

Department of Planning and Budget

2016 Fiscal Impact Statement

1. Bill Number: SB 805

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

2. Patron: Carrico

3. Committee: Transportation

4. Title: Vehicle registration fees; funds for Department of State Police.

5. Summary: Raises the vehicle registration fee by \$1.25 on each July 1 from 2017 through 2026 for a total cumulative increase of \$12.50 above current registration fees. The revenue is allocated to the Department of State Police.

6. Budget Amendment Necessary: Yes.

7. Fiscal Impact Estimates: Preliminary. See Item 8.

7a. Expenditure Impact: Item 442.

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2017	\$0	0	N/A
2018	\$140,887	0	Motor Vehicle Special Fund
2019	\$287,409	0	Motor Vehicle Special Fund
2020	\$439,736	0	Motor Vehicle Special Fund
2021	\$598,041	0	Motor Vehicle Special Fund
2022	\$762,502	0	Motor Vehicle Special Fund
2023	\$933,303	0	Motor Vehicle Special Fund

7b. Revenue Impact: Item 423.

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2017	\$0	0	N/A
2018	\$10,328,948	0	Nongeneral
2019	\$21,071,055	0	Nongeneral
2020	\$32,238,714	0	Nongeneral
2021	\$43,844,651	0	Nongeneral
2022	\$55,901,930	0	Nongeneral
2023	\$68,423,962	0	Nongeneral

8. Fiscal Implications: The legislation would raise the base fee for vehicle registration fees by \$1.25 each July from 2017 through 2026. The cumulative increase in the fee, as of July 1, 2026, would be \$12.50. Currently, the base fee for most private passenger cars is either \$33 (for vehicles weighing 4,000 pounds or less) or \$38 (for vehicles weighing more). Current registration fees also include \$1.50 for the motor vehicle inspection program and \$6.25 to support emergency medical services, for a total of \$40.75 (or \$45.75 for heavier vehicles). The proposed legislation would ultimately result in a total registration fee of \$53.25 (\$58.25 for heavier vehicles) in 2026.

- A) The revenue collected as a result of this legislation would be allocated to the Department of State Police. The Department of Motor Vehicles (DMV) has reported that 8,101,136 vehicles were registered in 2016. The DMV assumes the number of vehicle registrations increases by two percent a year. Under these assumptions, the proposed legislation would generate an estimated \$123.4 million a year by 2026 for the Department of State Police.

Fiscal Year	Vehicles Registered	Fee	Total Revenue
2018	8,263,159	\$1.25	\$10,328,948
2019	8,428,422	\$2.50	\$21,071,055
2020	8,596,990	\$3.75	\$32,238,714
2021	8,768,930	\$5.00	\$43,844,651
2022	8,944,309	\$6.25	\$55,901,930
2023	9,123,195	\$7.50	\$68,423,962
2024	9,305,659	\$8.75	\$81,424,515
2025	9,491,772	\$10.00	\$94,917,720
2026	9,681,607	\$11.25	\$108,918,084
2027	9,875,240	\$12.50	\$123,440,495

- B) According to the Department of Motor Vehicles, the bill is estimated to create costs for the agency. Approximately 48.4 percent of registration renewals are paid with credit card. The DMV pays two percent of the cost of each credit card transaction as a merchant fee. Accordingly, for each \$1.25 added to any registration transaction, the additional cost to DMV in merchant fees would be \$0.025. Because the legislation would allocate the full amount of the revenue generated from the fee increase to the Department of State Police, DMV will not retain any portion to cover the additional merchant fees associated with the higher registration fees paid by credit cards. The estimated additional merchant fees are summarized below.

Fiscal Year	Fee	2% of Fee	Total Registrations	Registrations Paid Via Credit Card	DMV Fee Amount
2018	\$1.25	\$0.0250	8,263,159	3,999,369	\$99,984
2019	\$2.50	\$0.0500	8,428,422	4,079,356	\$203,968
2020	\$3.75	\$0.0750	8,596,990	4,160,943	\$312,071
2021	\$5.00	\$0.1000	8,768,930	4,244,162	\$424,416
2022	\$6.25	\$0.1250	8,944,309	4,329,045	\$541,131
2023	\$7.50	\$0.1500	9,123,195	4,415,626	\$662,344
2024	\$8.75	\$0.1750	9,305,659	4,503,939	\$788,189
2025	\$10.00	\$0.2000	9,491,772	4,594,018	\$918,804
2026	\$11.25	\$0.2250	9,681,607	4,685,898	\$1,054,327
2027	\$12.50	\$0.2500	9,875,240	4,779,616	\$1,194,904

- C) According to DMV, it will also incur costs associated with DMV Select Offices. As per Item 442.D. of Chapter 780, 2016 Acts of Assembly, DMV Select Agents receive 4.5 percent of gross collections of fees for the first \$500,000 and five percent of all gross collections of fees in excess of \$500,000 made by the entity during each fiscal year. According to the agency, approximately 8.8 percent of vehicle registration renewals are conducted by Select agents. According to these assumptions, this legislation could create the following additional costs for DMV.

Fiscal Year	Fee	4.5% of Fee	Total Registrations	Registrations Paid at Select Agents	Compensation Owed
2018	\$1.25	\$0.0563	8,263,159	727,158	\$40,903
2019	\$2.50	\$0.1125	8,428,422	741,701	\$83,441
2020	\$3.75	\$0.1688	8,596,990	756,535	\$127,665
2021	\$5.00	\$0.2250	8,768,930	771,666	\$173,625
2022	\$6.25	\$0.2813	8,944,309	787,099	\$221,372
2023	\$7.50	\$0.3375	9,123,195	802,841	\$270,959
2024	\$8.75	\$0.3938	9,305,659	818,898	\$322,441
2025	\$10.00	\$0.4500	9,491,772	835,276	\$375,874
2026	\$11.25	\$0.5063	9,681,607	851,981	\$431,316
2027	\$12.50	\$0.5625	9,875,240	869,021	\$488,824

Unless some portion of the generated revenues are directed to cover the additional costs to DMV, the agency will either have to raise other fees or downsize its operations.

- 9. Specific Agency or Political Subdivisions Affected:** Department of State Police, Department of Motor Vehicles, residents of the Commonwealth.

- 10. Technical Amendment Necessary:** No.

- 11. Other Comments:** None.