

SB

22

<TARGET><BILL>SB 22</BILL><SUBJECT>SB
22</SUBJECT><COMM>SSTA29</COMM></TARGET>

SENATE COMMITTEE REPORT

DATE: 3/18/15

FURTHER: Finance

DATE TURNED IN TO OFFICE: 3/26/15

State Affairs Committee considered SENATE BILL NO. 22

SB 22-MOTOR VEHICLE REG. TAX: COLLECTION COSTS

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

and recommends:

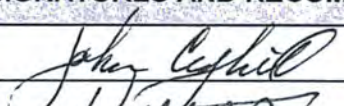
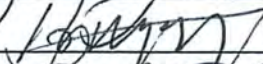


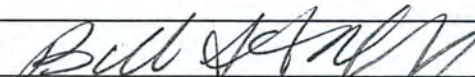
- be replaced with CS _____ (_____) Same Title New Title
- adopt previous CS _____ (_____) Same Title New Title
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
EED	MVA
DEC	DNR
DFG	DPS
GOV	REV
DHS	DOT
AJS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
ADM	✓			1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Coghill			✓	
	Huggins	✗			
	McGuire			✓	
	Wrotechowski			✓	
CHAIR: 	Stolte			✓	

ALASKA STATE LEGISLATURE

SENATE STATE AFFAIRS COMMITTEE

Senator Bill Stoltze, Chair
State Capitol, Room 125
Juneau, AK 99801-1182
Phone (907) 465-4958
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Official Business

Members:
Sen. John Coghill, Vice Chair
Sen. Charlie Huggins
Sen. Lesil McGuire
Sen. Bill Wielechowski

March 26, 2014
Bill Packet Information

HB 35 MARCH 27: GREAT ALASKA EARTHQUAKE DAY
<Previously Heard/Scheduled on 3/24/15>

SB 22 MOTOR VEHICLE REG. TAX: COLLECTION COSTS
<Previously Heard/Scheduled on 3/24/15>

SJR 15 CALL FOR US COUNTERMAND CONVENTION
<Previously Heard/Scheduled on 3/17/15 & 3/19/15>

SCR 4 US COUNTERMAND CONVENTION DELEGATES
<Previously Heard/Scheduled on 3/17/15 & 3/19/15>

HB 93 PROBATION AND PAROLE: WORK, TRAVEL ACCOM.

- Sponsor Statement
- Sectional Analysis (sponsor)
- Explanation of Changes
- HB 93 version \H - (House State Affairs CS)
- HB 93 version \W - (Initial Version)
- Supporting Documents:
 - Publication: Alaska Prisoner Reentry Task Force
 - Letters of Support (2)
 - Email - Kyle Brown 2-3-15
 - Letter - Partners for Progress 2-13-15
- Fiscal Notes:
 - #1 - DOA-PDA 2-13-15 (**Zero**)
 - #2 - DOC-PPDO 2-14-15 (**Zero**)

<Bills Previously Heard/Scheduled>

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Official Business

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Sen. Charlie Huggins
Sen. Lesil McGuire
Sen. Bill Wielechowski

March 24, 2014
Bill Packet Information

SJR 3 CONST. AM: MEMBERSHIP OF JUDICIAL COUNCIL

<Previously Heard/Scheduled on 2/19/15>

Additional Documents for Second Hearing:

- FY14 Case Filings (pie chart) - *Provided by Courts*
- AJC Vote Stats - *Provided by Courts*
- AJC Stats (pie chart) - *Provided by AJC*
- Supporting Documents:
 - Letters of Support (2)
 - John Harmon 2-18-15
 - Robert B Flint 2-19-15
 - Emails of Support to SSTA 3-22-15 (2)
- Opposition Documents:
 - AFN Resolution in Opposition - *Provided by Courts*
 - Letters of Opposition (2)
 - ANCSA Regional Corporation 2-19-15
 - AFL-CIO 3-9-15
 - Emails of Opposition to SSTA 2-19-15 (6)
 - Emails of Opposition to SSTA 3-22-15 (3)

