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## FISCAL IMPACT REPORT

SPONSOR Komadina DATE TYPED 03/14/05 HB \_\_\_\_\_

SHORT TITLE Motor Vehicle Service Fees & Distributions SB 890/a SF1 #1

ANALYST Padilla-Jackson

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	Indeterminate (see Fiscal impact Section)	Similar	Recurring	Motor Vehicle Suspendence Fund

(Parenthesis ( ) Indicate Revenue Decreases)

(See distribution table below)

Relates to: House Bill 39 and House Bill 201/a HTRC

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Transportation (DOT) (none received for Senate Floor Amendment #1)

Department of Taxation and Revenue (TRD) (none received for Senate Floor Amendment #1)

### SUMMARY

#### Synopsis of SF1 #1

The Senate Floor amended Senate Bill 890. The proposed amendment strikes all of the proposed amendments by the Senate Finance Committee. Another amendment authorizes a municipality or a county that operates a motor vehicle field office to impose an administrative service charge of up to \$5.00 for each identification card or motor vehicle or motorboat registration issued by the motor vehicle field office.

It is unclear from the amendment whether the municipal or county field office would remit the newly imposed fee to the MVD, or whether the municipality would retain the fee.

DOT cautioned, based on the similar SFC amendment, that a municipally-imposed fee may lessen the ability of MVD to raise their fee as much as they might otherwise. They note that the

result of a somewhat lower MVD-imposed fee would be:

- a decrease in self-generated revenue to MVD; therefore an increased reliance on the General Fund to support MVD operations; and
- a threat to the State Road Fund if the MVD-imposed fee is not at least at the \$2.00 level or higher (at \$2 the Road Fund shows a small loss).

According to DOT, currently, municipal fee agents are getting about \$1,552 thousand to conduct 345,000 transactions (\$4.50 per transaction average). The original bill adds approximately \$1 thousand to the municipal fee agents for a total of \$2,564 thousand (\$7.43 per transaction average). The SFC amendment appears to indicate the municipal fee agents think they deserve something on the order about \$10.00 per transaction. DOT questions the reasonableness of this transaction cost.

### Synopsis of Original Bill

Senate Bill 890 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:**

Senate Bill 890 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 an amount not to exceed \$5.00.

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 amount equal to each administrative fee remitted;
- MVD would receive \$0.50 on transactions performed by municipal fee agents. For all other transactions, \$1.25 is distributed to the MVD and
- Remaining amounts would flow under present statutes to the State Road Fund and to local governments for road maintenance.

Senate Bill 890 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. Senate Bill 890 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. Senate Bill 890 would provide that any revenue remaining after these expenses have been met would be distributed to MVD to cover operating costs of the Division.

The effective date of the provisions of this bill is July 1, 2005.

### **FISCAL IMPLICATIONS**

Note, since an analysis on the Senate Floor amendments had not been received by DOT or TRD at the time this amended FIR was written, it is unclear what impact the inclusion of "county" will have on the total number of transactions per year, and thus the fiscal impact. Assuming that this will not increase the number, the following fiscal impact still holds. This FIR will be updated, if necessary, when the analysis is received from these agencies.

#### Fiscal Implications of Amended Bill

The municipal field offices are assumed to conduct approximately 345,000 transactions per year. DOT notes that if they are allowed to impose a fee of up to \$5.00 on their own, this would be an additional positive impact to the "Municipal Fee Agent". (See Table below) DOT provided the following illustrations:

$345,000 * \$1.50 = \$517.5$  thousand additional

$345,000 * \$2.50 = \$862.5$  thousand additional

$345,000 * \$5.00 = \$1,725$  thousand additional

#### Fiscal Implications of Original Bill

Since the total fiscal impact depends on the amount of the increase in transaction fees (could increase as much as \$4.50), an assumed \$2.00 increase would be expected to generate approximately \$4.8 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"). An assumed increase (which could be as much as \$4.50) of \$2.50 per transaction will generate approximately \$4.8 million, with about \$1,150.0 (345,000 transactions times an assumed \$3.33 increase in disposition) of this amount going to the municipalities. The bill would distribute \$0.50 for administrative transactions performed by municipal fee agents and \$1.25 for all other transactions to the Motor Vehicle Department, giving the MVD approximately \$2.7 million. The residual amount of \$950.0, calculated by subtracting the Municipal fee agent and the MVD portions (\$4.8 million minus \$1,150.0 and \$2.7 million) would be distributed to the State Road Fund (74.65 percent, or approximately \$700.0) and to local governments (24.35 percent, or \$230.0) under existing statute. See the table below provided by the Department of Transportation.

The amendment would raise total revenue generated from \$4.8 million to \$6.5 million, assuming a \$5.00 newly imposed administration fee by the municipal fee agent. (See estimates in DOT provided table below).

Estimated Revenue		Subsequent Years Impact	Recurring or Nonrecurring	Fund Affected
FY05	FY06			
none	696	similar	Recurring	State Road Fund
none	237	similar	Recurring	Counties and Municipalities
none	-24	similar	Recurring	Local Govt.s Road Fund (ID Cards)
none	1,150	similar	Recurring	Municipal & Fee Agents
<i>none</i>	<i>1,725</i>	<i>similar</i>	<i>Recurring</i>	<i>Municipal &amp; Fee Agents</i>
none	2,741	similar	Recurring	Motor Vehicle Division (administrative fees)
none	*	similar	Recurring	Motor Vehicle Division (see note below)
none	<b>6,525</b>	<b>similar</b>	<b>Recurring</b>	<b>Total (Administrative Fee Increase)</b>

\*Note: Revenue Table excludes any revenue from royalties imposed on commercial users of MVD databases (Section 2 ), and the revised provisions relating to the Mandatory Financial Responsibility fees (Section 3, page 6, lines 19 through 21.)

**ADMINISTRATIVE IMPLICATIONS**

DOT notes that significant changes to the MVD computer system would have to be made in regard to any fee revisions and the revenue distribution changes.

**CONFLICT, DUPLICATION, COMPANIONSHIP OR RELATIONSHIP**

House Bill 39 includes similar but less extensive revisions in this area. House Bill proposes similar provisions but with differing fees, revenue distributions and a different fiscal impact.

**OTHER SUBSTANTIVE ISSUES**

DOT notes that allowing the flexible administrative fee of up to \$5 would lessen the need for legislative maintenance of the rate of the fee for inflation, but since the distribution to MVD is specified as a fixed amount increasing the fee would not contribute to MVD resources. Conversely, since the distribution to MVD is specified as a fixed amount increasing the fee only slightly (to \$2 or less) would not affect MVD resources, but could result in revenue losses to the State Road Fund and local governments.

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