

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Fiscal Note

BILL NUMBER: Senate Bill 642 (Second Edition)

SHORT TITLE: Require Off-Road Vehicles to Be Registered.

SPONSOR(S): Senator Berger of Franklin

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	\$5,500,000	\$2,875,000	\$4,250,000	\$5,625,000	\$7,000,000
EXPENDITURES	\$1,632,814	\$990,519	\$1,028,777	\$1,067,034	\$1,105,282
POSITIONS (cumulative):	12	12	12	12	12
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:					
EFFECTIVE DATE: This act becomes effective October 1, 2009.					

BILL SUMMARY:

This bill enacts a new GS 20-63.2 to require that any all-terrain vehicle be registered in the same manner as any other vehicle. The registration plate for an off-road vehicle is to be different in color or design to enable law enforcement officers to easily recognize the plate and that the vehicle is to be operated off state roads, streets, and highways. The bill specifies that there is no requirement that a vehicle registered for off-road use have insurance on the vehicle or that the owner provide proof of financial responsibility prior to registration. It requires that the Division of Motor Vehicles (DMV) collect any sales and use tax, and any other tax required by GS Chapter 105, on a registered off-road vehicle. Proof of payment of the sales and use tax to a NC dealer is acceptable proof to register the vehicle. If the vehicle is purchased out of state, the Division must collect the tax and submit it to the Department of Revenue. The bill also amends GS 20-87 to establish a \$15 base registration fee for an off-road vehicle and a \$22 base registration fee for an off-road vehicle equipped with an additional form of device designed to transport persons or property. It makes conforming changes to GS 20-50(a) and adds that vehicles specifically exempted from registration in GS 20-51 or used solely for agricultural purposes are not required to be registered with the Division. The bill also amends GS 20-51 to include in the list of vehicles exempt from registration and certificate of title a motorcycle as defined in GS 20-4.01(27)d. that is intended to be driven off-road only. This version deletes amendments to GS 20-50(a) that provided for a specified exemption for vehicles registered under GS 20-51 or those used only for

agricultural purposes from vehicle registration requirements in accordance with GS 20-52. Instead, the bill enacts a new subsection (a1) to require the registration with the DMV of an all-terrain vehicle (ATV) or motorcycle that meets all of the following criteria:

1. It is not otherwise required to be registered.
2. It was manufactured in 2005 or later.
3. It is intended for off-road operation.

The bill provides an exemption from the registration requirements for vehicles that are:

1. Exempt from registration under GS 20-51.
2. Used primarily for agricultural purposes.
3. Used by law enforcement, fire, rescue, and emergency medical service personnel in the performance of their duties.

This version deletes proposed amendment to GS 20-51, which added motorcycles intended to be driven off-road only to the list of vehicles exempted from registration and certificate of title.

This version also clarifies that the provisions apply to all-terrain vehicles or motorcycles required to be registered (instead of all-terrain vehicles registered for off-road use only). This version requires the following to be supplied at the time of registration:

1. A Product Identification Number or Vehicle Identification Number
2. A manufacturer's certificate of origin or title, or an inspection and indemnity bond if a certificate of origin or title is not available.

It specifies that any ATV or motorcycle registered for off-road use is subject to the title and registration fees provided in GS 20-85 (Title and registration fees) and GS 20-87 (Passenger vehicle registration fees). It also makes conforming changes to proposed GS 20-87(13).

ASSUMPTIONS AND METHODOLOGY:

In the chart below, the Division of Motor Vehicles has broken out anticipated costs and receipts.

FISCAL IMPACT

DMV:	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14
Personnel:					
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
1PA V	\$18,288	\$36,575	\$36,575	\$36,575	\$36,575
8 Law Enforcement Officers	\$206,148	\$412,290	\$412,290	\$412,290	\$412,290
Non-Personnel:					
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
Office Support Requirements	\$83,810	\$59,740	\$59,740	\$59,740	\$59,740
License & Theft Requirements	\$304,562	\$117,712	\$117,712	\$117,712	\$117,712
Internet Fees		\$7,350	\$9,188	\$11,025	\$12,863
Programming Fee	\$480,420				
ITS Charge:	\$91,627				
Operation and Maintenance		\$18,488	\$18,488	\$18,488	\$18,488
Total	\$1,542,534	\$1,026,779	\$1,065,037	\$1,103,294	\$1,141,502
# POSITIONS:	12	12	12	12	12
RECEIPTS/FEES:					
Highway Fund	\$5,500,000	\$2,875,000	\$4,250,000	\$5,625,000	\$7,000,000

The DMV is estimating that 100,000 vehicles will be titled and registered the first year, with an additional 25,000 in each of the next four years. Receipts were calculated using the Title fee of \$40 and License fee of \$15. Receipts for renewals were calculated using a \$15 License Fee. This estimate does not include fees for replacement plates, Regional Transit Authority tax, or late penalties.

