

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Fiscal Note

BILL NUMBER: House Bill 86 (Second Edition)

SHORT TITLE: ATV & Motorcycles Off-Road Fund.

SPONSOR(S): Representatives Weiss, Crawford, Brubaker, and M. Alexander

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>
REVENUES					
Highway Trust Fund	\$0	\$5,500,000	\$2,875,000	\$3,250,000	\$3,625,000
Off Road Vehicle Trust	\$0	\$1,000,000	\$1,250,000	\$1,500,000	\$1,750,000
EXPENDITURES					
DMV	\$0	\$1,629,839	\$990,519	\$1,028,777	\$1,067,034
Environment & Natural Resources	\$0	\$75,990	\$74,706	\$76,983	\$80,427
POSITIONS (cumulative):					
DMV	0	13	13	13	13
Environment & Natural Resources*	0	1	1	1	1
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Division of Motor Vehicles, Department of Transportation Information Technology, Department of Environment and Natural Resources					
EFFECTIVE DATE: This bill becomes effective July 1, 2010.					

BILL SUMMARY:

This bill requires all-terrain vehicles and motorcycles meeting certain criteria that are used as off-road vehicles (ORV) to be registered with the Division of Motor Vehicles (DMV) and to be charged a registration fee. The bill also creates a special revenue fund in the Department of Environment and Natural Resources (DENR), designated as the All-Terrain Vehicle and Motorcycle Off-Road Fund, to be used for the acquisition, construction, maintenance, and operation of all-terrain vehicle and motorcycle recreation trails and to provide safety training for operators of all-terrain vehicles and motorcycles registered for off-road use.

ASSUMPTIONS AND METHODOLOGY:

This bill has a fiscal impact for both the Division of Motor Vehicles and the Department of Environment and Natural Resources. The chart below summarizes the fiscal impact of each.

	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15
COSTS					
Division of Motor Vehicles					
<u>Personnel:</u>					
3 Business Service Coordinators	\$61,666	\$123,331	\$123,331	\$123,331	\$123,331
1 PA IV	\$17,206	\$34,411	\$34,411	\$34,411	\$34,411
1 PA V	\$18,288	\$36,575	\$36,575	\$36,575	\$36,575
8 Law Enforcement Officers	\$206,145	\$412,290	\$412,290	\$412,290	\$412,290
<u>Non-Personnel:</u>					
Consumables:	\$98,527	\$78,032	\$91,382	\$104,732	\$118,082
Postage:	\$34,480	\$16,200	\$17,820	\$19,440	\$21,060
LPA Compensation:	\$145,800	\$122,250	\$143,700	\$165,150	\$186,600
Driver & Vehicle equipment:	\$83,810	\$11,740	\$11,740	\$11,740	\$11,740
License & Theft Equipment:	\$394,842	\$129,852	\$129,852	\$129,852	\$129,842
Internet Fees		\$7,350	\$9,188	\$11,025	\$12,863
Programming Fee	\$477,700				
ITS Charge:	\$91,375				
Operation and Maintenance		\$18,488	\$18,488	\$18,488	\$18,488
DMV Total	\$1,629,839	\$990,519	\$1,028,777	\$1,067,034	\$1,105,282
Department of Environment & Natural Resources					
<u>Program Personnel:</u>					
1 Community Development Specialist	\$61,940	\$63,507	\$65,577	\$68,823	\$72,650
<u>Program Non-Personnel:</u>					
Travel & Subsistence	\$2,400	\$2,443	\$2,489	\$2,532	\$2,576
Telephone	\$3,000	\$3,054	\$3,111	\$3,165	\$3,220
Training	\$1,200	\$1,222	\$1,244	\$1,266	\$1,288
Supplies	\$1,000	\$1,018	\$1,037	\$1,055	\$1,073
Rent	\$3,400	\$3,462	\$3,526	\$3,587	\$3,650
Equipment	\$3,050	\$0	\$0	\$0	\$0
DENR Total	\$75,990	\$74,706	\$76,983	\$80,427	\$84,458
POSITIONS:					
DMV # of Positions:	13	13	13	13	13
DENR # of Positions:	1	1	1	1	1
Positions Total	14	14	14	14	14
RECEIPTS/FEES:					
Highway Fund	\$5,500,000	\$2,875,000	\$3,250,000	\$3,625,000	\$4,000,000
Off-Road Vehicle Trust Fund	\$1,000,000	\$1,250,000	\$1,500,000	\$1,750,000	\$2,000,000

