a portion of Florida motorists. The availability of plates would depend upon corporate participation and the number of plates guaranteed by the initial financial obligation, i.e., if 5 corporations chose to sponsor 1,000 plates each, only 5,000 plates would be available to Florida motorists. However, with over 17 million registered vehicles in Florida, it is possible that the demand could surpass the supply. Further, since the corporate plate would likely be an annual plate, it possible that it could be available to a motorist one year and not available at the next renewal cycle. In this case, the motorist would have the option to choose another corporate plate. If a corporate plate is not available for purchase, the motorist would be required to pay the \$28 fee for an original license plate issuance in addition to other annual vehicle registration fees.

State Government Costs of Implementation

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.

Impact on Specialty License Plate Sales

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.

⁵ See s. 320.08, F.S.

Findings and/or Conclusions

The implementation of a corporate license plate program would likely increase the number of specialty plates in Florida, which may conflict with recent legislation creating a moratorium on new plates through July of 2014.

A corporate license plate program as proposed in SB 1442 is unique in that there appear to be no existing programs in other states. Therefore, there is no operational model to conclusively base the level of corporate participation, consumer interests or potential revenues from a corporate license plate program. However, an Illinois based company holds a patent for a method of marketing and administering license plates that appears to serve as an implementation model for a corporate-sponsored license plate. Legislation has been filed in Illinois to implement corporate-sponsored plates, which is similar to the patented method, and the State of Texas has recently outsourced the marketing of specialty plates, which has generated corporate interest and the creation of corporate specialty plates.

Illinois Legislation

Legislation has been filed in Illinois that directs the Secretary of State to contract with a private entity (vendor) to develop a system for generating and administering corporate-sponsored license plates, and provides the Secretary of State the authority to approve or reject any design submitted. A corporate-sponsored license plate developed under the provisions of this legislation would display the name, likeness, or logo of Illinois companies. The legislation prohibits the display of the name, likeness, or logo of more than one company. The legislation further provides that the vendor, and the company wishing to display its name, likeness or logo submit a design to the Secretary of State for approval. Corporate-sponsored license plates would be issued to applicants for a \$25 fee for the original and renewal in addition to the appropriate registration fee charged by the State of Illinois. For each issuance and renewal, the vendor would be charged \$75, which can be collected from the company displaying its name, likeness or logo on the plate. The Secretary of State would not be required to issue a corporate-sponsored plate until a sufficient number of applications have been received to cover the total costs of issuance.⁶ To date, this legislation has not been heard in a committee.

Texas MyPlate.com Program

The State of Texas has passed legislation mandating the outsourcing and marketing of specialty license plates by contracting with a private vendor. 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” as described in this report, however, it 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 which will be 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 will have 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 Texas, 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.

⁶ 96th General Assembly, State of Illinois, 2009 and 2010, HB 6101

| 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> | |

generated since the start of the program (November 1, 2009 through August 31, 2010) is reported as \$4,761,285 million.

Customer Survey

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 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. See Appendix A for complete survey questions and responses.

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."⁷

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.