SB 75 PFD CONTRIBUTIONS TO TRIBAL GOVERNMENTS

- SB 75 version W
- Fiscal Notes:
 - *Forthcoming*

HB 35 MARCH 27: GREAT ALASKA EARTHQUAKE DAY

- HB 35 version H - *House State Affairs CS*
- Explanation of Changes in (H)STA
- HB 35 version W - *Initial Version*
- Sponsor Statement
- Facts and Figures (sponsor)
- Supporting Documents:
 - Letters of Support (5)
 - Seismic Hazards Safety Commission 2-4-15
 - Anchorage Mayor Sullivan 2-2-15
 - Valdez Mayor Weaver 1-27-15
 - Chuck Volanti 1-26-15
 - Armand Feliciano (PCI) 2-2-15
- Fiscal Note:
 - #1 - DOA-DGS 1-30-15 (**Zero**)

SB 22 MOTOR VEHICLE REG. TAX: COLLECTION COSTS

- SB 22 version A
- Sponsor Statement
- Sectional Analysis
- Supporting Documents:
 - Sponsor's Questions to DMV
 - Analysis of DMV Responses by Dan Moore (MOA)
 - DMV Data Summary (sponsor)
 - DMV PCN Info (sponsor)
 - DMV-MVRT Information
 - DMV-MVRT Leasing Costs (sponsor)
 - Commission Agents Cost to DMV (sponsor)
 - Municipality of Anchorage Supplemental Info - MOA Mayor's Office
 - Letters of Support (1)
 - Municipality of Anchorage - Treasurer Dan Moore 2-2-15
- Fiscal Note:
 - #1 - DOA-DMV 2-4-15 (**Revenue Negative**)

<Bills Previously Heard/Scheduled>

ALASKA STATE LEGISLATURE

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North to the Future

Senator Cathy Giessel
Senate District N

SB 22 Motor Vehicle Registration Tax: Collection Costs Sponsor Statement

Passage of SB22 would update the collection fee charged by the Department of Motor Vehicles (DMV) to various municipalities throughout the State of Alaska for Municipal Motor Vehicle Registration Tax (MVRT). DMV's percentage fee has not changed since inception in 1993. With increases in motor vehicle rate schedules and efficiencies achieved through the use of technology, the current 8% collection fee is outdated and has resulted in significant overcharges for the cost of service provided to municipalities.

SB22 lowers DMV's collection fee for administering the MVRT program from 8.0% to 5.5%. This change will result in a net positive outcome for all affected. Using the new 5.5% rate, DMV will still retain a modest increase in their annual collection cost revenue associated with MVRT, as compared to pre-2012 collection cost revenues. The 5.5% rate is expected to generate sufficient collection cost revenue to fully cover DMV's normal operational costs associated with administering MVRT, while allowing these municipalities to retain more of their tax revenue for their discretionary use.

SB 22 responsibly reduces the size of state government while reallocating revenue back into the hands of the cities themselves, where it can better serve the people.

Senator_Cathy_Giessel@akleg.gov

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
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Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

January 22, 2015

SUBJECT: Sectional Summary of SB 22 (Work Order No. 29-LS0315\A)

TO: Senator Cathy Giessel
Attn: Forrest Wolfe

FROM: Hilary V. Martin 
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill -- the bill itself is the best statement of its contents.

Section 1 changes the amount the Department of Administration may keep as collection costs from the municipal motor vehicle registration tax from eight percent to five and one-half percent.

Section 2 makes the Act effective July 1, 2015.