DMV estimates personnel costs at \$303,308 the first year and \$606,607 in subsequent years. According to the DMV, eight new sworn positions would be required to accommodate an increase in requests for vehicle examinations. The DMV also believes they would need an additional Business Service Coordinator in the Customer Contact Center to assist with additional phone inquiries resulting from this requirement, an additional Business Service Coordinator in the two state titling and licensing offices to process the additional applications, and two additional Process Assistants to process the additional mail applications.

There are other costs associated with implementing this bill. Total costs for consumables, including renewal notices, titles, mailer stickers, sticker forms, month stickers, and license plates, are listed below:

FY 2009-2010	\$98,527
FY 2010-2011	\$78,032
FY 2011-2012	\$91,382
FY 2012-2013	\$104,732
FY 2013-2014	\$118,082

Postage would add an additional cost:

FY 2009-2010	\$38,480
FY 2010-2011	\$16,200
FY 2011-2012	\$17,820
FY 2012-2013	\$19,440
FY 2013-2014	\$21,060

For the support personnel, the DMV estimates an initial cost of \$29,070 for information technology equipment. Equipment maintenance and support would add an additional \$11,740 each year, and office space would cost \$48,000.

Each of the sworn personnel would be authorized a State vehicle, uniforms, weapons, offices and supplies, and information technology support. Costs each year are estimated by DMV at \$118,112, with an additional \$163,250 the first year to purchase information technology equipment and law enforcement officer automobile accessories.

The DMV estimates assume that 60% of registrations will occur in the contract License Plate Agencies, 20% will be handled through the mail/internet, and the remaining 20% will be processed in the state owned titling and licensing offices. They anticipate that contract License Plate Agencies will be compensated for each title transaction at \$2.43 and each renewal transaction at \$1.43 pursuant to G.S. 20-63. Current internet fees average \$1.47 per transaction. Based on current internet usage, approximately 5% of renewals will be performed via internet. The DMV will mail invitations to renew for off-highway vehicle registrations, which will create a postage cost.

DMV has also calculated the programming costs associated with implementing this bill. The estimate includes 5,620 hours for system development within STARS at a cost of \$85 per hour, for a total cost of \$477,700, with an add-on of \$91,375 for Office of Information Technology Services (ITS) costs. They have also calculated that 15 hours of system maintenance would be required each month, also at \$85 per hour, with an additional \$3,188 to cover ITS costs. However, these are sunk costs, as the programmers, systems, and equipment are already paid for by DMV.

Modifications to the State Titling and Registration System (STARS) would include:

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 Liability Insurance Tracking and Enforcement System (LITES) would also require modifications to implement this bill in order to ensure that insurance policies submitted to the Division of Motor Vehicles do not create lapses for off-road vehicles when insurance coverage is dropped. LITES will need to be modified to reject insurance documents relating to vehicles registered as off-road vehicles in STARS.

LITES requires an additional 32 hours for system programming, for a total of \$2,720. The DMV has estimated an additional \$252 to cover ITS costs, for a total of \$2,972. Again, these are costs for programmers and systems that DMV already uses and would not add to the actual cost of the bill.

The following list of assumptions were used to develop the estimated cost. Any changes to the assumptions could change the estimated 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 would be assigned a NC vehicle identification number.
3. The vehicle identification numbers for off-highway vehicles do not conform with 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 would use the existing titling options. The titles will be branded as ‘Off-Highway’. The titles would 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. This inspection 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.
9. The system would 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 would be subject to the existing appropriate vehicle registration denials.
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. The off-highway vehicle registration information will be sent to the counties for property tax purposes and will be included in the HB1779 project.
19. A base fee of \$15.00 or \$22.00 charged for off-highway vehicles depending on the vehicle body style.
20. 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.
21. This bill does not exempt or grandfather current owners of off-highway vehicles.
22. Estimates are 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.
23. Operation and maintenance cost for programming will recur for the first 5 years.

SOURCES OF DATA: Division of Motor Vehicles, Department of Transportation Information Technology

TECHNICAL CONSIDERATIONS:

1. An alternate proposed effective date would be requested due to resource availability required by the development of the new system to accommodate the implementation of HB1779.
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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