



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2015 Biennium

Bill # SB0114

Title: Eliminate certain charges for motor vehicle registration

Primary Sponsor: Taylor, Janna

Status: As Introduced-Revised

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|--|--|--|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2014</u> <u>Difference</u>	<u>FY 2015</u> <u>Difference</u>	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>
Expenditures:				
General Fund	(\$63,492)	(\$154,457)	(\$155,538)	(\$156,627)
State Special Revenue	\$8,800	\$0	\$0	\$0
Revenue:				
General Fund	(\$1,638,708)	(\$3,300,358)	(\$3,323,460)	(\$3,346,724)
State Special Revenue	(\$249,375)	(\$502,241)	(\$505,756)	(\$509,297)
Net Impact-General Fund Balance:	<u>(\$1,575,216)</u>	<u>(\$3,145,901)</u>	<u>(\$3,167,922)</u>	<u>(\$3,190,097)</u>

Description of fiscal impact: SB 114 changes the registration date on motor vehicles, trailers, semi-trailers, or pole trailers from when ownership is transferred to when a vehicle is first registered. Under this proposal, the vehicle registration fees will not be collected when the vehicle ownership is transferred until the vehicle's registration renewal date. The loss of revenue due to delayed collection of registration fees will result in a negative impact on the general fund. There will be an impact on county revenues from the local option motor vehicle tax.

FISCAL ANALYSIS

Assumptions:

Department of Justice (DOJ)

1. This bill, effective January 1, 2014, changes the registration date to be based on when the vessel was first registered. Under this proposal, the vehicle registration fees will not be collected when the vehicle ownership is transferred, but will be collected when the vehicle's annual registration is renewed.
2. If the transfer occurs after the registration period has expired, a new registration period will be established.

Motor Vehicle Division (MVD)

3. Analysis of vehicle registrations processed in FY 2012 shows that 1,087,221 motor vehicles were registered. Of the total vehicles registered 85,003 vehicle registrations were processed due to a change in ownership within the registration period. It is assumed that 7.82% (85,003/1,087,221) of vehicle registrations occurred

due to a change in ownership. Since the distribution of transfers within the year is currently unknown, these estimates assume that the average change in ownership takes place at the mid-point of the registration cycle resulting in a 50% reduction of revenues or 3.91% (7.82% x 1/2). The state accounting system (SABHRS) shows that the total general fund light motor vehicle, large trucks and motor home registration revenue for FY 2012 was \$82,660,086. The FY 2014 estimated vehicle revenue is \$83,821,378. The estimated revenue loss due to change of ownership for FY 2014 is \$1,638,708 ($\$83,821,378 \times 50\% \times 3.91\%$). Applying OBPP growth rates of 0.7% to total vehicle revenue the projected revenue loss for FY 2015 is \$3,300,358, FY 2016 is \$3,323,460, and FY 2017 is \$3,346,724.

4. Cost for training the county treasurers would be absorbed within the department’s proposed base budget.
5. DOJ’s Information Technology Service Division will need to hire a contractor to design and implement changes to the MERLIN system. It is estimated that reconfiguration will take 200 hours at an hourly rate of \$110 totaling \$22,000 ($\$110 \times 200 = \$22,000$). This will be a one-time expenditure in FY 2014 and is funded 60% general fund and 40% state special revenue.

Montana Highway Patrol (MHP)

6. The state accounting system (SABHRS) shows that the MHP recruitment and retention state special revenue for FY 2012 was \$5,083,157. The FY 2014 estimated recruitment and retention revenue is \$5,154,571. The estimated revenue loss due to the change for FY 2014 is \$100,772 ($\$5,154,571 \times 50\% \times 3.91\%$). Applying the OBPP growth rates of 0.7% to total revenues the projected revenue loss for FY 2015 is \$202,955, FY 2016 is \$204,375, and FY 2017 is \$205,806.

Department of Fish, Wildlife and Parks

7. In addition to 15-1-122, MCA, transfer reductions shown in assumption # 9, the parks, and fishing access sites fees collected with vehicle registrations (\$5.62 of the \$6.00 fee) is reduced by SB 114. The reduction in revenue is estimated using the proportion and growth factors in assumption #3 from FY 2012 actual collections in the following table:

Fiscal Impact of SB 114: Montana Fish, Wildlife and Parks Vehicle Registration Fee Revenue						
	FY 2012					
Montana Fish, Wildlife and Parks	(Actual)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
LSD: Vehicle Tax Growth Rate		0.70%	0.70%	0.70%	0.70%	0.70%
Parks and fishing access sites fee (\$ 5.62)	\$3,400,063	\$3,423,863	\$3,447,830	\$3,471,965	\$3,496,269	\$3,520,743
Second half FY 2014 (50%)			\$1,723,915			
Revenue from change of ownership before expiration			3.91%	3.91%	3.91%	3.91%
Estimated reduction in revenue			\$67,405	\$135,754	\$136,704	\$137,661

Department of Commerce

8. The Montana Heritage Commission would see a reduction in the MHC (\$ 0.38) portion of the parks fee and is calculated in the following table:

Fiscal Impact of SB 114: Montana Heritage Commission Vehicle Registration Fee Revenue						
	FY 2012					
Montana Heritage Commission	(Actual)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
LSD: Vehicle Tax Growth Rate		0.70%	0.70%	0.70%	0.70%	0.70%
MHC part of parks fee (\$ 0.38)	\$227,301	\$228,892	\$230,495	\$232,108	\$233,733	\$235,369
Second half FY 2014 (50%)			\$115,247			
Revenue from change of ownership before expiration			3.91%	3.91%	3.91%	3.91%
Estimated reduction in revenue			\$4,506	\$9,075	\$9,139	\$9,203