HVM:lem
15-031.lem

Forrest Wolfe

From: Erickson, Amy J (DOA) <amy.erickson@alaska.gov>
Sent: Monday, March 16, 2015 1:13 PM
To: Forrest Wolfe
Cc: Mills, Andy J (DOA); Greenshields, Coleen M (DOA)
Subject: RE: Additional Questions Re: SB 22 and MVRT
Attachments: sb22 data for Forrest.xlsx

Forrest,

Please find DMV's answers to your questions:

1. What is the head count and fully loaded labor cost (salary + benefits, broken out separately) of each of the individual PCN's working predominantly or exclusively on the administration of the MVRT program? Please see attached spreadsheet for PCN salary and benefits.
2. What is the total amount of non-labor direct expenses paid for predominant or exclusive benefit of the MVRT program administration function? Please see attached spreadsheet for basic leasing costs.
3. Does DMV track all costs and revenues associated with the MVRT administration program through a separate accounting fund or project or cost unit? No. However, DMV can track the number of MVRT collections by month by location.
4. If the MVRT program for the MOA were to go away entirely, how many specific positions would be cut as a result? What about if the entire MVRT program were to go away? It is unlikely any DMV positions would be eliminated if the MOA's MVRT program were to go away entirely. DMV would continue to collect vehicle registrations for the state, issue driver licenses, provide title and other registration services, etc.
5. Explain how MOA went from paying 50% of MVRT program administration costs pre-2012 to paying 63% of MVRT program administration costs starting in 2012. As of September 2014, almost 45% of the registered vehicles in Alaska were in the Municipality of Anchorage. Unless the MOA were to drastically cut the MVRT rate they currently charge they will continue to pay a larger portion of the MVRT collection cost due to the number of vehicles located in their municipality.
6. Why were the MVRT program costs not recalculated and more equitably distributed amongst the DMV and all MVRT starting in 2012 after the MOA increased its rate schedule? MVRT is determined by statute. DMV cannot recalculate the MVRT without notice by a municipality, or a change in statute.

Sincerely,
Amy

Amy Erickson, Director
Division of Motor Vehicles
State of Alaska

My DMV

Faster, friendlier, more accessible.

Forrest Wolfe

From: Moore, Daniel A. <MooreDA@ci.anchorage.ak.us>
Sent: Monday, March 16, 2015 2:44 PM
To: Forrest Wolfe
Cc: Harrington, Shalon; Denny DeWitt (ddewitt@gci.net)
Subject: FW: Additional Questions Re: SB 22 and MVRT
Attachments: sb22 data for Forrest.xlsx

Importance: High

Forrest—

I reviewed the information provided by Amy Erickson of DMV. It does provide helpful details as to how they came up with their \$1.6M statewide MVRT program cost estimate, however it also further proves the point that the MOA is being significantly overcharged and that the 8% statutory rate for their admin charge needs to be lowered.

Specifically, using DMV's figures provided in the attached Excel spreadsheet:

- Anchorage-based, non-Fiscal group PCN cost devoted to MVRT = \$403,605
- Assuming 45% of all MVRT is Anchorage-based, then Fiscal Group PCN cost devoted to MVRT = \$206,949
- Anchorage-based leasing cost devoted to MVRT = \$72,446
- Total costs, using DMV's figures, related to Anchorage MVRT = \$683,020
- Actual cost charged to MOA for 2014 calendar year MVRT collections = \$945,470
- Overcharge to MOA = \$262,450 (i.e., 38% overcharge to MOA based on DMV's figures; in addition MOA is paying 59% of statewide MVRT program costs despite having 45% of MVRT registered vehicles, per DMV's figures)

