

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version **HB064**
 Fiscal Note Number _____
 () Publish Date _____

Identifier (file name) **HB064CS(FIN)-DOA-DMV-2-10-2012** Dept. Affected **Administration**
 Title **Permanent motor vehicle registration** Appropriation **Motor Vehicles**
 Allocation **Motor Vehicles**
 Sponsor **Representatives Stoltze, Keller**
 Requester **House Finance** OMB Component Number **2348**

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY13	FY13	FY14	FY15	FY16	FY17	FY18
Personal Services							
Travel							
Services			57.2				
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	57.2	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)							
1002	Federal Receipts						
1003	GF Match						
1004	GF						
1005	GF/Prgm (DGF)		57.2				
1037	GF/MH (UGF)						
1178	temp code (UGF)						
TOTAL		0.0	0.0	57.2	0.0	0.0	0.0

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES			3,694.0	4,190.0	(1,351.0)	(1,599.0)	(1,599.0)
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Estimated SUPPLEMENTAL (FY12) operating costs _____ (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

- Updated the changes in revenue due to updated vehicle counts.
- Eliminated reference to the I/M fee, since the I/M program in Alaska will no longer be in effect.

Prepared by Whitney Brewster, Director
 Division Division of Motor Vehicles
 Approved by John Cramer, Deputy Commissioner
Department of Administration

Phone 907-269-5559
 Date/Time 2/10/12 4:45 PM
 Date 2/10/2012

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Analysis

The effective date for this bill is January 1, 2014.

Expenditures

The database for Division of Motor Vehicles (DMV) will need programming to allow for permanent registration of non-commercial vehicles.

Estimated hours: 400

Cost per hour: \$143

Total programming cost: $400 \times \$143 = \$57,200$.

Revenues

Motor Vehicle Registration Tax (MVRT): The DMV collects MVRT for 16 communities: Anchorage, Bethel, Bristol Bay Borough, Cordova, Dillingham, Juneau, Kenai Peninsula Borough, Ketchikan Gateway Borough, Kodiak Island Borough, Matanuska Susitna Borough, Nenana, Nome, Petersburg, Sitka, Unalaksa, and Whittier.

Eight percent of the MVRT collected is retained by the state as collection costs. Although the increase or decrease in revenues from the collection costs are indeterminate, the revenues will change proportionately with the registration fees.

Registration Fees:

Assumptions:

- 1) 369,500 vehicles will be eligible for permanent registration in 2014 (based on currently-registered vehicles). Half (184.7) will renew in 2014 and half will renew in 2015.
- 2) Approximately 24,800 vehicles will become eligible each year. This is an average of the number of currently registered vehicles with model years 2007-2011.
- 3) Only 10% of owners will elect for permanent registration, based on the following:
 - a) The biennial registration fee established in AS 28.10.421 is \$100 for most of the vehicles eligible for permanent registration, making the fee for permanent registration \$300.
 - b) The largest quantity of vehicles in the state are in areas with the highest MVRT. Three times the MVRT for vehicles in Municipality of Anchorage or the Matanuska Susitna Borough would be \$210.
 - c) An owner of an eligible vehicle would have to decide whether a vehicle that's already at least 8 years old will last another 6+ years to justify the additional payment for permanent registration, which would be as high as \$340: permanent (\$300 reg + \$210 MVRT = \$510) versus biennial (\$100 reg + \$70 MVRT = \$170).
 - d) Many owners of older vehicles are likely in the middle to lower income brackets; these owners are less likely to have the extra funds available to opt for permanent registration.
 - e) It's very likely that a vehicle that is at least 8 years old will have a major component fail within the next six years. An owner who has the financial resources to pay the additional \$340 for permanent registration would likely opt to replace the vehicle rather than repair it; consequently, DMV assumes few of those owners would opt for permanent registration.
 - f) The owners of eligible vehicles who do not opt for permanent registration the first year it's available won't opt for it in subsequent years.
- 4) All permanently registered vehicles will stay in service for the next 6 years and will not change ownership. Although some vehicles may go out of service, the assumption is that an owner won't opt to pay the extra fees for permanent registration if their vehicle is not in good mechanical shape.

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Analysis Continued

Calculations

	2014	2015	2016	2017	2018
2014: 184.7 current vehicles eligible for perm reg					
18.47 opt for perm reg (184.7 x 10%)					
Increase from perm reg (18.47 x \$300)	5,541.0				
Loss in biennial fees (18.47 x \$100)	(1,847.0)		(1,847.0)		(1,847.0)
2015: 209.5 vehicles eligible for perm reg					
including 24.8 newly eligible					
20.95 opt for perm reg (209.5 x 10%)					
Increase from perm reg (20.95 x \$300)		6,285.0			
Loss in biennial fees (20.95 x \$100)		(2,095.0)		(2,095.0)	
2016: 24.8 newly eligible for perm reg					
2.48 opt for perm reg (24.8 x 10%)					
Increase from perm reg (2.48 x \$300)			744.0		
Loss in biennial fees (2.48 x \$100)			(248.0)		(248.0)
2017: 24.8 newly eligible for perm reg					
2.48 opt for perm reg (24.8 x 10%)					
Increase from perm reg (2.48 x \$300)				744.0	
Loss in biennial fees (2.48 x \$100)				(248.0)	
2018: 24.8 newly eligible for perm reg					
2.48 opt for perm reg (24.8 x 10%)					
Increase from perm reg (2.48 x \$300)					744.0
Loss in biennial fees (2.48 x \$100)					(248.0)
Total Estimated Revenue Increase/(Decrease)	3,694.0	4,190.0	(1,351.0)	(1,599.0)	(1,599.0)

Performance Measures

The DMV expects this bill will have very little impact on its performance measures.

- 1) Only about 11% of registration renewals are processed at a DMV office.
- 2) DMV estimates a maximum of 2,480 newly-eligible vehicles will be placed under permanent registration each year. This would result in a work load reduction of approximately one-tenth of one percent.

Economic Impact

Once the initial vehicles with permanent registration go out of service, there would be an annual increase of revenues of approximately \$496.0 (\$744.0 - \$248.0), assuming that 10% of owners opt for permanent registration. Since this won't happen until some time after 2018, this can't be reflected on the fiscal note.