

Department of Planning and Budget 2007 Fiscal Impact Statement

1. Bill Number: HB3149

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

2. Patron: Saxman

3. Committee: Transportation

4. Title: DMV fees; issuance of driver's licenses and learner's permits.

5. Summary/Purpose: This bill requires the Department of Motor Vehicles (DMV) to impose an additional fee of up to \$20 for any transaction carried out in one of its customer service centers if the transaction does not involve a driver's license or learner's permit or some other service that cannot be carried out electronically or by other alternative means. The bill also requires the DMV Commissioner shall prepare a plan whereby all Virginia driver's licenses and learner's permits will be centrally manufactured and sent to the licensee or permittee by mail. He must submit a progress report to the General Assembly on the preparation of the plan and a schedule for implementation on or before September 1, 2007, and a final report no later than December 31, 2007.

6. Fiscal Impact Estimates are preliminary. See Item 8.

7. Budget amendment necessary: No.

8. Fiscal implications: This bill encourages the use of alternate service options to process motor vehicle transactions (e.g. mail, Internet, telephone, DMV Selects), in order to divert customer traffic from DMV customer service centers. The bill directs the DMV Commissioner to impose a fee of up to \$20 on any transaction carried out in a customer service center (CSC) that could be carried out through an alternate means.

An August 2005 survey conducted by Virginia Commonwealth University found that approximately one-third of DMV customers were committed to using a CSC rather than an alternative service, and that many of these customers tend to be lower income, with lesser access to the tools (e.g. credit card, checking account, Internet access) necessary to complete a transaction via alternative services. On the other hand, two-thirds reported that they may be willing to use an alternative service if it costs them less than a CSC transaction. Specifically, a \$5 discount could move up to 61 percent of all transactions to an alternative service. However, customers were responding to the potential of a "discount" for alternative service usage rather than a "surcharge" for CSC usage.

During FY 2006, there were 4.9 million vehicle transactions that occurred within DMV's customer service centers. Assuming a similar result with a surcharge versus a discount, imposition of a \$5 fee that diverted 61 percent of the current customers away from CSCs could result in initial revenues from the remaining CSC based transactions of \$9.6 million annually. However, over time, it could be anticipated that this revenue source would decline as more people elected to use preferred services to avoid the surcharge. The following table illustrates potential revenues at various diversion rates and fees.

| <u>Percentage still utilizing CSCs</u> | <u>Surcharge (\$ millions)</u> | | | |
|--|--------------------------------|-------------|-------------|-------------|
| | <u>\$5</u> | <u>\$10</u> | <u>\$15</u> | <u>\$20</u> |
| 90% | \$22.1 | \$44.1 | \$66.2 | \$88.2 |
| 75% | \$18.4 | \$36.8 | \$55.1 | \$73.5 |
| 50% | \$12.3 | \$24.5 | \$36.8 | \$49.0 |
| 25% | \$6.1 | \$12.3 | \$18.4 | \$24.5 |

Although this bill would drive many transactions to efficient electronic means, in some cases it would drive transactions from one manual delivery channel (within CSCs) to another manual delivery channel (mail, telephone, DMV Selects). However, application of a surcharge could still be expected to divert a substantial number of transactions out of the CSCs.

The Real ID Act of 2005 will require all current Virginia driver's license and identification card holders to come into the CSCs for renewal of their credentials. The processing of each application for a Real ID compliant driver's license or identification card will take much longer than processing such applications under current Virginia standards. DMV has estimated that, without any changes to its current procedures, implementation of Real ID will increase wait times at CSCs by at least 258 percent.

This bill is likely to result in a reduction in the volume of traffic in the CSCs, thereby counteracting the negative impact that compliance with Real ID will have on the quality of service provided to DMV customers. Likewise, the associated revenue generated by the surcharge will provide DMV with additional resources to address the costs of implementing the Act.

9. Specific agency or political subdivisions affected: Department of Motor Vehicles.

10. Technical amendment necessary: No.

11. Other comments: This bill is a companion to SB 1337.

Date: 1/30/07/jlv

Document: G:\06-08\07 Budget Development\FIS\HB3149.Doc Janet Vogelgesang

cc: Secretary of Transportation