No municipal entity should be charged by DMV more than the costs incurred to administer. The current 8% statutory fee is set too high because it is resulting in an inequitable, unsupported overcharge to MOA and to other MVRT communities. In order to correct this misallocation of costs, Senator Giessel has introduced SB22 to lower the 8% statutory rate. By lowering the rate to 5.5% the statewide MVRT program will still collect sufficient money for DMV to operate without leading to any layoffs of positions (per DMV's response below) and it would re-establish a fair pro-ration of costs across all MVRT communities. MOA's share of MVRT

registered vehicles has been close to 45% for many years (i.e., *both before and after* the MOA changed its MVRT rate schedule in 2012). Prior to 2012, statewide MVRT admin costs were appropriately spread pro-rata based on Anchorage's actual share of MVRT registered vehicles (i.e., an approximate 45% share), however since the change in the rate schedule the MOA now pays at a pro-rated amount of 59% (using DMV's figures) despite having the same population of registered vehicles since before 2012. Final note: DMV is not losing money with auto registrations overall... in addition to the local MVRT amounts collected, DMV collects a \$100.00 state registration fee for each registered vehicle – this amounts to many millions of dollars in fees to DMV. Note also that the processing of payments and auto registration documents is done simultaneously for both MVRT and the SOA registration fee, so actual, applied labor cost is shared or divided.

Prior to 2012, for many years running DMV's MVRT program operated without raising any issues about the sufficiency of its annual budget of nearly \$1M to administer the statewide MVRT program. Starting in 2012, because of the MOA's MVRT rate change schedule, DMV began generating \$1.6M of MVRT admin fees from the 8% statutory rate (i.e., an increase of over \$550K), yet DMV did not alter its baseline operating costs to administer MRVT nor did DMV expand or enhance services to the MOA or other MVRT communities to justify the additional admin revenues it was collecting from MVRT communities.

*Daniel Moore, Municipal Treasurer
Municipality of Anchorage
ph. (907) 343-4092
fax (907) 343-6677*

From: Forrest Wolfe [mailto:Forrest.Wolfe@akleg.gov]
Sent: Monday, March 16, 2015 1:18 PM
To: Denny DeWitt; Harrington, Shalon; Moore, Daniel A.
Subject: FW: Additional Questions Re: SB 22 and MVRT

Amy got back to us with answers to our additional questions. I just got this and haven't really had a chance to go over anything just yet; wanted to get it to you all right away.

We have another hearing scheduled for tomorrow @ 3:30; if you could make yourselves available for testimony and questions again, I would greatly appreciate it.

Thanks,

Forrest

Summary information of costs related to MVRT

Total DMV positions that process MVRT		86
MVRT % salary cost of DMV employees	\$	1,188,536
Total cost of Commission Agent fees	\$	290,654
MVRT % leasing cost of DMV offices	\$	126,200
Cost to DMV to administer MVRT program	\$	1,605,391

