

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number 3
 Bill Version CSHB 64(TRA)
 (H) Publish Date 3/16/11

Identifier (file name) CSHB064-DOA-DMV-03-14-11 Dept. Affected Administration
 Title Permanent vehicle registration Appropriation Division of Motor Vehicles
 Allocation Motor Vehicles
 Sponsor Rep(s) Stoltze, Keller, Costello, Neuman
 Requester House Transportation OMB Component Number 2348

Expenditures/Revenues (Thousands of Dollars)

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

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

CAPITAL EXPENDITURES							
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CHANGE IN REVENUES	1005 GF/PR	3,550.0		4,120.0	(1,215.0)	(1,500.0)	(1,495.0)	(1,780.0)
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FUND SOURCE (Thousands of Dollars)

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

This version differs from the previous version as follows:

- 1) DMV's estimate of the number of owners opting for permanent registration has decreased from 90% to 10% based on the changes in the CS.
- 2) The quantity of motorcycle owners opting for permanent registration became insignificant, so motorcycles were incorporated with all other vehicles.
- 3) Changes were made to the Performance Measures.
- 4) DMV revised the estimated number of transactions that are processed online, via mail, or by DMV partners from 75% to 89%.

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 Division Motor Vehicles
 Approved by John Cramer, Deputy Commissioner
Department of Administration

Phone 907-269-5574
 Date/Time 3/14/11 10:00 AM
 Date 3/14/2011

Analysis**Performance Measures**

The Division of Motor Vehicles (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 1,400 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.

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, Unalaska, 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 2012 (based on currently-registered vehicles). Half (177.5) will renew in 2012 and half will renew in 2013.
- 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 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 reg + \$210 MVRT = \$520) versus biennial (\$100 reg + \$70 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.
- 4) All permanently registered vehicles will stay in service for the next 5 years and will not change ownership.

See Page 3 for calculations

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Analysis Continued

<u>Calculations</u>	2012	2013	2014	2015	2016	2017
2012: 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 \$200)	3,550.0					
Loss in biennial fees (17.75 x \$100)			(1,775.0)		(1,775.0)	
2013: 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 \$200)		4,120.0				
Loss in biennial fees (20.6 x \$100)				(2,060.0)		(2,060.0)
2014: 28.4 newly eligible for perm reg						
2.8 opt for perm reg (28.4 x 10%)						
Inc from perm reg (2.8 x \$200)			560.0			
Loss in biennial fees (2.8 x \$100)					(280.0)	
2015: 28.4 newly eligible for perm reg						
2.8 opt for perm reg (28.4 x 10%)						
Inc from perm reg (2.8 x \$200)				560.0		
Loss in biennial fees (2.8 x \$100)						(280.0)
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 \$200)					560.0	
Loss in biennial fees (2.8 x \$100)						
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 \$200)						560.0
Loss in biennial fees (2.8 x \$100)						
Total Estimated Revenue Increase/(Decrease)	3,550.0	4,120.0	(1,215.0)	(1,500.0)	(1,495.0)	(1,780.0)
Number of registration notices sent out		410,000				
% renewed		83%				
Total renewed		340,300				
Total Renewed at DMV offices		38,788				
Percentage renewed online, via mail, and DMV partners		89%				

Economic Impact

Once the initial vehicles with permanent registration go out of service, there would be an annual increase in revenues of approximately \$280.0, assuming that 10% of owners opt for permanent registration. Since this won't happen until sometime after 2017, it's not possible to show this on the fiscal note.