This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number:	H. 4151 Introduced on April 6, 2021
Author:	Simrill
Subject:	DMV - Change in Vehicle Registration Period
Requestor:	House Education and Public Works
RFA Analyst(s):	Griffith
Impact Date:	February 18, 2022 Updated for Revised and Additional Agency Responses

Fiscal Impact Summary

This bill changes the registration period for vehicles in Chapter 3 of Title 56 from a biennial period to an annual period. In addition, the bill requires the road use fee for electric and hybrid vehicles to be collected annually instead of biennially.

The bill will increase General Fund expenditures of the Department of Motor Vehicles (DMV) by approximately $52,200 in FY 2022-23 for various programming expenses. Expenses will decrease to approximately $3,700 in FY 2023-24, FY 2024-25, and FY 2025-26 to add the remaining counties to the County Issuance of Decals and Registration (CIDRs2) program.

The bill will decrease Other Funds revenue of the Department of Transportation (DOT) by approximately $19,588,000 in the first year of implementation. DOT anticipates that revenues will be back to a more normal level in the second year.

Based upon an estimate provided to the South Carolina Transportation Infrastructure Bank (SCTIB) by its financial advisor, the SCTIB will experience a shortfall of $24,628,000 in motor vehicle fees and $46,190,000 in truck registration fees in FY 2023-24. The SCTIB indicates that these revenues are pledged to the repayment of debt service on outstanding revenue bonds. Further, the agency expressed a concern that this could cause a potential disruption with pledged revenue, especially the revenue from motor vehicle fees. This could put the SCTIB at risk of not being able to meet the mandatory coverage requirements in the Master Revenue Bond Resolution, could require an EMMA disclosure as required by the Securities and Exchange Commission, and could prompt rating agency reviews, which may jeopardize the credit rating of SCTIB.

Further, the SCTIB maintains a Revenue Stabilization Fund (RSF) to ensure that pledged revenue and annual debt service requirements are matched for a biennial registration structure. This fund may alleviate some of the impact from the fee period change; however, this fund is for truck registration fees only. There is also a binding limit of seventy-five percent on the difference between the budgeted amount and the prior year’s collections that may be transferred from the RSF to the Pledged Revenue Fund. The revenue of the SCTIB could decrease by a total of no less than $37,534,000 and no more than $70,818,000 in FY 2023-24. In addition, the SCTIB estimates a $500,000 reduction on interest that would not be earned on monies in the RSF.

The bill also requires counties to collect the road use fee at the same time as the registration renewal for an applicable vehicle and requires all counties to enter into a contract with DMV to issue annual revalidation decals and registration cards. Currently, thirty-five counties participate in the CIDRs2 program. The South Carolina Association of Auditors, Treasurers, and Tax Collectors (SCATT) must develop a plan for three counties to be added to the program every twelve months. SCATT indicates that any expenditures related to the development of the plan to add counties to CIDRs2 can be managed with its existing staff and budget. While we anticipate that this bill will have an expenditure impact on county governments, specifically the eleven counties that will be required to join CIDRs2, no counties responded to our request for information. Therefore, the expenditure impact on local governments is undetermined.

The bill allows governmental subdivisions that issue revalidation decals pursuant to the provisions of the bill to charge a $1 fee to defray the expenses associated with the issuance of license plates and revalidation decals. The revenue impact on county governments is undetermined and will depend on the number of license plates and revalidation decals issued by county.

This impact statement has been updated to include a response from DMV and to include a revised response from SCTIB.