FY2014 information	Salary costs for DMV employees				% of time related to MVRT Transactions	Salary related to MVRT transactions
	Location	PCN	Salary	Benefits		
Fiscal	12-5206	\$43,406	\$32,288	\$75,694	80%	\$60,555
Fiscal	12-5115	\$50,743	\$34,904	\$85,647	100%	\$85,647
Fiscal	12-5107	\$35,477	\$29,461	\$64,938	100%	\$64,938
Fiscal	12-5117	\$33,608	\$28,795	\$62,403	100%	\$62,403
Fiscal	12-5116	\$39,216	\$30,794	\$70,010	100%	\$70,010
Fiscal	12-5118	\$43,968	\$32,488	\$79,456	100%	\$79,456
Fiscal	12-5104	\$41,975	\$31,778	\$73,753	50%	\$36,877
Anch Pub Svc	02-9517	\$34,361	\$29,063	\$63,424	14%	\$8,879
Anch Pub Svc	02-9520	\$39,216	\$30,794	\$70,010	14%	\$9,801
Anch Pub Svc	12-5373	\$34,551	\$29,131	\$63,682	14%	\$8,915
Anch Pub Svc	12-5119	\$36,828	\$39,943	\$76,771	14%	\$10,748
Anch Pub Svc	02-9519	\$33,243	\$28,665	\$61,908	14%	\$8,667
Anch Pub Svc	12-5445	\$33,203	\$28,651	\$61,854	14%	\$8,660
Anch Pub Svc	12-5368	\$36,875	\$29,960	\$66,835	14%	\$9,357
Anch Pub Svc	12-5442	\$33,648	\$28,809	\$62,457	14%	\$8,744
Anch Pub Svc	02-9510	\$40,848	\$31,376	\$72,224	14%	\$10,111
Anch Pub Svc	12-5304	\$33,838	\$28,877	\$62,715	14%	\$8,780
Anch Pub Svc	12-5346	\$33,324	\$28,694	\$62,018	14%	\$8,683
Anch Pub Svc	12-5371	\$33,838	\$28,877	\$62,715	14%	\$8,780
Anch Pub Svc	12-5350	\$33,365	\$28,708	\$62,073	14%	\$8,690
Anch Pub Svc	12-5325	\$32,676	\$28,463	\$61,139	14%	\$8,559
Anch Pub Svc	12-5367	\$33,324	\$28,694	\$62,018	14%	\$8,683
Anch Pub Svc	12-5384	\$41,936	\$31,764	\$73,700	14%	\$10,318
Anch Pub Svc	12-5365	\$33,243	\$28,665	\$61,908	14%	\$8,667
Anch Mail Outs	12-5359	\$43,345	\$32,266	\$75,611	31%	\$23,439
Anch Mail Outs	12-5376	\$47,328	\$33,686	\$81,014	31%	\$25,114
Anch Mail Outs	12-5379	\$43,225	\$32,224	\$75,449	31%	\$23,389
Anch Mail Outs	12-5305	\$35,193	\$29,360	\$64,553	31%	\$20,011
Anch Mail Outs	12-5372	\$35,477	\$29,461	\$64,938	31%	\$20,131
Anch Downtown	12-5386	\$34,598	\$29,148	\$63,746	12%	\$7,650
Anch Downtown	12-5364	\$41,040	\$31,445	\$72,485	12%	\$8,698
Anch Downtown	12-5309	\$39,420	\$30,867	\$70,287	12%	\$8,434
Anch Downtown	12-5370	\$46,828	\$33,508	\$80,336	12%	\$9,640
Anch Downtown	12-5430	\$34,361	\$29,063	\$63,424	12%	\$7,611
Anch Dealers	12-5366	\$59,986	\$38,199	\$98,185	14%	\$13,746
Anch Dealers	12-5238	\$34,266	\$29,030	\$63,296	14%	\$8,861
Anch Dealers	12-5377	\$56,514	\$36,961	\$93,475	14%	\$13,087
Anch Dealers	12-5405	\$35,193	\$29,360	\$64,553	14%	\$9,037
Anch Dealers	12-5345	\$34,551	\$29,131	\$63,682	14%	\$8,915
Eagle River	02-9511	\$34,313	\$29,046	\$63,359	16%	\$10,137
Eagle River	12-5239	\$33,365	\$28,708	\$62,073	16%	\$9,932
Eagle River	12-5213	\$34,598	\$29,148	\$63,746	16%	\$10,199
Eagle River	12-5329	\$36,206	\$29,721	\$65,927	16%	\$10,548

