

Revised on 4/19/17 to reflect the correct amount of cash fund revenue generated by the bill.

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2017-18		FY 2018-19	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	\$9,631	\$5,250		\$13,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$9,631	\$5,250		\$13,000

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 263 requires the Department of Motor Vehicles (DMV) to implement an electronic dealer services system. Dealers may voluntarily participate in the system and provide titling and registration services. Dealers will be authorized to collect title and registration fees, sales taxes and motor vehicle taxes. DMV may adopt rules and regulations governing the dealer services system. The system is to be implemented on a date determined by the director of DMV, but not later than January 1, 2021. The act is operative on January 1, 2019.

Expenditures: DMV will incur expenses to implement the electronic dealer services system. The department is in the process of a modernization project to replace its Vehicle Title Registration System. The Legislature provided cash funds beginning in FY2014-15 for the project. The department has a biennial budget request of \$14,598,490 of cash funds for FY18 and \$10,134,987 for FY19 to continue implementation of the project. The base system is scheduled to be implemented and operational in September of 2019. An electronic dealer services system is a component of the modernization project, so a portion of the total project cost will be devoted to the new electronic system. If the biennial budget request of the department is funded as recommended by the Appropriations Committee, then LB 263 will have no additional fiscal impact.

The Department of Correctional Services indicates the provisions of the bill relative to distribution of license plates will have no fiscal impact for the agency in the next biennium. The Department of Revenue assumes the electronic dealer licensing system will not have a fiscal impact for the agency as long as paper filings of motor vehicle taxes are allowed. DMV indicates that will not change with the new dealer services system.

Revenues: LB 263 does not change any fees or taxes currently pertaining to licensing or registering motor vehicles. So, dealers will collect the same amount of motor vehicle taxes and fees and will remit the fees or taxes to the state and counties as is required by current law. However, the bill, as amended, allows dealers to charge and retain a fee of up to \$50 for those electing to use the electronic dealer services system.

The bill changes the required time period for county treasurers to remit fees and taxes to the state. Currently, title fees are required to be remitted to the state by the 15th day of the month and vehicle fees and registration fees are required to be remitted by the 25th day of each month. The required remittance date is synchronized to be the 20th day of each month. The change may have a slight unknown fiscal impact for counties or the state in terms of interest earned on funds.

The bill provides for a new \$1.50 fee if an individual opts to change the address on a registration certificate prior to annual renewal. It is assumed there will be little new revenue pursuant to the option.

Amendments: LB 263, as amended, includes the provisions of LB's 54, 143, 164, 460, and 483 which have no fiscal impact. The amendments also include the provisions of LB 70, 294, 355, 418 and 459 for which the following comments are provided relative to a fiscal impact. A new section of law is also added which has a minimal impact on cash fund revenue.

LB 70 – The provisions originally contained in LB 70 provide some discretion in terms of the revocation of motor vehicle operator's licenses by courts when a person operates a vehicle during the time a license has been revoked or impounded. If a person is placed on probation for operating a motor vehicle when an operator's license is revoked, then the court has discretion as to whether a license is to be revoked. It is possible the change in the law may have some impact on the number of operator's licenses revoked in the future which will impact revenue received by the Department of Motor Vehicles. The change in license revocations is unknown, but not projected to be significant.

LB 294 – The bill allows DMV to enter into a reciprocity agreement with a foreign country to provide for the mutual recognition and reciprocal exchange of a valid operator’s license issued by this state or the foreign county if the department determines that the licensing standards of the foreign country are comparable to the state’s standards. The agreement cannot pertain to commercial motor vehicle licenses. These provisions should not have a fiscal impact on license fee revenues because DMV indicates that individuals receiving a license pursuant to a reciprocal agreement will have to pay the appropriate fee to obtain an operator’s license.

LB 355 - provides for the issuance of Native American Cultural Awareness and History license plates beginning on January 1, 2018. The plates may be either numerical or message plates. Applicants for numerical plates must pay an additional initial and renewal fee of \$5 which is deposited into the Native American Scholarship and Leadership Fund (NASLF), which is established by the bill. Applicants for message plates pay an annual \$40 plate fee of which 75% is deposited in the NASLF and 25% accrues to the Department of Motor Vehicles (DMV) Cash Fund.