Department of Administration

9. MCA 15-1-122 requires the transfer of certain percentages of state vehicle revenue to various state special funds. As vehicle general fund revenues change, transfers to these state special accounts change. The following table outlines the agencies impacted by this bill:

Reduction in Non-Budgeted (15- 1-122, MCA) Transfers under to SB 114 as Introduced.					
Agency	Fund	FY 2014	FY 2015	FY 2016	FY 2017
Dept. of Environmental Quality	DOT:Fund Trans motor Veh recycling/fee/junk	(\$24,253)	(\$48,845)	(\$49,187)	(\$49,532)
Dept. of Agriculture	AG: Fund Trans Noxious Weed	(\$24,581)	(\$49,505)	(\$49,852)	(\$50,201)
Dept, Fish, Wildlife & Parks	Fund Trans FWP Pumpout/boat fac	(\$7,538)	(\$15,182)	(\$15,288)	(\$15,395)
Dept, Fish, Wildlife & Parks	Fund Trans FWP snowmobile	(\$1,639)	(\$3,300)	(\$3,323)	(\$3,347)
Dept, Fish, Wildlife & Parks	Fund Trans FWP motorboat	(\$2,622)	(\$5,281)	(\$5,318)	(\$5,355)
Dept. Military Affairs	MA: Fund Trans ST. Vet Cemetery and Services	(\$10,488)	(\$21,122)	(\$21,270)	(\$21,419)
Dept. Military Affairs	Fund Trans Search & Rescue	(\$655)	(\$1,320)	(\$1,329)	(\$1,339)
Dept. Transportation	Fund Trans Senior Citizens trans	(\$4,916)	(\$9,901)	(\$9,970)	(\$10,040)
	Subtotal	(76,692)	(154,457)	(155,538)	(156,627)

10. The loss of state special and the general fund revenue will result in either lower fund balances or reductions in expenditures.

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
<u>Fiscal Impact:</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
Department of Administration				
<u>Expenditures:</u>				
Transfers	(\$76,692)	(\$154,457)	(\$155,538)	(\$156,627)
TOTAL Expenditures	(\$76,692)	(\$154,457)	(\$155,538)	(\$156,627)
<u>Funding of Expenditures:</u>				
General Fund (01)	(\$76,692)	(\$154,457)	(\$155,538)	(\$156,627)
Department of Justice				
<u>Expenditures:</u>				
Operating Expenses	\$22,000	\$0	\$0	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$13,200	\$0	\$0	\$0
State Special Revenue (02)	\$8,800	\$0	\$0	\$0
TOTAL Funding of Exp.	\$22,000	\$0	\$0	\$0
All Agencies				
<u>Revenues:</u>				
General Fund (01)	(\$1,638,708)	(\$3,300,358)	(\$3,323,460)	(\$3,346,724)
Sub-Total SSR (02)	(\$249,375)	(\$502,241)	(\$505,756)	(\$509,297)
FWP Parks & FAS Fee (02)	(\$67,405)	(\$135,754)	(\$136,704)	(\$137,661)
DOC MHC Fee (02)	(\$4,506)	(\$9,075)	(\$9,139)	(\$9,203)
MHP Recruit. & Retention (((\$100,772)	(\$202,955)	(\$204,375)	(\$205,806)
DEQ 15-1-121 Transfer (02)	(\$24,253)	(\$48,845)	(\$49,187)	(\$49,532)
AG 15-1-121 Transfer (02)	(\$24,581)	(\$49,505)	(\$49,852)	(\$50,201)
FWP 15-1-121 Transfers (02)	(\$11,799)	(\$23,763)	(\$23,929)	(\$24,096)
MA 15-1-121 Transfers (02)	(\$11,143)	(\$22,442)	(\$22,600)	(\$22,758)
DOT 15-1-121 Transfer (02)	(\$4,916)	(\$9,901)	(\$9,970)	(\$10,040)
TOTAL Revenues	(\$1,888,083)	(\$3,802,599)	(\$3,829,216)	(\$3,856,021)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$1,575,216)	(\$3,145,901)	(\$3,167,922)	(\$3,190,097)
State Special Revenue (02)	(\$258,175)	(\$502,241)	(\$505,756)	(\$509,297)

Effect on County or Other Local Revenues or Expenditures:

1. Assuming ongoing registration activities would be similar to FY 2012 activity, the revenue impact of SB 114 was estimated by applying the within period registration rate in assumption # 3 to estimated County option tax collections. OBPP vehicle registration growth rates (0.7%) were used to project FY 2013 through FY 2017 revenue reductions. The result of these calculations is presented in the following table:

Fiscal Impact of SB 114 as Introduced: County Option Tax Revenues						
FY 2012						
Motor Vehicle Division	(Actual)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
County Option Tax Collections	\$37,853,761	\$38,118,738	\$38,385,569	\$38,654,268	\$38,924,848	\$39,197,321
Second half FY 2014 (50%)			\$19,059,369			
Revenue from change of ownership before expiration			3.91%	3.91%	3.91%	3.91%
Estimated reduction in revenue			\$745,221	\$1,511,382	\$1,521,962	\$1,532,615

Sponsor's Initials

Date

Budget Director's Initials

Date