Ketchikan	12-5307	\$39,772	\$30,993	\$70,765	17%	\$12,030
Ketchikan	12-5434	\$42,332	\$31,905	\$74,237	17%	\$12,620
Ketchikan	02-9513	\$14,020	\$12,004	\$26,024	17%	\$4,424
Bethel	02-9523	\$57,552	\$37,331	\$94,883	10%	\$9,488
Palmer	12-5363	\$54,036	\$36,078	\$90,114	16%	\$14,418
Palmer	12-5433	\$46,083	\$33,242	\$79,325	16%	\$12,692
Palmer	02-9521	\$39,216	\$30,794	\$70,010	16%	\$11,202
Palmer	12-5362	\$40,100	\$31,109	\$71,209	16%	\$11,393
Palmer	12-5378	\$50,196	\$34,709	\$84,905	16%	\$13,585
Palmer	02-9509	\$44,311	\$32,611	\$76,922	16%	\$12,308
Palmer	12-5351	\$40,848	\$31,376	\$72,224	16%	\$11,556
Palmer	12-5466	\$14,020	\$12,004	\$26,024	16%	\$4,164
Palmer	02-9518	\$33,243	\$28,665	\$61,908	16%	\$9,905
Kodiak	12-5412	\$43,920	\$32,471	\$76,391	17%	\$12,986
Kodiak	12-5387	\$29,874	\$24,101	\$53,975	17%	\$9,176
Nome	12-5317	\$54,280	\$36,165	\$90,445	14%	\$12,662
Juneau Pub Svc	12-5220	\$55,578	\$36,667	\$92,245	14%	\$12,914
Juneau Pub Svc	12-5236	\$46,980	\$33,562	\$80,542	14%	\$11,276
Juneau Pub Svc	12-5303	\$51,045	\$35,011	\$86,056	14%	\$12,048
Juneau Pub Svc	12-5217	\$35,828	\$29,587	\$65,415	14%	\$9,158
Juneau Pub Svc	12-5234	\$43,361	\$32,272	\$75,633	14%	\$10,589
Juneau Pub Svc	12-5336	\$31,160	\$24,560	\$55,720	14%	\$7,801
Homer	12-5477	\$30,219	\$24,224	\$54,443	18%	\$9,800
Homer	12-5313	\$46,632	\$33,438	\$80,070	18%	\$14,413
Soldotna	12-5120	\$49,592	\$34,493	\$84,085	16%	\$13,454
Soldotna	12-5311	\$38,050	\$30,379	\$68,429	16%	\$10,949
Soldotna	02-9508	\$33,405	\$28,723	\$62,128	16%	\$9,940
Soldotna	12-5431	\$47,328	\$33,686	\$81,014	16%	\$12,962
Soldotna	12-5465	\$13,615	\$11,860	\$25,475	16%	\$4,076
Fairbanks	12-5320	\$57,480	\$37,345	\$94,825	1%	\$948
Fairbanks	12-5323	\$40,444	\$31,232	\$71,676	1%	\$717
Fairbanks	02-9515	\$48,744	\$34,191	\$82,935	1%	\$829
Fairbanks	12-5326	\$37,380	\$30,140	\$67,520	1%	\$675
Fairbanks	12-5453	\$14,150	\$12,050	\$26,200	1%	\$262
Fairbanks	12-5446	\$43,970	\$32,489	\$76,459	1%	\$765
Fairbanks	02-9516	\$33,660	\$28,814	\$62,474	1%	\$625
Fairbanks	12-5333	\$33,660	\$28,814	\$62,474	1%	\$625
Fairbanks	12-5324	\$56,776	\$37,094	\$93,870	1%	\$939
Fairbanks	12-5321	\$53,640	\$35,936	\$89,576	1%	\$896
Fairbanks	12-5322	\$43,482	\$32,315	\$75,797	1%	\$758
Fairbanks	12-5216	\$35,342	\$29,413	\$64,755	1%	\$648
Fairbanks	12-5328	\$36,538	\$29,840	\$66,378	1%	\$664
Fairbanks	12-5329	\$36,206	\$29,721	\$65,927	1%	\$659
Fairbanks	12-5332	\$31,214	\$71,606	\$102,820	1%	\$1,028
Total salary cost				\$6,103,793		\$1,188,536

Provided to SSTA Committee by the office of Senator Giessel.

