



NORTH CAROLINA GENERAL ASSEMBLY

2023 Session

Legislative Fiscal Note

Short Title: Nonconsensual Booting and Towing Reform.
Bill Number: House Bill 1024 (First Edition)
Sponsor(s): Rep. Budd, Rep. Carson Smith, Rep. Pyrtle, and Rep. Logan

SUMMARY TABLE

FISCAL IMPACT OF H.B. 1024, V.1 (\$ in thousands)

	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>
State Impact					
Highway Fund Revenue	-	220.6	227.8	234.8	242.0
<u>Less Expenditures</u>	<u>500.0</u>	<u>220.6</u>	<u>227.8</u>	<u>234.8</u>	<u>242.0</u>
Highway Fund Impact	(500.0)	-	-	-	-
NET STATE IMPACT	(\$500.0)	-	-	-	-
STATE POSITIONS	2.00	2.00	2.00	2.00	2.00

FISCAL IMPACT SUMMARY

The proposed bill would amend Chapter 20 of the General Statute by creating a new article 7C, which would define and regulate nonconsensual booting and towing. It would also create a Towing and Recovery Commission (the Commission) to establish the maximum fees a nonconsensual towing business may charge for booting, towing, storage, and handling of personal property. The proposed bill would require the North Carolina Division of Motor Vehicles (DMV) to create a publicly accessible database to track vehicles that have been towed without consent. Entities that engage in nonconsensual towing would be required to obtain a permit from the DMV and entered any towed vehicles into the database. The DMV would set the fee for permits and could charge up to the cost of administering the permitting system and database. The proposed bill also includes a non-recurring appropriation of \$500,000 from the Highway Fund for FY 2024-25 that would support the initial program cost.

The net impact to the Highway Fund is \$500,000 in FY 2024-25. The net impact to the Highway Fund is \$0 in the remaining 4 fiscal years.

Fiscal Research estimates the **total cost to establish and administer the regulatory program is \$1,425,165 over the 5 fiscal year timeframe of this note: \$1,111,080 in recurring (R) and \$314,085 in non-recurring (NR).**

The proposed bill limits the fees the DMV could collect, not to exceed the direct and indirect costs of administering the permitting system and database. As a result, this analysis assumes that all costs to administer the newly proposed regulatory program beginning in FY 2025-26 would be supported through the collection of fees. **Fiscal Research estimates the total fiscal impact to Highway Fund revenue in FY 2025-26 through FY 2028-29 is \$925,165.**

FISCAL ANALYSIS

Section 1 amends Chapter 20 of the General Statutes by adding a new Article regulating businesses that engage in nonconsensual towing, which is the removal and storage of vehicles, without the prior consent or authorization of the owner or operator of the motor vehicle. The new Chapter requires that all nonconsensual towing businesses obtain a permit from the DMV and that the permit be renewed annually. The section requires the DMV to create a database to track businesses that tow or boot nonconsensually. It also creates a Commission to set the maximum rate that a nonconsensual towing company can charge.

Expenditures: The costs associated with the bill proposal emerge from the requirements to: 1) administer the program, 2) establish a nonconsensual towing database, and 3) establish the Commission. A description and analysis of each requirement follows.

1) Staff to Administer Program: A new G.S. 20-219.40 would require the DMV to permit businesses that engage in nonconsensual towing. The Division reports that it would need two Program Coordinator III positions for this purpose. The positions would be responsible for implementing the permitting process and supporting the operations of the database. They would be responsible for communicating with towing businesses and the public about the requirements of the new program. The Program Coordinators would also be responsible for collecting public reports of suspected noncompliance, transmitting those reports to both the Attorney General and the Commission, and supporting any required follow-up on the part of the Division. The annual salary of a Program Coordinator III is \$61,308. The total cost for one position, including salary and benefits, is \$88,832.

Fiscal Analysis: The cost for two Program Coordinator III positions, including salary and benefits, is \$177,663. Adjusted annually, the cost of the positions increase to \$207,631 in FY 2028-29. There will be a NR cost of \$5,400 in FY 2024-25 to cover computers, office equipment, and supplies for the new FTE.

