



NORTH CAROLINA GENERAL ASSEMBLY

Session 2019

Legislative Fiscal Note

Short Title: Adjust LPA Pay Rates/DMV Advertising.
Bill Number: Senate Bill 625 (First Edition)
Sponsor(s):

SUMMARY TABLE

FISCAL IMPACT OF S.B. 625, V.1 (\$ in millions)

	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>
State Impact					
Highway Fund Revenue	-	-	-	-	-
<u>Less Expenditures</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	<u>6.1</u>	<u>6.2</u>
Highway Fund Impact	(6.0)	(6.0)	(6.0)	(6.1)	(6.2)
Note: Partial estimate available. See Fiscal Analysis Section.					
NET STATE IMPACT	(\$6.0)	(\$6.0)	(\$6.0)	(\$6.1)	(\$6.2)

TECHNICAL CONSIDERATIONS: See Technical Considerations Section

FISCAL IMPACT SUMMARY

It is estimated that S.B. 625 will result in annual costs as follows due to increased license plate agency (LPA) compensation:

- \$5,906,191 in FY 2019-20;
- \$5,968,560 in FY 2020-21;
- \$6,031,588 in FY 2021-22;
- \$6,095,281 in FY 2022-23; and
- \$6,159,648 in FY 2023-24.

Additionally, it is estimated that this bill will result in one-time IT costs of \$50,600, with annual maintenance costs beginning in FY 2020-21 of \$5,060.

This bill changes the definition of one type of transaction; there is no estimate available for the change in costs associated with the new transaction definition.

Section 1 amends G.S. 20-63(h) by creating a standard license plate agency transaction compensation rate of \$2.00. The collection of highway use tax and removal of a registration stop (formerly an inspection stop) are separate transactions now worth three-fourths the standard compensation rate, or \$1.50. The collection of a civil penalty for a lapse in financial responsibility

is a new separate transaction worth two times the standard rate, or \$4.00. Multiple transactions defined in this section, when performed at the same time, are now worth the standard transaction rate, or \$2.00.

Section 2 amends Article 3 of G.S. 20 by adding a new section that requires the Division of Motor Vehicles (DMV) to include the option of license plate agencies in advertisements related to vehicle transactions.

Section 3 makes this act effective October 1, 2019. Section 1 applies to transactions performed on or after that date.

FISCAL ANALYSIS

Section 1

DMV operates and maintains the State Titling and Registration System (STARS), a computer system that maintains vehicle data. This system will require technical modifications to comply with the modification of LPA transaction rates. The estimated cost for these modifications is a one-time cost of \$50,600 in FY 2019-20, with annual maintenance costs of \$5,060 beginning in FY 2020-21.

This bill changes the definition of one transaction type: the removal of an inspection stop is amended to the removal of a registration stop. Registration stops are defined in G.S. 20-54. This is a significant operational expansion for LPAs; it is not currently known if LPAs have the IT capability to process these types of transactions. Furthermore, there is no estimate available for how this operational change would impact the number of transactions performed by LPAs.

This bill changes the compensation for a number of transactions performed by LPAs. **Table 1** below shows the baseline fiscal impact of this bill using calendar year 2018 transaction data. Vehicle registrations in North Carolina increased on-average by 1.056% per year; this rate approximates the estimated growth in LPA compensation annually due to increased transactions. **Table 2** below shows the estimated annual fiscal impact of S.B. 625, including the estimated increase in LPA Compensation due to the change in transaction rate and the annual estimated increase in transactions, and costs associated with STARS modifications. Please note that numbers in both tables may not sum due to rounding.



Table 1: Baseline Fiscal Impact of LPA Compensation Change, using Calendar Year 2018 Data						
	<i>CY 2018 Number of Transactions</i>	<i>Current Compensation</i>	<i>Total (CY 2018 Transactions * Current Compensation)</i>	<i>SB 625 Compensation</i>	<i>Total (Transactions * SB 625 Compensation)</i>	<i>Baseline Fiscal Impact</i>
<i>Highway Use Tax</i>	1,587,990	\$ 1.30	\$ 2,064,387	\$ 1.50	\$ 2,381,985	\$ 317,598
<i>Inspection Stop**</i>	86,611	\$ 1.30	\$ 112,594	\$ 1.50	\$ 129,917	\$ 17,322
<i>Financial Responsibility Civil Penalty - standalone</i>	345,966	\$ 1.46	\$ 505,110	\$ 4.00	\$ 1,383,864	\$ 878,754
<i>Financial Responsibility Civil Penalty - as part of multiple transactions</i>	2,454	\$ -	\$ -	\$ 4.00	\$ 9,816	\$ 9,816
<i>Multiple Transactions</i>	8,557,376	\$ 1.46	\$ 12,493,769	\$ 2.00	\$ 17,114,752	\$ 4,620,983
<i>Total transactions</i>	10,577,943					
		Totals	\$ 15,175,861		\$ 21,020,334	\$ 5,844,473

***SB 625 changes "inspection stop" to "registration stop" - Registration stops are defined in GS 20-54. There is no estimate available on how this change would impact the number of transactions performed by LPAs. This analysis does not provide fiscal estimates of the impacts associated with this operational change.*

Table 2: Estimated Fiscal Impact of SB 625						
	<i>Baseline</i>	<i>FY 2019-20</i>	<i>FY 2020-21</i>	<i>FY 2021-22</i>	<i>FY 2022-23</i>	<i>FY 2023-24</i>
<i>Change in LPA Compensation</i>	\$ 5,844,473	\$ 5,906,191	\$ 5,968,560	\$ 6,031,588	\$ 6,095,281	\$ 6,159,648
<i>IT Estimates</i>		\$ 50,600	\$ 5,060	\$ 5,060	\$ 5,060	\$ 5,060
Total Estimated Fiscal Impact		\$ 5,956,791	\$ 5,973,620	\$ 6,036,648	\$ 6,100,341	\$ 6,164,708

Section 2

It is estimated that this section will have no fiscal impact, as DMV is in the process of changing correspondence to meet these requirements.

TECHNICAL CONSIDERATIONS

Due to the resources allocated for other DMV IT projects, the technical modifications to STARS required by this bill cannot be implemented prior to July 1, 2020.

This bill makes the collection of financial responsibility civil penalties separate transactions in all cases. It is worth noting that STARS automatically calculates and applies penalties as required by law; therefore, an LPA may conduct multiple transactions simultaneously, but will receive compensation for each transaction.

DATA SOURCES

DIVISION OF MOTOR VEHICLES



LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

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