MVRT collection for FY2014

Statewide Summary Report

Community	Total amount Collected	Amount Retained	Amount Refunded	Cost to DMV
ANCHORAGE	\$ 12,615,361	\$ 1,009,229	\$ 11,606,132	\$ 1,031,046
KETCHIKAN	\$ 212,439	\$ 16,995	\$ 195,444	\$ 28,498
PETERSBURG	\$ 36,199	\$ 2,896	\$ 33,303	\$ 21,866
BETHEL	\$ 59,768	\$ 4,781	\$ 54,987	\$ 9,643
MATANUSKA	\$ 4,184,202	\$ 334,736	\$ 3,849,466	\$ 110,789
KODIAK	\$ 275,250	\$ 22,020	\$ 253,230	\$ 28,999
UNALASKA	\$ 141,955	\$ 11,356	\$ 130,599	\$ 40,329
NOME	\$ 41,213	\$ 3,297	\$ 37,916	\$ 14,984
WHITTIER	\$ 4,724	\$ 378	\$ 4,346	*
NENANA	\$ 7,842	\$ 627	\$ 7,215	*
BRISTOL BAY	\$ 103,111	\$ 8,249	\$ 94,862	\$ 51,880
DILLINGHAM	\$ 30,923	\$ 2,474	\$ 28,449	\$ 5,566
KENAI	\$ 1,502,144	\$ 120,172	\$ 1,381,972	\$ 175,886
SITKA	\$ 99,469	\$ 7,958	\$ 91,511	\$ 15,915
CORDOVA	\$ 33,985	\$ 2,719	\$ 31,266	\$ 6,797
JUNEAU	\$ 528,780	\$ 42,302	\$ 486,478	\$ 78,407
	\$ 19,877,365	\$ 1,590,189	\$ 18,287,176	\$ 1,620,605

*No DMV offices at these locations. Transactions and money are accounted for in different locations

Leasing costs

	Yearly cost	% of MVRT transactions	Lease cost based on MVRT percentage
Anchorage	\$349,125	18%	\$62,843
Eagle River	\$60,024	16%	\$9,604
Bethel	\$6,433	10%	\$643
Palmer	\$58,323	16%	\$9,332
Kodiak	\$38,573	17%	\$6,557
Nome	\$18,275	14%	\$2,559
Juneau	\$112,710	14%	\$15,779
Homer	\$54,559	18%	\$9,821
Soldotna	\$56,643	16%	\$9,063
		<u>Total</u>	<u>\$126,200</u>

*Provided to SSTA Committee by the
office of Senator Giessel.*

FY2014 information	Cost to DMV for Commission Agents to process transactions	
Location		
Petersburg	\$	12,800
Unalaska	\$	57,941
Dillingham	\$	37,793
Cordova	\$	43,094
Seward	\$	93,219
King Salmon	\$	45,807
total	\$	290,654

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).

MUNICIPALITY OF ANCHORAGE



Finance Treasury

(907) 343-4092

Mayor Dan Sullivan

February 2, 2015

RE: Letter of Support for SB 22: "An Act relating to collection costs from a municipality's share of biennial motor vehicle registration; and providing for an effective date."

I am writing as a representative of the Municipality of Anchorage in support of SB 22, a bill sponsored by Senator Giessel. SB 22 proposes to reduce the statutory collection cost fee charged by the Department of Motor Vehicles (DMV) from its current level of 8.0% to 5.5%. The proposed legislation corrects an inequity that has existed for several years in the amount of fee revenue generated by DMV for its administration of the Statewide Motor Vehicle Registration Tax (MVRT) program. This bill positively impacts the net revenues received from the MVRT program for sixteen local governments throughout the State. The bill limits DMV's ability going forward to continue to generate over \$500K in excess collection fee revenue from the MVRT program and it appropriately redistributes excess fees to the local governments where the biennial MVRT originates.

