Department of Planning and Budget
2008 Fiscal Impact Statement

1. **Bill Number:** SB116

   House of Origin ☐ Introduced ☐ Substitute ☒ Engrossed

   Second House ☒ In Committee ☐ Substitute ☐ Enrolled

2. **Patron:** McDougle

3. **Committee:** Transportation

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

5. **Summary/Purpose:** This bill imposes, in addition to any other fee imposed and collected by DMV, service charges of $5 for any registration renewal carried out in any of its customer service centers, if the transaction is one that can be conducted by mail, telephone, or electronic means. The bill offers a $1 per year discount for each year of a multiyear registration. Finally, the bill allows a driver's license to be issued for up to eight years.

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

   6b. Revenue Impact:

Fiscal Year	*Dollars*	*Positions*	*Fund*
2008	-	-	-
2009	$14,876,654	-	NGF
2010	$14,920,385	-	NGF
2011	$14,964,248	-	NGF
2012	$15,008,242	-	NGF
2013	$15,052,369	-	NGF
2014	($13,561,527)	-	NGF

7. **Budget amendment necessary:** No.

8. **Fiscal implications:** This bill takes three actions which will affect the service delivery concerns and revenue shortfall at the Department of Motor Vehicles (DMV). First, this bill applies a $5 surcharge on vehicle registration renewal transactions, in an effort to reduce traffic at DMV Customer Service Centers (CSCs) and to encourage customers to conduct these type transactions through alternative service delivery channels. If 30 percent of customers who currently renew through the CSCs elect to move to a cost efficient method such as the mail, internet, phone, or a DMV Select Agent, the surcharge on the remaining transactions could generate $5.6 million.

   Secondly, this bill institutes an incentive in the form of a discount of $1 for each year of a multi-year registration. Currently, 18 percent of DMV customers choose multi-year registration. If multi-year registrations were to increase to 30 percent due to the discount, total discounts are estimated to reduce revenue by $5.3 million per year. However, the net effect of the surcharge and discount would be approximately $300,000 in revenue and a diversion of current customers away from the CSCs.

Finally, the bill will accelerate revenue for driver's licenses by increasing the validity period from predominantly a 5-year period to up to an 8-year period. Virginians currently pay $20 for a driver's license, $4 for each year of the 5-year license. Under this bill, Virginians would continue to pay $4 for each year of an 8-year license, or $32. It is anticipated that this will generate up to an additional $14.6 million per year for the first 5 years of implementation. In years 6 through 8, revenue is expected to drop off by $13.9 million per year. This acceleration of cash flow will permit the agency to proceed through the operational issues it currently faces, but will require planning and preparation to navigate the negative cash flow issue that will present itself beginning in FY 2014.

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 longer than processing such applications under current Virginia standards. DMV has estimated that implementation of Real ID will increase wait times at CSCs.

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 bill 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:** Predicting customer behavior is very difficult and actual revenue could vary depending on customer choices. The Department of Motor Vehicles will have to work closely with the Department of Taxation to revise their forecast to account for these substantive changes.

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cc: Secretary of Transportation