Bill Number:	S. 0635 Introduced on March 15, 2023
Author:	Bennett
Subject:	DMV- Change in Vehicle Registration Period
Requestor:	Senate Transportation
RFA Analyst(s):	Griffith
Impact Date:	April 11, 2023

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. Additionally, the bill requires the road use fee for electric and hybrid vehicles to be collected annually instead of biennially. Further, the bill allows DMV to issue a refund of the annual registration fee for property-carrying vehicles.

There is no expenditure impact on the Department of Motor Vehicles (DMV) as the agency can manage the provisions of the bill within existing appropriations.

Since the change in registration renewal takes effect on January 1, 2025, and based upon data provided by the Department of Transportation (DOT), the Revenue and Fiscal Affairs Office (RFA) anticipates that this bill will reduce revenue to the Infrastructure Maintenance Trust Fund (IMTF), which are Other Funds of DOT, by approximately $8,367,500 in FY 2024-25. DOT estimates that this bill will reduce IMTF revenue from motor vehicle registration fees, road use fees, and trailer registration fees by $16,735,000 in FY 2025-26. The agency indicates that these estimates are based on projected data from FY 2022-23. DOT further anticipates that revenues will be back to a more normal level in the second full year of implementation. This analysis by DOT assumes a similar distribution of registrations in calendar years 2025 and 2026. If more registration renewals occur in one year, revenue could shift between fiscal years.

Based upon data provided by DOT, RFA anticipates that Other Funds revenue of DMV will decrease by $523,000 in FY 2024-25 since the effective date of the bill is January 1, 2025, and by $1,046,000 in FY 2025-26. This analysis also assumes a similar distribution of registrations in calendar years 2025 and 2026. If more registration renewals occur in one year, revenue could shift between fiscal years.

Based upon an estimate provided to the South Carolina Transportation Infrastructure Bank (SCTIB) by its financial advisor, the SCTIB will experience a shortfall in motor vehicle and truck registration fees of $30,350,000 in FY 2024-25 and $22,616,000 in FY 2025-26.

Please note, SCTIB has advised us that all motor vehicle registration fees provided to the SCTIB are pledged to the repayment of debt service of outstanding revenue bonds. That pledge is legally binding on the SCTIB and the state. Any disruption in the flow of pledged revenues could: put the SCTIB at risk of not being able to meet the mandatory coverage requirements in the Master Revenue Bond Resolution; require an Electronic Municipal Market Access public disclosure for all SCTIB bondholders; and prompt rating agency reviews. These results could impact the credit rating of the SCTIB and increase its interest costs on future bond issues and refundings.

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 County Issuance of Decals and Registration (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. In a previous response, SCATT indicated that any expenditures related to the development of the plan to add counties to CIDRs2 could be managed with its existing staff and budget.

RFA surveyed all county governments to determine the expenditure impact of this bill. While Dorchester and Hampton Counties responded that the bill will not increase expenses in their localities, we anticipate that the bill will increase expenses of the eleven counties that will need to join the CIDRs2 program. Therefore, the expenditure impact on local governments is undetermined. We will update this impact statement if we receive responses from more county governments.

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.

Explanation of Fiscal Impact

Introduced on March 15, 2023
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. Further, the bill allows DMV to issue a refund of the annual registration fee for property-carrying vehicles. DMV indicates that the agency can manage the potential increase in refund requests and all other updates related to the change in registration period within its existing appropriations. Therefore, there is no expenditure impact on 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 required registration following the first day of the calendar year beginning January 1, 2025, after approval by the Governor and the program is fully funded. 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 currently 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. Since this portion of the bill takes effect on January 1, 2025, and based upon data by DOT, RFA anticipates that this bill will reduce revenue to the IMTF by approximately $8,367,500 in FY 2024-25. DOT estimates that this bill will reduce revenue of the IMTF from motor vehicle registration fees by $14,989,000, will reduce revenue from road use fees by $1,651,000, and will reduce revenue from trailer registration fees by $95,000, which is a total of $16,735,000 in FY 2025-26. DOT indicates that these estimates are based on projected data from FY 2022-23.DOT further anticipates that revenues will be back to a more normal level in the second full year of implementation. This analysis by DOT assumes a similar distribution of registrations in calendar years 2025 and 2026. If more registration renewals occur in one year, revenue could shift between fiscal years.

Department of Motor Vehicles. Pursuant to 56-3-1230, $2 of each biennial fee is currently credited to the Plate Replacement Fund (PRF), which is Other Funds of DMV. This bill will credit $1 of each annual registration fee to the PRF. Based upon data provided by DOT, RFA anticipates that Other Funds revenue of DMV will decrease by $523,000 in FY 2024-25 since the effective date of the bill is January 1, 2025, and by $1,046,000 in FY 2025-26. This analysis also assumes a similar distribution of registrations in calendar years 2025 and 2026. If more registration renewals occur in one year, revenue could shift between fiscal years.

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 $14,350,000 in motor vehicle fees and $16,000,000 in truck registration fees in FY 2024-25. In FY 2025-26, the SCTIB will experience a shortfall of $10,564,000 in motor vehicle fees and $12,072,000 in truck registration fees. In summary, revenue to the SCTIB will be reduced by $30,350,000 in FY 2024-25 and by $22,616,000 in FY 2025-26.

Please note, SCTIB has advised us that all motor vehicle registration fees provided to the SCTIB are pledged to the repayment of debt service of outstanding revenue bonds. That pledge is legally binding on the SCTIB and the state. Any disruption in the flow of pledged revenues could: put the SCTIB at risk of not being able to meet the mandatory coverage requirements in the Master Revenue Bond Resolution; require an Electronic Municipal Market Access public disclosure for all SCTIB bondholders; and prompt rating agency reviews. These results could impact the credit rating of the SCTIB and increase its interest costs on future bond issues and refundings.

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 enter 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.

RFA surveyed all county governments to determine the expenditure impact of this bill. While Dorchester and Hampton Counties responded that the bill will not increase expenses in their localities, we anticipate that the bill will increase expenses of the eleven counties that will need to join the CIDRs2 program. Therefore, the expenditure impact on local governments is undetermined. We will update this impact statement if we receive responses from more county governments.

Additionally, based upon a previous response, SCATT indicates that any expenditures related to the development of the plan to add counties to CIDRs2 could be managed with its existing staff and budget. This portion of the bill takes effect upon approval by the Governor.

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. This portion of the bill takes effect on the first day of the fiscal year following forty-eight months after approval by the Governor.

Frank A. Rainwater, Executive Director