DIVISION OF MOTOR VEHICLES

Highway Fund Revenue:

The Division of Motor Vehicles estimates that 100,000 all-terrain vehicles will be registered the first year, generating receipts of \$5,500,000, based on \$40 per title and \$15 per license fee for each vehicle. Subsequently, DMV expects 25,000 additional new titles and registrations each year and anticipates that current owners will continue to renew their registration. Fiscal Research Division has reviewed the estimates with the Department of Transportation and believes that Department estimates do not consider the

fact that vehicles will be replaced over time. However, Fiscal Research does not have any additional information to support revising the estimate.

DMV Expenditures:

The total estimated cost to DMV for FY 2010-11 is estimated to be \$1.6 million dollars for operating cost and one-time start-up cost. The annualized recurring cost is estimated to be \$990K for FY 2011-12.

The Division of Motor Vehicles estimates that this bill will create a requirement for 13 additional personnel, including three Business Service Coordinators, two Process Assistants, and eight law enforcement officers, for a total personnel cost of \$303,305 the first year, and \$606,607 in subsequent years. For the non-law enforcement personnel, there would be a requirement for office space and equipment, for a total cost of \$83,810 the first year and \$11,740 in subsequent years.

Personnel Methodology

Jobs	Business Service Coordinator	Processing Assistant V (gr: 61)	Processing Assistant IV (gr:59)	TOTAL
Base Pay	\$31,397	\$27,544	\$25,705	\$84,646
FTEs	3	1	1	5
Total Salary	\$94,191	\$27,544	\$25,705	\$147,440
Fringe				
Hospitalization	\$12,471	\$4,157	\$4,157	\$20,785
Social Security	\$7,206	\$2,107	\$1,966	\$11,279
Retirement	\$7,667	\$2,242	\$2,092	\$12,002
Payroll Additives	\$1,796	\$525	\$490	\$2,811
Fringe Benefits	\$29,140	\$9,031	\$8,706	\$46,877
Total	\$123,331	\$36,575	\$34,411	\$194,317

Law enforcement personnel would require vehicles, training, standard law enforcement equipment and uniforms, as well as office supplies and equipment for a total cost of \$311,032 the first year and \$118,112 in subsequent years. According to the DMV, a recent staffing study indicated the agency is 47 sworn Inspector positions short, so the cost includes an additional eight sworn positions to accommodate an increase in requests for vehicle examinations. This includes examining the vehicle to ensure that the vehicle identification number is correct and has not been altered or removed, determine proof of ownership, and checking the vehicle to determine if it's reported as stolen. After the first year, the DMV could operate with two additional personnel, given that registration of new vehicles is expected to fall by 75%.

LEO Positions	
Base Pay	\$38,615
FTEs	8
Total Salary	\$308,920
Fringe	
Hospitalization	\$33,256
Social Security	\$23,632
LEO Retirement	\$40,592
Payroll Additives	\$5,890
Fringe Benefits	\$103,370
Total	\$412,290

The DMV estimates the cost for consumables, such as titles, license plates, and month stickers, at \$98,527 the first year, falling to \$78,032 in the second year, then increasing every year and reaching \$118,082 in the fifth year, when 200,000 total vehicles are registered. According to the DMV, postage will cost \$38,480 in the first year, drop to \$16,200 in the second year, then grow to \$21,060 in the fifth year.

Methodology	FY10-11 100,000 initial vehicles	FY 11-12 125,000 total vehicles	FY 12-13 150,000 total vehicles	FY 13-14 175,000 total vehicles	FY 14-15 200,000 total vehicles
Consumables					
Notification to renew .408 each		\$40,800	\$51,000	\$61,200	\$71,400
Titles \$19.27 per 1000	\$1,927	\$482	\$482	\$482	\$482
Mailer stickers (20%) .19 each	\$3,800	\$4,750	\$5,700	\$6,650	\$7,600
Sticker forms (80%) .11 each	\$8,800	\$11,000	\$13,200	\$15,400	\$17,600
Month Stickers .03 each	\$3,000	\$750	\$750	\$750	\$750
License Plates .81 each	\$81,000	\$20,250	\$20,250	\$20,250	\$20,250
Consumables Total	\$98,527	\$78,032	\$91,382	\$104,732	\$118,082
Postage					
Postage for titles .324 each	\$32,000	\$8,100	\$8,100	\$8,100	\$8,100
Postage for stickers .324 each (20%)	\$6,480	\$8,100	\$9,720	\$11,340	\$12,960
Postage Total	\$38,480	\$16,200	\$17,820	\$19,440	\$21,060

