

Department of Planning and Budget

2016 Fiscal Impact Statement

1. Bill Number: HB417

House of Origin	<input type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input checked="" type="checkbox"/> Enrolled

2. Patron: Bagby

3. Committee: Passed Both Houses

4. Title: Department of Motor Vehicles transactions

5. Summary: This bill allows the Department of Motor Vehicles (DMV) to enter into contracts, where the underlying contract permits, with contractors of state or federal agencies to conduct customer service transactions on behalf of such agencies for the benefit of Virginia residents. The bill allows DMV to receive a portion of the transaction fee required by the responsible agency or contractor to defray DMV's costs, provides a \$1 discount for specified DMV licensing transactions conducted online, and ensures that DMV does not charge fees to federal, state, and local government agencies for information they request provided that such agencies do not charge the Commonwealth when it requests the same or similar information from those agencies. Finally, the bill provides for a driver's license classification for passenger cars and eliminates the requirement that individuals under the age of 21 who have one or more specified convictions retake the written driver's license examination. The bill contains technical amendments.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Final. See Item #8.

8. Fiscal Implications: It is anticipated that the provisions of the legislation relating to agreements with state and federal contractors will be revenue neutral. Any agreement entered into with a contractor that has a contractual agreement with an agency of the Commonwealth, any other state, or the federal government will be designed to provide enhanced services to customers while permitting cost recovery for DMV and the Commonwealth.

For the online transaction discount, a one-time cost of \$44,100 is estimated for changes necessary to DMV's automated system in order to apply and account for a discount when a specified transaction is conducted online. The staff hours required to implement this can be accomplished during normal work schedules; therefore DMV is able to absorb this cost. In addition, cost avoidance is anticipated from a transition from in-person to on-line transactions, which should help offset the implementation costs.

Some revenue loss is anticipated from the online transaction discount. Assuming a 5 percent migration to online transactions, there could be 375,447 online transactions completed for driver's license renewals, driver's license duplicates or reissues, identification card renewals, identification card duplicates or reissues, and title replacements made in FY 2016. A \$1 discount for each of these transactions would result in a revenue loss of \$375,447. Moving these transactions from a manual, in-person process to a substantially more efficient electronic or automated process will help offset the revenue loss as DMV would incur a non-monetary benefit through this efficiency. This benefit is initially unrealized because it does not result in bankable money available to the agency. However, realization of this benefit will occur through moving routine transactions to the most cost-effective delivery channels and allowing the agency's experienced, highly-trained customer service representatives sufficient time to handle the more complex, time-consuming transactions when quick and routine transactions are completed online.

Although the magnitude of any efficiency benefit that will ultimately be realized cannot be estimated, DMV would absorb the revenue loss associated with the online discount and the agency believes that an increase in online transactions will provide a sufficient offset for the estimated revenue loss. Funds to support this program will be drawn from fees allocated for DMV's expenses.

Implementing the provisions of the bill related to DMV fees to federal, state, and local government agencies, a driver's license classification for passenger cars, and eliminating the retesting requirement for individuals under the age of 21 who have one or more specified convictions will not have a fiscal impact. Implementing these provisions will not result in an expenditure increase for the agency.

9. Specific Agency or Political Subdivisions Affected: Department of Motor Vehicles; federal, state, and local government agencies requesting information from DMV.

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 2/29/16

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c: Secretary of Transportation