

Department of Planning and Budget 2008 Fiscal Impact Statement

1. Bill Number: HB649

House of Origin ☐ Introduced ☐ Substitute ☐ Engrossed
Second House ☒ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Hogan

3. Committee: Senate Transportation

4. Title: **Collection of annual license and registration fees in certain localities; civil remedial fees.**

5. Summary: The proposed legislation would prohibit licensed motor vehicle dealers from collecting any additional license and registration fees imposed by the Hampton Roads Transportation Authority and/or the Northern Virginia Transportation Authority. The bill would also repeal §46.2-206.1, Code of Virginia, which provides for the imposition of civil remedial fees on certain drivers.

6. Fiscal Impact Estimates: Preliminary.

6a. Expenditure Impact: The expenditures related to collecting the civil remedial fees are recovered through the collections. The 2007 Appropriation Act authorizes the Department of Motor Vehicles (DMV) to impose an administrative cost on the revenues collected.

The provisions regarding the collection of license and registration fees would increase collection costs for DMV by an estimated \$3.4 million and require over \$100,000 in system changes. The Department of Taxation estimates a \$3.4 million impact based on the percentage of taxable sales currently processed by motor vehicle dealers (55 percent) times the number of taxable sales in Northern Virginia and Hampton Roads (590,480 and 472,271 respectively) times the DMV cost per transaction (\$5.80). The additional collection costs will be passed on to the transportation authorities by the vendor hired to collect the taxes and fees of the Hampton Roads Transportation Authority and the Northern Virginia Transportation Authority.

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2008-09	(\$61.8 million)		NGF
2009-10	(\$65.4 million)		NGF
2010-11	(\$65.4 million)		NGF
2011-12	(\$65.4 million)		NGF
2012-13	(\$65.4 million)		NGF
2013-14	(\$65.4 million)		NGF

7. **Budget Amendment Necessary:** Yes. A reduction in Item 455 of \$61.8 million in FY 2009 and \$65.4 million in FY 2010 related to the repeal of the abusive driver provisions. An increase of \$3.4 million will be required in FY 2009 and FY2010 in Item 441 related to the increase in collection costs of license and registration fees.
8. **Fiscal Implications:** The revenues generated from the civil remedial fees are dedicated to the highway maintenance program. Current law directs all maintenance funding needs to be met prior to construction expenditures. In FY 2008, maintenance funding required an infusion of \$260 million from the construction program. The repeal of the civil remedial fees will increase the amount of construction funding that must be used for maintenance activities. A repeal of this component of HB 3202 will result in an estimated revenue loss of more than \$385 million to highway construction program in the next six years. The bill includes no provisions to offset this revenue loss. Also, see Item 11, below.
- The revenues generated by the additional license and registration fees support the Northern Virginia Transportation Authority and the Hampton Roads Transportation Authority and are not state revenues. The additional cost to DMV to collect the fees will be passed on to the transportation authorities, who will see a reduction in revenues of \$3.4 million per year.
9. **Specific Agency or Political Subdivisions Affected:** Department of Motor Vehicles, Virginia Department of Transportation, and the Supreme Court
10. **Technical Amendment Necessary:** None.

11. **Other Comments:** The provisions prohibiting the collection of the transportation authorities' license and registration fees will require changes to current agency, dealer and customer practices, which will increase the potential for confusion and error. Motor vehicle dealers currently collect the 3 percent state motor vehicle sales and use tax, as well as the state portion of the registration fee. This practice will not be amended by the proposed legislation. The bill only prohibits dealers from collecting any additional license and registration fees imposed by the Hampton Roads Transportation Authority and/or the Northern Virginia Transportation Authority. The bill will require customers in Northern Virginia and Hampton Roads to complete an additional transaction with DMV before the registration and titling process can be completed. Customers will not be able to add the regional 1 percent initial registration fee to the financing of the vehicle and will have to pay the fee with cash or credit card. Section 46.2-600, Code of Virginia, requires the registration of motor vehicles within 30 days of the purchase. Procedures at the Department of Motor Vehicles and the motor vehicle dealers will need to be amended to ensure customers can register their vehicles within the time limit.

The revenue impact shown above in Item 6 b. is based upon the projections developed by DMV and the Department of Taxation in March 2007. As was noted by the Joint Legislative Audit and Review Commission in its December 5, 2007 report to the Joint Commission on Transportation Accountability, while inherently uncertain, these revenue estimates represent "a concerted effort to develop a projection based on the best available information."

The actual revenue collected from the assessment of the conviction related fees for the six month period of July 1, 2007 through December 30, 2007 was \$3.9 million. According to the

data received from the Courts, the total amount of fees assessed by the Courts during that same period was almost \$9.9 million.

These two sources of information indicate that the civil remedial fees imposed pursuant to §46.2-206.1, Code of Virginia, may not generate the amount of revenue that had been projected.

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cc: Secretary of Transportation