License plate agency compensation would be required for all-terrain vehicle registrations. The DMV estimates these fees will be \$145,800 the first year and increase each year as the number of renewals increases, reaching \$186,600 in the fifth year. Estimates are based on 60% of registration occurring in the contract License Plate Agencies, 20% being handled through the mail/internet, and the remaining 20% processed in the state-owned titling and licensing offices.

License Plate Agency Compensation:	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15
Estimated Number of new Titles & Registration	100,000	25,000	25,000	25,000	25,000
Number of transaction done at LPA 60% of total	60,000	15,000	15,000	15,000	15,000
Compensating based on \$2.43 per title transaction	\$145,800	\$36,450	\$36,450	\$36,450	\$36,450
Estimated Number of renewals.					
	0	100,000	125,000	150,000	175,000
Number of transaction done at LPA 60% of total		60,000	75,000	90,000	105,000
Compensating based on \$1.43 per renewal	0	\$85,800	\$107,250	\$128,700	\$150,150
Total LPA Compensation:	\$145,800	\$122,250	\$143,700	\$1,65,150	\$186,600

Information technology costs will increase. The DMV estimates that internet renewals, at an average cost of \$1.47 per transaction will cost \$7,350 in SFY 2010-11 for 5,000 renewals and with an increase of 1,250 renewals each year, will grow to \$12,863 by SFY 2013-14.

From a programming perspective, DMV considers this a complex effort that will require extensive modifications to the State Titling and Registration System (STARS) including the following:

1. Modification of the titling functions, including lien recording and printing, to account for off-highway vehicles.
2. Modification of the registration functions related to the issuance, renewal, exchange, and transfer of plates to account for off-highway vehicles.
3. Addition of the body style, vehicle use, and plate categories for off-highway vehicles to the appropriate tables.
4. Modification to the mail-in renewal processing for off-highway plates.
5. Modification of the Internet renewal process for off-highway plates.
6. Modification to the county notification system to send off-highway vehicles to the counties for taxation.
7. Modification of the titling process to charge sales tax rather than highway use tax.
8. Modification of the fee calculation and reporting processes to subtract administrative costs from fees collected for titling off-highway vehicles.
9. Modifications to on-line dealer systems to support changes to STARS.

The DMV has budgeted a total of 5,620 hours to accomplish the required programming. This includes the following:

Activity	Estimated Hours
Initiation	60
Planning	200
Project Management	200
Project Administration	100
Software Project Tracking and Oversight	80
User Requirements and Detailed Design	250
Program Specification	200
Programming/Unit Testing	2,000
System Testing	1,000
Client Testing	1,000
Implementation	300
Post-Implementation	200
Project Closeout	30

At a rate of \$85 per hour, the DMV cost to develop and implement the system is estimated to be \$477,700. Office of Information Technology Services (ITS) charges add an additional \$91,375, for a total cost of \$569,075. Once the project is complete, DMV estimates annual operations and maintenance costs of \$15,300, or \$76,500 over five years. ITS charges will add an additional \$15,938 for the five year period.

In addition to the assumptions incorporated in the methodology above, the DMV also considered the following to determine the cost of this bill. Changes to any of the assumptions could result in a change in cost.

