



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # HB0272

Title: Generally revise motor vehicle laws

Primary Sponsor: Stromswold, Mallerie

Status: As Amended in House Committee

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
Expenditures:				
General Fund	\$2,325	\$0	\$0	\$0
State Special Revenue	(\$932,349)	(\$2,496,780)	(\$1,638,043)	(\$106,644)
Revenue:				
General Fund	(\$339,036)	(\$907,920)	(\$595,652)	(\$38,780)
State Special Revenue	(\$1,406,999)	(\$3,767,868)	(\$2,471,956)	(\$160,937)
Net Impact-General Fund Balance:	<u>(\$341,361)</u>	<u>(\$907,920)</u>	<u>(\$595,652)</u>	<u>(\$38,780)</u>

Description of fiscal impact: HB 272 allows citizens to pay up to 5 years of appropriate vehicle registration fees in advance. The bill also changes the automatic replacement of license plates from 5 years to 7 years per 61-3-332 (3)(a)(ii), MCA.

FISCAL ANALYSIS

Assumptions:

Department of Justice

1. The bill is effective January 1, 2022 so revenue numbers for FY 2022 are halved.
2. The bill allows customers to make an election to pre-pay up to 5 years of vehicle registrations. This is a customer decision and not considered for purposes of this fiscal note.
3. Based on industry research consumers on average replace their vehicles every 11.5 years.
4. In FY 2017, there were 339,036 transactions resulting in issuance of new license plates. New license plate transactions require a fee of \$10. Of the \$10 total fee, \$2 goes to the general fund and \$8 goes to the Motor Vehicles Division (MVD) state special revenue fund.
5. With the change of the 5-year license plate replacement to 7 years, it is assumed in FY 2022 the change in current law will result in a revenue loss as follows:

- a. General fund reduction of \$339,036 ($\$2 \times 339,036$ transactions / 2 for half a fiscal year).
- b. State special revenue reduction of \$1,356,144 ($\$8 \times 339,036$ transactions / 2 for half a fiscal year).
6. In FY 2018, there were 453,960 applicable transactions that would have been at the 5-year replacement cycle in FY 2023, resulting in a revenue loss as follows:
 - a. General fund reduction of \$907,920 ($\$2 \times 453,960$ transactions).
 - b. State special revenue reduction of \$3,631,680 ($\$8 \times 453,960$ transactions).
7. In FY 2019, there were 467,344 applicable transactions that would have been at the 5-year replacement cycle in FY 2024. Plates that would have otherwise been replaced in FY 2022 will be replaced in FY 2024, resulting in a net revenue loss as follows:
 - a. $339,036/2 - 467,344 = -297,826$ less replacement plates.
 - b. General fund reduction of \$595,652 ($\$2 \times 297,826$ transactions).
 - c. State special revenue reduction of \$2,382,608 ($\$8 \times 297,826$ transactions).
8. In FY 2020, there were 473,350 applicable transactions that would have been at the 5-year replacement cycle in FY 2025. Plates that would have otherwise been replaced in FY 2023 will be replaced in FY 2025, resulting in a net revenue loss as follows:
 - a. $453,960 - 473,350 = -19,390$ less replacement plates.
 - b. General fund reduction of \$38,780 ($\$2 \times 19,390$ transactions).
 - c. State special revenue reduction of \$155,120 ($\$8 \times 19,390$ transactions).
9. MVD collects a 3% Administration fee. The loss of revenue will be as follows:
 - a. FY 2022 loss \$50,855 ($\$339,036$ general fund loss + $\$1,356,144$ SSR loss * .03 fee)
 - b. FY 2023 loss \$136,188 ($\$907,920$ General fund loss + $\$3,631,680$ SSR loss * .03 fee)
 - c. FY 2024 loss \$89,348 ($\$595,652$ General fund loss + $\$2,382,608$ SSR loss * .03 fee)
 - d. FY 2025 loss \$5,817 ($\$38,780$ General fund loss + $\$155,120$ SSR loss * .03 fee)
10. MVD pays Montana Correctional Enterprise \$5.50 for each plate produced. With the shift from a 5-year plate replacement window to a 7-year window, MVD expenditures will be reduced as follows:
 - a. FY 2022 savings of \$932,349 ($339,036$ transactions / 2 * \$5.50 plate fee).
 - b. FY 2023 savings of \$2,496,780 ($453,960$ transactions * \$5.50 plate fee).
 - c. FY 2024 savings of \$1,638,043 ($297,826$ transactions * \$5.50 plate fee).
 - d. FY 2025 savings of \$106,645 ($19,390$ transactions * \$5.50 plate fee).
11. MHP currently receives \$10 in revenue for each vehicle registered yearly. The Department assumes that revenues will be higher in some years due to the adoption of increased registration periods. Over the long-term revenue implications will result in a net zero impact.
12. It is estimated that 15 hours of programming at \$155 per hour will be necessary to modify the registration processes in MERLIN and to change the 5-year plate replacement plate cycle to a 7-year cycle. This amounts to a total general fund cost of \$2,325 in FY 2022.

Department of Transportation

13. MDT assumes apportioned vehicles are exempt from the five-year registration in HB 272 per 61-3-311(1), MCA.

Department of Corrections

14. HB 272 could have a potential impact on the DOC if there are fewer plate sets ordered due to the changes proposed in this bill. The DOC is unable to determine how many replacement plate sets would be impacted under the proposed changes.
15. Fewer plates could increase the cost per plate due to fixed costs that would be amortized over fewer plates being produced.
16. A change to vehicle registration may result in costs related to the printing of the decals, however the difference would likely be negligible.

Fiscal Note Request – As Amended in House Committee

(continued)

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
Operating Expenses	(\$930,024)	(\$2,496,780)	(\$1,638,043)	(\$106,644)
Equipment	\$0	\$0	\$0	\$0
Benefits	\$0	\$0	\$0	\$0
Transfers	\$0	\$0	\$0	\$0
TOTAL Expenditures	<u>(\$930,024)</u>	<u>(\$2,496,780)</u>	<u>(\$1,638,043)</u>	<u>(\$106,644)</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$2,325	\$0	\$0	\$0
State Special Revenue (02)	(\$932,349)	(\$2,496,780)	(\$1,638,043)	(\$106,644)
TOTAL Funding of Exp.	<u>(\$930,024)</u>	<u>(\$2,496,780)</u>	<u>(\$1,638,043)</u>	<u>(\$106,644)</u>
<u>Revenues:</u>				
General Fund (01)	(\$339,036)	(\$907,920)	(\$595,652)	(\$38,780)
State Special Revenue (02)	(\$1,406,999)	(\$3,767,868)	(\$2,472,956)	(\$160,937)
TOTAL Revenues	<u>(\$1,746,035)</u>	<u>(\$4,675,788)</u>	<u>(\$3,068,608)</u>	<u>(\$199,717)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$341,361)	(\$907,920)	(\$595,652)	(\$38,780)
State Special Revenue (02)	(\$474,650)	(\$1,271,088)	(\$834,913)	(\$54,293)

NOT SIGNED BY SPONSOR

Sponsor's Initials

3/24/21
Date

KA
Budget Director's Initials

2-22-21
Date