

Department of Planning and Budget 2008 Fiscal Impact Statement

1. Bill Number: HB1524

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Athey

3. Committee: House Transportation

4. Title: **Additional annual license fees and additional initial registration fees in certain localities.**

5. Summary: This bill requires the additional license fee and one-time registration fee imposed by the Hampton Roads Transportation Authority (HRTA) and the Northern Virginia Transportation Authority (NVTa) to be collected by the Department of Motor Vehicles (DMV) in connection with the issuance or renewal of license plates or collected by agents or others acting on behalf of DMV who agree voluntarily and in writing to act on behalf of DMV and in accordance with a compensation schedule developed by DMV.

6. Fiscal impact estimates: Preliminary. See Item #8.

7. Budget amendment necessary: Yes, Item 441.

Fiscal implications: Any individuals or entities that may come forward to collect the license and registration fees would have to fit certain financial and security requirements, as well as secure an agreement with the Department of Motor Vehicles (DMV) authorizing them to collect these fees on behalf of the agency. Since such entities would likely present themselves independently, administration of the program would be difficult for DMV, as it would likely have to negotiate with each entity. DMV would need to develop a compensation schedule and guidelines to appropriately limit who could participate in such an activity. However, the bill does not appear to give DMV the authority to turn down an offer from such a volunteer. Such entities would also have to be audited. DMV would have to work with the Transportation Authorities to renegotiate the memos of understanding for cost of collection.

The most likely entities to volunteer for collection would be current auto dealers, who already have established relationships with DMV.

If no entities volunteer to collect the fees, the burden of collection will default to DMV. In that case, this bill could increase collection costs for DMV by an estimated \$3.4 million and require over \$100,000 in system changes. The additional cost to DMV to collect the fees will be passed on to the transportation authorities, who could see a reduction in revenues of \$3.4 million per year.

If no entities volunteer to collect these fees in lieu of DMV, the biggest impact would be felt

by consumers of new and used motor vehicles. Customers who purchase a vehicle at a dealership currently have the option to finance fees and taxes along with the purchase price. This option would no longer be available in Northern Virginia and Hampton Roads. Customers currently see the total price, whether it is financed or not. Under this legislation, the customer would find an additional fee to be paid over and above the "final sales price" agreed to at the dealership. If DMV must collect all the fees alone, the 1 percent regional fee will not be included on the buyer's order. The buyer's order only includes those monies collected by the dealer. Upon receipt of the title/registration paperwork at DMV, the owner would be billed for the 1 percent. They would have to pay the additional fees to DMV before the transaction is completed. For those customers living in Northern Virginia and Hampton Roads, there may be confusion with the dealer collecting some, but not all, fees associated with the sale.

The Department of Taxation estimates a \$3.4 million impact, based on the percentage of taxable sales currently processed by dealers (55%) 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).

- 9. Specific agency or political subdivisions Affected:** Department of Motor Vehicles, Hampton Roads Transportation Authority, Northern Virginia Transportation Authority.
- 10. Technical amendment necessary:** Consideration might be given to inserting the word "or" after "Department of Motor Vehicles" on line 38, to align the language with that on line 21.
- 11. Other comments:** None.

Date: 2/5/2008/jlv

Document: G:\08-10\FIS\HB1524.Doc Janet Vogelgesang

cc: Secretary of Transportation