Explanation of Fiscal Impact

Updated for Revised and Additional Agency Responses on February 18, 2022
Introduced on April 6, 2021
State Expenditure
This bill changes the registration period for vehicles in Chapter 3 of Title 56 from a biennial period to an annual period. Additionally, the bill requires the road use fee for electric and hybrid vehicles to be collected annually instead of biennially. It also requires all counties to enter into a contract with DMV to issue annual revalidation decals and registration cards. The department reports that thirty-five of forty-six counties currently participate in the CIDRs2 program. DMV indicates that training, updates to forms, changes to procedures, and business process modifications will cost approximately $552, and the agency estimates the following costs for programming expenses:

- $16,455 for a programmer to modify programs to calculate registration fees and t expiration periods;
- $3,713 each year for four years for a developer from DMV to add the remaining eleven counties to CIDRs2, for a total of approximately $14,850;
- $26,655 for an IT business analyst to verify that counties' systems work appropriately before they begin to issue decals and cards;
- $796 for a programmer to modify programs to calculate delinquent penalty fees,
- $3,393 for an IT business analyst to conduct level of certification testing with the counties; and
- $658 for a programmer to update the program that calculates registration refunds.

In total, General Fund expenditures of DMV will increase by approximately $52,200 in FY 2022-23. Expenses will decrease to approximately $3,700 in FY 2023-24, FY 2024-25, and FY 2025-26. *This section of the impact statement has been updated to include a response from DMV.*

State Revenue
This bill changes the registration period for vehicles in Chapter 3 of Title 56 from a biennial period to an annual period. Currently, motor vehicle registration fees vary by age and handicap status of the individual registrant, type and weight of vehicle, and designation of private-passenger or property-carrying. The fees will still vary, but the bill halves each of the biennial fees to create annual fees, beginning on the first day of the fiscal year following eighteen months after the Governor's approval. Additionally, the bill requires the road use fee for electric and hybrid vehicles to be collected annually instead of biennially, and the fee is half of the biennial fee.

Department of Transportation. Pursuant to Section 56-3-260, $16 of each biennial registration fee is credited to the Infrastructure Maintenance Trust Fund (IMTF), which is Other Funds of DOT. This bill will credit $8 of each annual registration fee to the IMTF. DOT estimates that this bill will decrease revenue from motor vehicle registration fees by $18,327,000, will decrease revenue from road use fees by $1,186,000, and will decrease revenue from trailer registration fees by $75,000 in FY 2023-24. In total, IMTF revenue will decrease by $19,588,000 in FY 2023-24. DOT anticipates that revenues will be back to a more normal level in the second year.

State Transportation Infrastructure Bank. The remainder of each registration fee is placed into the state highway account of the SCTIB pursuant to Section 56-3-910. Based upon an estimate provided to the SCTIB by its financial advisor, the SCTIB will experience a shortfall of $24,628,000 in motor vehicle fees and $46,190,000 in truck registration fees in FY 2023-24 if that is the year of implementation. The SCTIB indicates that these revenues are pledged to the repayment of debt service on outstanding revenue bonds per the Master Revenue Bond Resolution and the SCTIB Act. Further, the agency expressed a concern that this could cause a potential disruption with pledged revenue. This could put the SCTIB at risk of not being able to meet the mandatory coverage requirements in the Master Revenue Bond Resolution, could require an EMMA disclosure as required by the Securities and Exchange Commission, and could prompt rating agency reviews, which may jeopardize the credit rating of SCTIB.

The SCTIB maintains a Revenue Stabilization Fund (RSF) to ensure that pledged revenue and annual debt service requirements are matched for a biennial registration structure. This fund may alleviate some of the impact from the fee period change; however, this fund is for truck registration fees only. There is also a binding limit of seventy-five percent on the difference between the budgeted amount and the prior year's collections that may be transferred from the RSF to the Pledged Revenue Fund. The SCTIB's financial advisor estimates revenues of $90,569,000 from truck registration fees in FY 2022-23 under the existing biennial structure. With a loss of $46,190,000 in truck registration fees in FY 2023-24 from implementation of an annual registration structure, the maximum amount that may be recovered from the RSF is $33,284,000. This leaves a deficit from truck registration fees of $12,906,000. The loss from the change in the registration period for motor vehicles is estimated to be $24,628,000 for FY 2023-24. Therefore, the revenue of SCTIB could decrease by a total of no less than $37,534,000 and no more than $70,818,000 in FY 2023-24. In addition, the SCTIB estimates a $500,000 reduction on interest that would not be earned on monies in the RSF. *This section of the impact statement has been updated to include a revised response from SCTIB.*

