

SUPPLEMENTAL INFORMATION

SB 22

An Act relating to the collection costs for the municipal motor vehicle registration tax; and providing for an effective date.

Additional Assumptions and Data

- In calendar year 2010 the Motor Vehicle Registration Tax (MVRT) program generated \$12.4M statewide and DMV's 8% collection fee generated \$989K statewide.
- In calendar year 2010 approximately 43% of all MVRT program revenues were directly tied to the Municipality of Anchorage (MOA); this amounted to \$5.3M of gross MVRT revenues and DMV's 8% collection fee associated with MOA was \$424K.
- In calendar year 2012, after the MOA effectively doubled its MVRT by updating the auto registration rate schedule, the MVRT program generated \$19.39M statewide (i.e., \$7M more than in 2010) and DMV's 8% collection fee increased to \$1.55M statewide (i.e., \$562K more than in 2010 and 63% of this increase was borne by the MOA).
- **DMV's operational budget associated with servicing the MVRT program effectively increased 57% from calendar year 2010 to 2012, without any cost justification or comparable increase in on-going service to MVRT municipalities/cities/boroughs.**
- **Since calendar year 2012 DMV has generated more than \$1.5M in excess fees from the statewide MVRT program and this has resulted in municipalities/cities/boroughs receiving \$1.69M less in MVRT revenues during the calendar year period 2012-2014**
- If DMV's collection fee rate were recalculated (using 2012 as the base calendar year) to provide the same amount of collection fee revenue as generated in 2010, then the breakeven rate for DMV's collection fee would be 5.1%.
- The proposed legislation reduces DMV's collection fee rate from 8.0% to 5.5%, which is above the 5.1% breakeven rate. This effectively provides DMV with a 7.8% increase in its collection fee revenue base when comparing calendar year 2012 to 2010 (or a 9.0% increase from comparing calendar year 2013 to 2010).
- All Alaskan MVRT municipalities/cities/boroughs would realize additional net revenue from the MVRT program if DMV's collection fee rate were reduced from 8.0% to 5.5%
- With a revised 5.5% DMV collection fee rate, MVRT municipalities/cities/boroughs, in total, would realize nearly \$490K in increased annual MVRT net revenue (i.e., approximately a 3% increase in annual MVRT net revenues).