2) Nonconsensual Towing Database: A new G.S. 20-219.45(a) would direct the DMV to develop and maintain a statewide database to regulate entities that tow or boot nonconsensually. The bill requires the database to include the following capabilities: 1) Allow members of the public to report suspected noncompliance with the proposed Article 7c, 2) Allow the owner or operator of a booted or nonconsensually towed motor vehicle to search the database by entering that vehicle's license plate number or vehicle identification number (VIN) and access the information inputted

by a nonconsensual towing business, and 3) Allow nonconsensual towing businesses to securely log in to the database and input the information required by the proposed G.S. 20-219.45 (b).

The DMV does not currently regulate nonconsensual towing or booting practices. However, the Notice and Storage Unit, which is within the DMV’s License and Theft (L&T) Bureau, manages and enforces the North Carolina General Statutes § 20-77 and § 44A, which govern mechanic and storage liens. The L&T Bureau is currently working with a vendor to design and implement an electronic system for monitoring the mechanic and storage lien process. The design of the system could be modified to address the requirements of this bill. This includes allowing members of the public to search for a towed vehicle and creating a secure portal, thereby allowing permitted towing companies to enter information about vehicles that have been nonconsensually towed as well as the fee for redeeming towed vehicles.

Fiscal Analysis: The DMV estimates a one-time cost of \$261,100 NR to develop the database required by the bill. In addition, there is an estimated \$26,110 R cost, beginning in FY 2025-26, for annual maintenance of the database.

3) Towing and Recovery Commission: A new G.S. 20-219.65 would establish a Commission to annually set the maximum fees that a nonconsensual towing business may charge for booting, towing, storage, and handling of personal property. The Commission would be required to meet at least twice a year and would include eight non-Legislative members.

Fiscal Analysis: The estimated annual cost of the Commission, including travel and per diem, is \$8,252.

Table 2 summarizes the estimated total expenditures required to support the bill’s three regulatory elements (i.e. program staff, the nonconsensual towing database, and the Commission).

Table 2: Summary of Estimated Expenditures Required to Implement Proposed Regulatory Requirements of Bill					
Expenditure Source	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Database Development	\$ 261,100				
Database Maintenance		\$26,110	\$26,110	\$26,110	\$26,110
2 Program Coordinator III FTE	\$177,663	\$186,188	\$193,474	\$200,424	\$207,631
Computers, Office Equip., & Supplies	\$5,400				
Towing and Recovery Commission	\$8,252	\$8,252	\$8,252	\$8,252	\$8,252
Total	\$452,415 *	\$ 220,550	\$227,836	\$234,786	\$241,993
*Note: Since the bill contains an appropriation of \$500,000 NR in FY 2024-25, the Fiscal Impact summary table on first page of the fiscal note shows \$500,000 as FY 2024-25 total expenditures.					

Revenues: The new G.S. 20-219.40 directs the DMV to collect a nonrefundable fee for a permit. The fee may not exceed the total direct and indirect costs associated with permitting entities that engage in nonconsensual booting and towing and administering the database required by the new G.S. 20-219.45.

Fiscal Analysis: Given that the new program will have an initial startup phase, **this analysis assumes the DMV will be collecting fees sufficient to cover the full cost of the program beginning FY 2025-26.** Fiscal Research estimates **the total fiscal impact to Highway Fund revenue in FY 2025-26 through FY 2028-29 is \$925,165.**

Section 2 amends G.S. 20-219.20 to conform with the Article created by Section 1. There is **no fiscal impact** associated with this change.

Section 3 provides the Department of Transportation, DMV, with **a non-recurring appropriation of \$500,000** from the Highway Fund for FY 2024-2025. **The appropriation would** become available July 1, 2024. Based on this fiscal analysis, the funds would be sufficient to **cover the anticipated program implementation costs, estimated at \$452,415** for the first fiscal year of the program.

Section 4 provides an effective date of December 1, 2024.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

NORTH CAROLINA 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.

ESTIMATE PREPARED BY

Jessica T. Meed

ESTIMATE APPROVED BY

Brian Matteson, Director of Fiscal Research
Fiscal Research Division
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Signed copy located in the NCGA Principal Clerk's Offices