

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 280 (House Finance Committee Substitute)

SHORT TITLE: Motor Vehicle Technical Amendments/AB

SPONSOR(S): Representative Cole

FISCAL IMPACT

Yes (X) No () No Estimate Available ()

FY 1999-00 FY 2000-01 FY 2001-02 FY 2002-03 FY 2003-04

REVENUES

Highway Fund

U-Drive-it trucks \$27,937 \$37,995 \$38,754 \$39,529 \$40,319

Internet registration see ASSUMPTIONS AND METHODOLOGY

EXPENDITURES

Highway Fund

Insurance notices (\$78,300) (\$104,400) (\$104,400) (\$104,400)

Internet registration see ASSUMPTIONS AND METHODOLOGY

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: Department of Transportation –
Division of Motor Vehicles

EFFECTIVE DATE: Section 5 (graduated drivers license change) becomes effective July 1, 1999.
Section 17 (notification of terminated insurance policies) becomes effective
October 1, 2000. The remainder of the act becomes effective October 1, 1999.

BILL SUMMARY: The bill makes numerous changes to the motor vehicle laws found in Chapter 20 of the North Carolina General Statutes.

ASSUMPTIONS AND METHODOLOGY:

REVENUES

Section 14 of the bill has a direct fiscal impact on the Highway Fund. Small daily rental trucks are now issued a “for-hire” plate that is renewed annually. This “for-hire” status requires the vehicle owner to carry a high insurance liability policy. The proposal is to classify small daily rental trucks as U-drive-it passenger vehicles, a category that now includes cars and buses. These

daily rentals will require lower insurance liability policies, but will pay higher fees for the privilege.

The Division of Motor Vehicles (DMV) estimates that 2,500 small trucks are licensed each year as daily rentals. The chart below shows the estimated number of trucks by weight class. The chart also shows the current and proposed fees. The first year revenue gain is reduced by one fourth due to an October 1, 1999 starting date. DMV estimates that the number of trucks licensed in future years will grow by 2% annually.

<u>Truck Weight</u>	<u># of Trucks</u>	<u>Current Fees</u>	<u>Current Revenue</u>	<u>Proposed Fees</u>	<u>Proposed Revenue</u>	<u>Net Gain</u>
4,000 lbs	1000	\$21.50	\$21,500	\$41.50	\$41,500	\$20,000
5,000 lbs	1000	\$40.75	\$40,750	\$51.00	\$51,000	\$10,250
6,000 lbs	<u>500</u>	\$47.00	<u>\$23,500</u>	\$61.00	<u>\$30,500</u>	<u>\$7,000</u>
	2,500		\$85,750		\$123,000	\$37,250

Section 10 has the potential to both lose revenues and to decrease expenditures. The section allows DMV “to accept electronic applications for the issuance of registration plates, registration certificates, and certificates of title, and to electronically collect fees and penalties”. Currently registration renewal can be done by mail or by a visit to a contract tag agent. Renewal by mail requires the payment of a \$1 processing fee in addition to the registration renewal fee. There were 1.2 million mail-in renewals last year and thus \$1.2 million in administrative fees paid to the Highway Fund. If vehicle owners that now renew by mail are allowed to renew over the internet, then DMV will lose a portion of this revenue. To be revenue neutral, the bill must be amended to allow DMV to charge a \$1 processing fee to use this electronic service. However, electronic renewal is a moot point since DMV does not have the authority to accept credit cards for payment and it is uncertain when this approval will be granted.

EXPENDITURES

As mentioned above, Section 10 also has the potential to reduce expenditures. A 1995 study by the NCDOT Productivity Management unit reported that registration renewals performed by DMV were less expensive than those completed by contract tag agents. In 1995, DMV paid \$1.73 for renewals by contract agents and spent \$1.44 for in-house processing. Most of the cost for contract agents was the \$1.20 transaction fee (now \$1.35). If a vehicle owner that now uses a tag agent chooses to renew electronically, then DMV saves 29 cents per transaction. With the increase in internet commerce, it is likely that consumers will choose on-line payment versus a trip to a tag agent for simple transactions. The problem is that registration renewals are the easiest and most profitable transactions for branch agents. The smaller volume contract agents unable to absorb the lost revenue may have to close. Again, the General Assembly has to give DMV the authority to use credit cards for payment. In turn, the General Assembly must decide the role of contract tag agents under electronic commerce.

Section 17 requires insurance companies to notify DMV when they terminate policies and issue new ones within 10 days. This section will reduce the number of vehicle owners contacted by DMV who have not experienced a lapse in coverage, but have only “shopped around” for lower

premiums. DMV estimates that 400,000 unnecessary letters will be eliminated due to this change in policy. At a pre-sort postage rate of 26.1 cents per letter, this will create annual savings of \$104,400. The section is effective beginning October 1, 2000, thus first year savings in FY 2000-01 are for nine months. No postal rate increases are included in this note.

Section 11 requires DMV to maintain records for 20 years instead of the life of the vehicle. This could save DMV computer storage space, but no savings have been estimated for this item.

FISCAL RESEARCH DIVISION 733-4910

PREPARED BY: Richard Bostic

APPROVED BY: Tom Covington

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