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FISCAL IMPACT REPORT

SPONSOR Hanosh **DATE TYPED** 02/22/05 **HB** 201/a HTRC

SHORT TITLE Increase Motor Vehicle Administration Fees **SB** _____

ANALYST Padilla-Jackson

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	\$3,600.0	Similar	Recurring	Motor Vehicle Sus- pense Fund

(Parenthesis () Indicate Revenue Decreases)

(See distribution table below)

Relates to: House Bill 39

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)
Department of Transportation (DOT)

SUMMARY

Synopsis of HTRC Amendments

House Bill 201 has been amended by the House Taxation and Revenue Committee. The amended bill would alter the distribution of new administrative fee revenue to the MVD. For transactions performed by municipal fee agents, the distribution would be lowered from the currently proposed \$1.25 per fee collected to \$0.50. For all other transactions, \$1.25 is distributed to MVD. The original bill provided that \$1.25 would be distributed to MVD for all transactions. The amendments also add language so that the listing of various distributions from the Motor Vehicle Suspense Fund, located in section 66-6-23, contains the distribution of oversize truck permit fees that is currently contained in section 66-7-413. According to TRD, the conforming

language is needed to make the list of distributions more complete. Lastly, the amendment provides an effective date for this bill of July 1, 2005.

Synopsis of Original Bill

House Bill 201 proposes several changes in motor vehicle administration fees and distributions. It also proposes a new distribution of revenue from royalties for the use of Motor Vehicle Division ("MVD") databases. Lastly, it proposes to allow MVD to retain excess amounts collected under the Mandatory Financial Responsibility Act to defray operating expenses.

MVD Administrative Fee and Distributions:

House Bill 201 would increase motor vehicle administrative fee on all transactions. Fees, which are collected to defray the costs the costs of operations, are increased from \$0.50 to \$2.00.

Revenue from the fee increase would be distributed as follows:

- Municipalities or counties, other than a class A county with a population exceeding 300,000 (Bernalillo County) or a municipality with a population exceeding three hundred thousand (Albuquerque) that has been designated as an agent would receive an additional \$1.00 for all transactions executed by municipalities;
- MVD would receive \$1.25 on all transactions (See Technical Issues below); and
- Remaining amounts would flow under present statutes to the State Road Fund and to local governments for road maintenance.

House Bill 201 also increases the disposition of other revenues as follows. The distribution to municipalities, counties or fee agencies operating a field office increases \$2.00 (from \$3.00 to \$5.00) for each motor vehicle or motorboat registration, title transaction, or identification card performed. This increased distribution would come from revenues already collected and deposited in the Motor Vehicle Suspense Fund.

Royalties from MVD Database Use

The Division is permitted to charge a fee for the use of such databases under section 14-3-15.1 of present law. House Bill 201 creates a new distribution that would transfer amounts paid by commercial users of motor vehicle databases to the Motor Vehicle Suspense Fund for use by MVD to cover operating expenses.

Retention of Excess Revenue from the Mandatory Responsibility Fund

Under present law section 66-6-6.1, a \$2.00 fee is assessed on each registration transaction. Revenue from the fee is distributed to MVD to enforce the provisions of the Mandatory Financial Responsibility Act and to implement a multi-language non-commercial driver's license testing program. House Bill 201 would provide that any revenue remaining after these expenses have been met would be distributed to MVD to cover operating costs of the Division.

FISCAL IMPLICATIONS

There is no change to the total fiscal impact estimate from the proposed amendments. However, the distribution of the new fee revenue will change somewhat. The distribution to the MVD is expected to decrease from approximately \$3 million to \$2.74 million. The difference will now be distributed to the State Road Fund (an increase of about \$190 thousand) and to local governments (an increase of about \$65 thousand). See the new distribution table below.

Description	Estimated Impact on Revenues FY 2006	Recurring or Nonrecurring Impact	Funds Affected
New administrative fees	\$345	Recurring	Municipal fee agents
\$2.00 increase per registration, etc.	\$460	Recurring	Municipal fee agents
Total	\$805	Recurring	Municipal fee agents
New administrative fees	\$2,740	Recurring	MVD Operating Budget
Distribution of excess fee revenue*	\$400	Recurring	MVD Operating Budget
Royalties from database sales*	\$600	Recurring	MVD Operating Budget
Total	\$3,740	Recurring	MVD Operating Budget
New administrative fees	\$380	Recurring	State Road Fund
\$2.00 increase per registration, etc.	(\$325)	Recurring	State Road Fund
Total	\$55	Recurring	State Road Fund
New administrative fees	\$130	Recurring	Local Governments
\$2.00 increase per registration, etc.	(\$110)	Recurring	Local Governments
Total	\$20	Recurring	Local Governments
\$2.00 increase per registration, etc.	(\$24)	Recurring	Local Government Road Fund

Estimates come from TRD budget department.

Fiscal Implications of Original Bill

This bill is expected to generate approximately \$3.6 million to the Motor Vehicle Suspense Fund in FY06. See the following paragraphs for more information.

Administrative Fees

TRD estimates that approximately 2.4 million motor vehicle-related transactions are performed annually and that about 345 thousand of these transactions are handled by municipalities that operate field offices (“Municipal fee agents”). The increase of \$1.50 per transaction will generate approximately \$3.6 million, with about \$345.0 (345,000 transactions times \$1 increase in disposition) of this amount going to the municipalities. The bill, as currently written, would distribute \$1.25 for all administrative transactions to the Motor Vehicle Department, giving the MVD \$3 million (2.4 million transactions times \$1.25). The residual amount of \$255.5, calculated by subtracting the Municipal fee agent and the MVD portions (\$3.6 million minus \$345.0 and \$3 million) would be distributed to the State Road Fund (74.65 percent, or approximately \$190.0) and to local governments (24.35 percent, or \$65.0) under existing statute.

Vehicle Registration Fee Increase

Municipal fee agents will also receive an additional \$2.00 for each motor vehicle or motorboat registration, title transaction, or identification card performed. TRD estimates 230,000 of these activities occur per year times the \$2.00 totals \$460.0.

Since the increased distribution for registrations, titles, and i.d. cards to the municipalities are not paid for with new money raised, the increased distribution negatively impact various funds. The State Road Fund forgoes \$325.0 (74.56% of (\$460.0-\$24.0)), which would now be distributed to municipalities for vehicle registrations. Local governments would forgo \$110.5 (25.35% of (\$460.0-\$24.0)) to pay for vehicle registration, title transactions, or identification cards to the municipalities. Note, \$24.0 subtracted from the calculation above is for the issuance of identification cards paid to the municipalities by the Local Government Road Fund.

The following table details the distributions (in thousands of dollars). All distributions in the table are from funds deposited in the Motor Vehicle Suspense Fund. Note, the figures in the table

were provided by DOT. Attachment 1 is a similar distribution table created by TRD, which details the revenue impacts if the above proposed amendments were adopted (see below).

OTHER SUBSTANTIVE ISSUES

According to TRD, the Motor Vehicle Division (“MVD”) currently faces a chronic budget shortfall of almost \$3 million per year. Inadequate funding has resulted in slower delivery of services, increased reliance on private agents to provide some MVD services, and inadequate controls and security. In addition, under-funding of some municipal offices has raised the possibility that the state will lose these critical partners. HB 201 would enable MVD to resolve its structural deficit while holding fee increases to a minimum and holding the other beneficiaries of fees largely harmless.

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