Local Expenditure

This bill alters the collection of the road use fee from a biennial to an annual period. It also requires counties to collect this fee at the same time as the vehicle is due for a registration renewal. In addition, all counties must be entered into a contract with DMV to issue annual revalidation decals and registration cards. DMV reports that thirty-five of forty-six counties currently participate in the CIDRs2 program. Thus, this bill will require the following eleven counties to join the program: Beaufort, Berkeley, Colleton, Fairfield, Florence, Georgetown, Greenville, Greenwood, Orangeburg, Pickens, and Sumter. SCATT must develop a plan for three counties to be added to the program every twelve months.

The Revenue and Fiscal Affairs surveyed all county governments to determine the expenditure impact of this bill. While we anticipate that the bill will increase expenses of county governments, specifically the eleven counties that will need to join the CIDRs2 program, no counties responded to our request. Therefore, the expenditure impact on local governments is undetermined. We will update this impact statement if we receive responses from county governments.

Additionally, SCATT indicates that any expenditures related to the development of the plan to add counties to CIDRs2 can be managed with its existing staff and budget.

Local Revenue

The bill allows governmental subdivisions that issue revalidation decals pursuant to the provisions of the bill to charge a $1 fee to defray the expenses associated with the issuance of license plates and revalidation decals. The revenue impact on county governments is undetermined and will depend on the number of license plates and revalidation decals issued by county.

Introduced on April 6, 2021

State Expenditure

This bill changes the registration period for vehicles in Chapter 3 of Title 56 from a biennial period to an annual period. Additionally, the bill requires the road use fee for electric and hybrid vehicles to be collected annually instead of biennially. The expenditure impact on DMV is pending, contingent upon a response from the agency.

State Revenue

This bill changes the registration period for vehicles in Chapter 3 of Title 56 from a biennial period to an annual period. Currently, motor vehicle registration fees vary by age and handicap status of the individual registrant, type and weight of vehicle, and designation of private-passenger or property-carrying. The fees will still vary, but the bill halves each of the biennial fees to create annual fees, beginning on the first day of the fiscal year following eighteen months after the Governor's approval. Additionally, the bill requires the road use fee for electric and hybrid vehicles to be collected annually instead of biennially, and the fee is half of the biennial fee.

Department of Transportation. Pursuant to Section 56-3-260, $16 of each biennial registration fee is credited to the Infrastructure Maintenance Trust Fund (IMTF), which is Other Funds of DOT. This bill will credit $8 of each annual registration fee to the IMTF. DOT estimates that this bill will decrease revenue from motor vehicle registration fees by $18,327,000, will decrease revenue from road use fees by $1,186,000, and will decrease revenue from trailer registration fees by $75,000 in FY 2023-24. In total, IMTF revenue will decrease by $19,588,000 in FY 2023-24. DOT anticipates that revenues will be back to a more normal level in the second year.

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Local Expenditure

This bill alters the collection of the road use fee from a biennial to an annual period. It also requires counties to collect this fee at the same time as the vehicle is due for a registration renewal. In addition, all counties must be entered into a contract with DMV to issue annual revalidation decals and registration cards. DMV reports that thirty-five of forty-six counties currently participate in the CIDRs2 program. Thus, this bill will require the following eleven counties to join the program: Beaufort, Berkeley, Colleton, Fairfield, Florence, Georgetown, Greenville, Greenwood, Orangeburg, Pickens, and Sumter. SCATT must develop a plan for three counties to be added to the program every twelve months.

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Additionally, SCATT indicates that any expenditures related to the development of the plan to add counties to CIDRs2 can be managed with its existing staff and budget.

Local Revenue

The bill allows governmental subdivisions that issue revalidation decals pursuant to the provisions of the bill to charge a $1 fee to defray the expenses associated with the issuance of license plates and revalidation decals. The revenue impact on county governments is undetermined and will depend on the number of license plates and revalidation decals issued by county.

Frank A. Rainwater, Executive Director