

FISCAL NOTE

STATE OF ALASKA 2011 LEGISLATIVE SESSION

Fiscal Note Number

CSHB064(TRA)\D

Bill Version

() Publish Date

Identifier (file name)	CSHB064-DOA-DMV-03-18-11	Dept. Affected	Administration
Title	Permanent motor vehicle registration	Appropriation	Division of Motor Vehicles
Sponsor	Rep(s) Stoltze, Keller, Costello, Neuman	Allocation	Motor Vehicles
Requester	House Finance	OMB Component Number	2348

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
OPERATING EXPENDITURES							
Personal Services							
Travel							
Services				57.2			
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	57.2	0.0	0.0	0.0

CAPITAL EXPENDITURES							
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CHANGE IN REVENUES	1005 GF/PR	0.0	0.0	0.0	3,550.0	4,120.0	(1,215.0)	(1,500.0)
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts				57.2			
1037 GF/Mental Health							
Other (please identify)							
TOTAL	0.0	0.0	0.0	57.2	0.0	0.0	0.0

Estimate of any current year (FY2011) cost 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

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

The effective date on the bill was changed from 01/01/12 to 01/01/14, thus deferring the impact of the bill to later fiscal years.

Prepared by Whitney Brewster, Director

Division Motor Vehicles

Approved by John Cramer, Deputy Commissioner

Department of Administration

Phone 907-269-5574

Date/Time 3/18/11 4:00 PM

Date 3/18/2011

Analysis**Expenditures**

The database for Division of Motor Vehicles (DMV) will need reprogramming to allow for permanent registration on 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, Unalakleet, 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) 355,000 vehicles will be eligible for permanent registration in 2014 (based on currently-registered vehicles).
Half (177.5) will renew in 2014 and half will renew in 2015.
- 2) Approximately 28,400 vehicles will become eligible each year. This is an average of the number of currently registered vehicles with model years 2004-2010.
- 3) Only 10% of owners will elect for permanent registrations, 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 6 + years to justify the additional payment for permanent registration, which would be \$340 in MatSu and Anchorage: permanent ($\$300 \text{ reg} + \$210 \text{ MVRT} = \$510$) versus biennial ($\$100 \text{ reg} + \$70 \text{ MVRT} = \170).
 - d) Many owners of older vehicles are 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.

See Page 3 for calculations

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Analysis Continued

Calculations

	2012	2013	2014	2015	2016	2017
2014: 177.5 current vehicles eligible for perm reg						
17.75 opt for perm reg (177.5 x 10%)						
Inc from perm reg (17.75 x \$300)			5,325.0			
Loss in biennial fees (17.75 x \$100)			(1,775.0)			(1,775.0)
2015: 205.9 vehicles eligible for perm reg, including 28.4 newly eligible						
20.6 opt for perm reg (205.9 x 10%)						
Inc from perm reg (20.6 x \$300)			6,180.0			
Loss in biennial fees (20.6 x \$100)			(2,060.0)			(2,060.0)
2016: 28.4 newly eligible for perm reg						
2.8 opt for perm reg (28.4 x 10%)						
Inc from perm reg (2.8 x \$300)			840.0			
Loss in biennial fees (2.8 x \$100)			(280.0)			
2017: 28.4 newly eligible for perm reg						
2.8 opt for perm reg (28.4 x 10%)						
Inc from perm reg (2.8 x \$300)			840.0			
Loss in biennial fees (2.8 x \$100)			(280.0)			
Total Estimated Revenue Increase/(Decrease)	-	-	3,550.0	4,120.0	(1,215.0)	(1,500.0)

Performance Measures

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

- 1) Approximately 89% of registration renewals are processed over the internet, via mail, or by DMV's business partners; only about 11% are processed at the counter in a DMV office. DMV estimates that a maximum of 2,800 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.
- 2) DMV will still be required to collect the \$2.00 I/M fee biennially on all vehicles requiring an emissions inspection.

410,000 Number of registration notices sent out
83% % renewed
340,300 Total renewed
38,788 Total Renewed at DMV offices
89% Percentage renewed online, via mail, and DMV partners
11% Percentage renewed in DMV offices

Economic Impact

Once the initial vehicles with permanent registration go out of service, there would be an annual increase in revenues of approximately \$560.0 (\$840.0m - \$280.0), assuming that 10% of owners opt for permanent registration. Since this won't happen until sometime after 2019, it's not possible to show this on the fiscal note.