SB 22 proposes an update to the percentage fee charged by DMV to local governments for collecting biennial auto registration tax on their behalf. DMV's current 8% statutory collection cost fee for the MVRT program has never changed since the MVRT program was established 22 years ago under AS 28.10.431(e). Clearly, since the early 1990's, a great number of significant and fundamental changes have occurred in technology and business processes that have allowed DMV to administer the MVRT program much more efficiently and cost effectively, yet the 8% collection fee has never been adjusted to match changing conditions. At its inception in 1993, the 8% fee was intended to reasonably cover DMV's direct costs associated with administering the MVRT program, however the 8% fee today is generating a significant and unwarranted amount of excess revenue in the name of the MVRT program. In the past 3 years alone DMV has over-collected more than \$500K per year from the Municipality of Anchorage for administering the MVRT program and they have thereby reduced the amount of net revenue paid to fifteen other Alaskan government jurisdictions. To further illustrate, back in 2010 DMV collected approximately \$424K in fees from the MOA and since 2012 DMV's annual fees charges to the MOA have been nearly \$1M per year (i.e., a 100% increase), despite no on-going, substantive change in the cost of administering the MVRT program on behalf of the MOA. This came about as a result of the MOA electing to nearly double its auto registration fee schedule in 2012 in order to diversify local revenues and simultaneously provide local property tax relief. The MOA's change in its fee schedule was the first mass update since inception of the MVRT program in 1993. DMV's role leading up to 2012 was simply to update the rates in the fee schedule based on the notice of intent filed by the MOA. When the MOA's auto registration revenue base nearly doubled, an unintended consequence was that DMV's collection fees generated from the 8% statutory collection fee also more than doubled, despite no fundamental change in their cost of administering the MVRT program. This has led to over \$500K in annual excess collection revenues, which DMV collects in the name of the MVRT program, and it has provided DMV with opportunity to use these excess funds for purposes beyond providing status quo administration of the MVRT program.

I strongly urge support of the Committee for SB22.

Sincerely,

A handwritten signature in cursive script that reads "Daniel Moore".

Daniel Moore, Municipal Treasurer

Fiscal Note

State of Alaska
2015 Legislative Session

Bill Version: SB 22
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB022-DOA-DMV-02-04-15
Title: MOTOR VEHICLE REG. TAX: COLLECTION
COSTS
Sponsor: GIESSEL
Requester: Senate Community and Regional Affairs Committee

Department: Department of Administration
Appropriation: Motor Vehicles
Allocation: Motor Vehicles
OMB Component Number: 2348

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2016 Appropriation Requested	Included in Governor's FY2016 Request	Out-Year Cost Estimates				
			FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
OPERATING EXPENDITURES	FY 2016	FY 2016					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues	(496.9)		***	***	***	***	***
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Estimated SUPPLEMENTAL (FY2015) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2016) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Not applicable, Initial version.

Prepared By:	Amy Erickson, Director	Phone:	(907)269-5574
Division:	Motor Vehicles	Date:	02/04/2015 01:00 PM
Approved By:	Sheldon Fisher, Commissioner	Date:	02/04/15
Agency:	Department of Administration		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION

BILL NO. SB022

Analysis

The Division of Motor Vehicles (DMV) collects motor vehicle registration taxes (MVRT) for the Municipality of Anchorage, City of Bethel, Bristol Bay, Cordova, Dillingham, Haines, Juneau, Kenai Peninsula Borough, Ketchikan Gateway Borough, Kodiak Island Borough, Matanuska Susitna Borough, Nenana, Nome, Petersburg, Sitka, Unalaska, and Whittier, then refunds the money to the community, less eight percent.

If enacted, SB 22 would decrease the percentage retained for this state-administered program from eight percent to five and one-half percent, resulting in a loss of approximately \$496.9 annually.

MVRT collection in FY2014 - 8%

\$19,877.4 - total amount of MVRT collected
\$18,287.2 - total amount of MVRT refunded
\$1,590.2 - 8% retained by the state

MVRT collection in FY2014 - proposed 5.5%

\$19,877.4 - total amount of MVRT collected
\$18,784.1 - total amount of MVRT refunded
\$1,093.3 - 5.5% retained by the state

\$1,590.2
- \$1,093.3
(\$496.9)

Due to the voluntary nature of municipalities adopting permanent motor vehicle registration, DMV is unable to determine the revenue loss from 2017 going forward. Therefore, losses from 2017 forward are indeterminate.