1. Off-highway vehicles will have a vehicle identification number (VIN) stamped on the vehicle by the manufacturer.
2. Off-Highway vehicles that do not have an identification number will be assigned a NC vehicle identification number.
3. The vehicle identification numbers for off-highway vehicles do not conform to the universal 17 digit check system for automobiles and therefore the Division has no method to validate the authenticity.
4. The regulation of these vehicles is not addressed in Chapter 20 of the N.C. Statutes.
5. The bill as written does not address any penalty for non-adherence and may not be enforceable.
6. Off-highway vehicles will use the existing titling options. The titles will be branded as 'Off-Highway'. The titles will use the same paper stock as current titles.
7. Late penalties will apply for titling off-highway vehicles.
8. Any vehicle that the owner could not produce ownership documents such as the manufacturer's certificate of origin under current statutes would require the owner to obtain an indemnity bond which includes examination of the vehicle by a License and Theft Bureau Inspector.
9. The system will assign a license plate and sticker for the registration of off-highway vehicles. The license plate will be a metal plate with a unique plate category.
10. Off-highway vehicles are subject to sales tax rather than highway use tax.
11. Off-highway vehicles will be subject to appropriate vehicle registration denials. No additional cost is anticipated.
12. Plates for off-highway vehicles could not be personalized.
13. Special/collegiate plates could not be issued for an off-highway vehicle.
14. The plates for off-highway vehicles would have a 15-day grace period after expiration.
15. Dealers that sell off-highway vehicles would not be required to have a dealer license.
16. Dealers that sell off-highway vehicles would not be issued dealer plates.

17. Regional Transit Authority and Piedmont Authority Regional Transportation tax would apply to off-highway vehicle registrations.
18. Off-highway vehicle registrations will be eligible to renew via the mail and internet. Current internet fees average \$1.47 per transaction. Based on current internet usage, approximately 5% of renewals will be done via the internet.
19. The DMV will mail invitations to renew for off-highway vehicle registrations.
20. The off-highway vehicles would not be subject to liability insurance
21. The off-highway vehicle registration information will be sent to the counties for property tax purposes and will be included in the HB1779 project.
22. A base fee of \$15.00 or \$22.00 charged for off-highway vehicles depending on the vehicle body style. An additional \$10.00 charged and allocated to the ORV Special Fund.
23. This estimate does not include fees for replacement plates or late penalties.
24. Estimate based on the \$15.00 license plate fee only.
25. Off-highway vehicles purchased by or for minors will be titled according to the identification requirements pursuant to G.S. 20-52. This statute requires individuals to have a NC Driver License or NC Identification card. This requirement may increase the number of NC Identification cards issued for owners who are less than 16 years of age.
26. This bill does not exempt or grandfather current owners of off-highway vehicles.
27. Estimate based on the assumption that all current owners of off-highway vehicles will be required to register their current vehicles immediately in addition to new purchases when this becomes law.
28. Receipts for renewals were calculated using \$15 License and \$15 additional off-highway fee.
29. Operation and maintenance cost for programming will remain constant for the first 5 years.

DEPARTMENT OF ENVIRONMENT & NATURAL RESOURCES

ORV Fund Revenue:

H.B. 86 requires DMV to collect an additional \$10 fee for each vehicle that is to go to the ORV Fund. The total estimated revenue based on the fee and the estimated number of vehicles (100,000 in FY 2009-10) is noted in the table below. H.B. 86 also recognized revenue to the fund from gifts, grants. However, Fiscal Research has no basis for estimating what that additional revenue may be. The bill allocates 75% of the ORV Fund for the acquisition, construction, maintenance, and operations of ORV recreation trails and the provision of law enforcement on those trails; 20% of the special revenue fund is allotted for ORV safety training; and 5% of the funds for administrative purposes.

Expected ORV Special Funds by Designated Purpose

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
ORV Trails	\$750,000	\$937,500	\$1,125,000	\$1,312,500	\$1,500,000
Safety Training	\$200,000	\$250,000	\$300,000	\$350,000	\$400,000
Program Administration	\$50,000	\$62,500	\$75,000	\$87,500	\$100,000
ORV Special Fund	\$1,000,000	\$1,250,000	\$1,500,000	\$1,750,000	\$2,000,000

North Carolina Trails Committee Duties and Expected Costs

H.B 86 directs the North Carolina Trails Committee to provide the Secretary of DENR with recommendations on granting out the funds within the ORV Special Fund. The PCS indicates that federal, state, and local governments as well as qualified non-profit organizations would be eligible for grants from the ORV Special Fund. The grants could be used for the acquisition, construction, maintenance, and operations of ORV trails and for safety training for ORV operators.