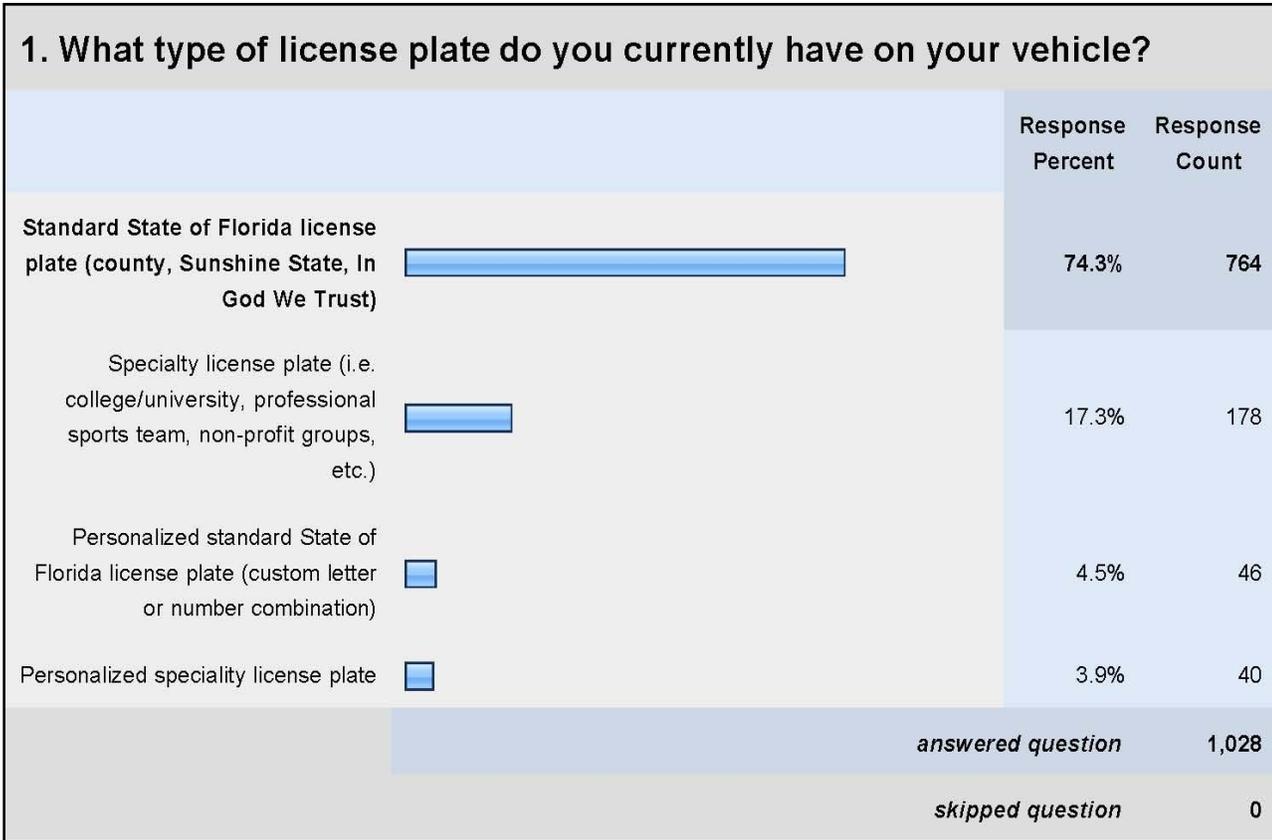
⁷ USPTO Patent Full-Text and Image Database

Options and/or Recommendations

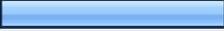
The Legislature could consider the following options regarding the possible implementation of a corporate license plate program in Florida:

Create a Task Force to Study and Provide Recommendations to the Legislature on the Implementation of a Corporate License Plate Program – A task force with both executive and legislative appointments could be established to further study the design and implementation of a corporate license plate program in Florida. Appointments could include DHSMV representatives, private sector corporations, specialty license plate organizations, tax collectors, private tag vendors and other stakeholders that may be impacted by a corporate license plate program. The Legislature has enacted a moratorium on the issuance of specialty license plates through July 1, 2014; all or a portion of this period could be used to further study the effects of a corporate license plate program and to provide recommendations for legislative consideration.

Implement a Pilot Corporate License Plate Program – Authorize DHSMV to implement a 2 year pilot program with a sunset date at the end of that period and direct DHSMV to report the findings and recommendations on the pilot program 3 months prior to the sunset date. A pilot program could provide an opportunity to implement the program in selected counties and define the level of corporate participation. A pilot period could also provide an indicator of corporate interest and support, and any potential negative fiscal impact on the current specialty license plate sponsor organizations.



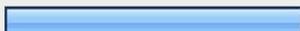
3. What would be your primary consideration for the purchase of a corporate license plate?

| | Response Percent | Response Count |
|--|------------------|----------------|
| Savings in registration fees  | 42.8% | 440 |
| Type of corporate sponsor  | 19.4% | 199 |
| Would not consider a corporate license plate  | 37.8% | 389 |
| <i>answered question</i> | | 1,028 |
| <i>skipped question</i> | | 0 |

4. What level of savings would be required before you would consider a corporate license plate?

| | Response Percent | Response Count |
|--|------------------|----------------|
| Less than \$10  | 5.4% | 56 |
| \$10 to \$25  | 28.3% | 291 |
| \$26 to \$40  | 18.6% | 191 |
| More than \$40  | 14.6% | 150 |
| Would not consider a corporate license plate  | 33.1% | 340 |
| <i>answered question</i> | | 1,028 |
| <i>skipped question</i> | | 0 |

5. If you have a specialty license plate, how likely are you to switch to a corporate license plate, if they became available?

| | Response Percent | Response Count |
|---|------------------|----------------|
| Highly Unlikely  | 15.7% | 161 |
| Unlikely  | 7.8% | 80 |
| Likely  | 15.0% | 154 |
| Highly Likely  | 7.8% | 80 |
| Do not have a specialty license plate  | 53.8% | 553 |
| <i>answered question</i> | | 1,028 |
| <i>skipped question</i> | | 0 |