All applicants for plates also pay the regular per plate fee, which is capped at \$3.50 by current statute. If the manufacturing cost of the plates exceeds the amount charged as a regular plate fee, then the difference between the manufacturing costs and the amount charged is credited to the Highway Trust Fund (HTF) instead of the NASLF. The bill also has language providing for the plates to be designed to limit the manufacturing cost to equal to or less than the amount charged for the plates.

DMV Expenditures: The bill increases expenditures of the DMV by \$9,631 of cash funds in FY2017-18 to modify the Vehicle Titling and Registration and plate management computer systems to accommodate the new Native American Cultural Awareness and History plates.

DMV estimates there may be about 1,000 sets of Native American plates sold based upon their experience with other specialty license plates. Using this estimate, it is assumed half of this number (500) will apply in the initial fiscal year. It is also assumed that 70% of the plates issued will be numerical and 30% will be personalized.

Assuming the manufacturing cost is equal to the price charged for a plate, then expenditures by the HTF and revenue received by the fund from plate charges will equal \$3,500 (\$7.00/set x 500 sets) in FY2017-18 and double this amount in FY19 when an estimated 1,000 plates are manufactured. If the manufacturing expense is higher than the amount charged for a regular plate, then the difference between the manufacturing costs and the amount charged is credited to the HTF instead of the NASLF.

Native American Scholarship and Leadership Fund: The bill provides for the Commission on Indian Affairs to administer the Native American Scholarship and Leadership Fund which is created by the bill. The fund is to be used to provide scholarships to Native Americans to attend postsecondary educational institutions in the state and provide leadership opportunities to Native Americans as determined by the Commission.

It is assumed the Indian Commission will not provide any grants or expend any revenue from the fund until FY2018-19. The department can request expenditure authority in the next budget cycle after there is more information upon which to estimate the number the plates sold, the revenue available for grants, and estimated administrative expenses.

Revenues: Increased revenue from the \$5 annual fee for a Native American numerical plate and \$40 fee for a personalized plate will be deposited in the DMV Cash Fund and the NASLF. The estimated revenue assuming 500 sets of plates are applied for in FY2017-18 and 1,000 sets are applied for in FY2018-19 is as shown:

<u>TYPE OF PLATE</u>	Fee	Est. # of Sets	Revenue 2017-18	Revenue 2018-19
FY17				
Numerical Plate - NASLF	\$5.00	350	\$1,750	
Personalized Plate - DMV CF	\$10.00	150	\$1,500	
Personalized Plate – NASLF	\$30.00	150	\$4,500	
FY18				
Numerical Plate - NASLF	\$5.00	700		\$3,500
Personalized Plate - DMV CF	\$10.00	300		\$3,000
Personalized Plate – NASLF	\$30.00	300		\$9,000
Total Est. Revenue			\$7,750	\$15,500

The bill allows owners to apply to the county treasurer to transfer specialty plates from one owned vehicle to another. The application fee for the transfer is \$3. The fees are placed in the DMV Cash Fund. The number of transfers is unknown.

LB 418 - The bill increases the amount that may be imposed as a civil penalty by the Superintendent of Law Enforcement and Public Safety against motor carriers transporting persons or property in interstate commerce for various violations. The State Patrol indicates the increase in the fine for violations of subsection (1) of Section 75-369.03 will increase annual revenue by about \$110,000 based upon violations in the last calendar year. The current penalty is a maximum of \$500. The bill increases the maximum penalty by \$300, to a total of \$800. The revenue accrues to the county where the violation occurs, for use by public schools. The other changes in penalties in the bill may have a minimal, if any, increase in revenue because violations are rarely cited.

LB 459 – The bill requires the State Fire Marshal to adopt and promulgate rules and regulations for the statewide one-call notification center. The Fire Marshal estimates an annual cost of \$150 to publish notices of regulation hearings. The agency indicates it can absorb the increased costs with existing resources. Provisions in LB 459 also increase a civil penalty for violations related to underground facilities. Any increased revenue from the civil penalty will accrue to the county where the violation occurs for use by the public schools.

The amendments to LB 263 also include new provisions which allow owners to apply for a title for a vehicle manufactured more than 30 years prior to the application date when an owner does not have a title certificate. The bill establishes a \$25 title fee which is credited to the DMV Cash Fund. The changes result in a loss in revenue for the DMV Cash Fund because currently a fee of \$50 would have been charged for a bonded title for these vehicles. DMV estimates an annual loss of \$2,500 of cash fund revenue.