DENR's Division of Parks and Recreation runs the State Trails Program, which includes the North Carolina Trails Committee. The North Carolina Trails Committee is a citizen advisory committee established to

advise DENR on all matters directly or indirectly pertaining to trails. The State Trails Program is staffed and funded to coordinate and promote trails for all purposes, including two-wheel and four-wheel-drive motorized vehicles. This State Trails Program currently administers two grant programs for which ORV projects are eligible: the federal Recreational Trail Program grants and the State's Adopt-A-Trail grants. At present, there is no grant program dedicated to ORV trails. The additional duties given to the Trails Committee should not result in the need for additional committee meetings; therefore, the costs associated with North Carolina Trails Committee should not change.

However, there will be additional costs to DENR due to the grant program. DENR staff must develop the new grant guidelines, application process, and evaluation criteria. In addition, funds to publicize the grant program and to send application forms, contracts, and other correspondences will be needed. Furthermore, depending upon the number of grants requested and given, the ORV Special Fund may require an additional staff member to manage applications and to monitor grant awards. DENR indicated that adding a Community Development Specialist would fulfill this need. Creating this position at the mid-point for the salary grade, \$49,903, would result in program personnel cost of \$61,940 in FY 2010-11. However, at present, it is unclear whether DENR will need this position as the demand for ORV grants is unknown; the estimated cost for the positions has been included in this fiscal memo for informational purposes.

The following table outlines DENR's expected new operating costs associated with the grant program. Several of these line items are associated with the position that DENR expects will be needed. If the position is not needed, operating costs would be reduced by \$8,850. Item indicated by an * would not be needed if no new positions are created.

Expected Program Costs, FY 2010-11 Dollars	
	FY 2010-11
Community Development Specialist	
Salary Grade	70
<i>Base Pay</i>	<i>\$49,903</i>
Hospitalization	\$4,157
Social Security	\$3,818
Retirement	\$4,062
<i>Fringe Benefits</i>	<i>\$12,037</i>
Total Salary & Fringe	\$61,940
On-going Expenses	
Travel	\$1,200
Telephone	\$600
Printing and Postage	\$2,400
Office Supplies	\$500
Data Processing Supplies	\$500
Subsistence *	\$1,200
Employee Tuition/Training *	\$1,200
Rent *	\$3,400
<i>On-Going Expenses Total</i>	<i>\$11,000</i>
One Time Start-up Equipment Costs	
Office Furniture *	\$1,550
Data Processing Equipment *	\$1,500

<i>Start-Up Expenses Total</i>	<i>\$3,050</i>
First Year Operating Costs	\$14,050
<i>Personnel Operating Costs</i>	<i>\$8,850</i>
<i>Grant Program Costs</i>	<i>\$5,200</i>
Total Expected Expenses	\$75,990

In aggregate, the bill is expected to increase DENR's expenditures by \$75,990 in FY 2010-11, increasing to \$84,458 in FY 2014-15. In the summary table on page two of this memo, DENR's expected expenditures have been adjusted to reflect inflation per www.economy.com estimates. It should be noted that for the first three years of the program DENR's expected operating costs exceed the 5% of revenue earmarked for administrative purposes. The following table shows expected operating expenses compared to the expected revenue set aside for administrative purposes.

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
DENR Expenses	\$75,990	\$74,706	\$76,983	\$80,427	\$84,458
Administrative Revenue	\$50,000	\$62,500	\$75,000	\$87,500	\$100,000
Difference	(\$25,990)	(\$12,206)	(\$1,983)	\$7,073	\$15,542

SOURCES OF DATA:

Division of Motor Vehicles, Department of Transportation Information Technology.
 Department of Environment & Natural Resources.

TECHNICAL CONSIDERATIONS:

1. The Division of Motor Vehicles would prefer to delay implementation until July 1, 2011 to allow for the implementation of House Bill 1779, which requires property tax to be paid with vehicle registration. This will allow the DMV to implement all the required programming changes at one time.
2. Manufacturers of Off-Highway vehicles must be required to adhere to a universal code for the development and issuance of vehicle identification numbers and the determination of body styles in order for title records to be accurate.
3. Manufacturers of Off-Highway vehicles must provide secure certificates of ownership documents properly assigned and bills of sales to customers upon purchase.

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DATE: April 28, 2009



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