

BDR 43-546 SB 205

EXECUTIVE AGENCY FISCAL NOTE

AGENCY'S ESTIMATES

Date Prepared: March 23, 2023

Agency Submitting: Department of Motor Vehicles, Research and Project Management

Items of Revenue or Expense, or Both	Fiscal Year 2022-23	Fiscal Year 2023-24	Fiscal Year 2024-25	Effect on Future Biennia
Registration Renewal Revenue Reduction (Revenue)			(\$404,380)	(\$1,234,280)
Programming cost (Expense)		(\$140,204)		
Total	0	(\$140,204)	(\$404,380)	(\$1,234,280)

Explanation

(Use Additional Sheets of Attachments, if required)

BDR 43-546 (SB 205) relates to off-highway vehicles and proposes to change the frequency of registration of off-highway vehicles from annually to every 3 years. This bill becomes effective upon passage and approval for carrying out administrative tasks, and January 1, 2024 for all other purposes.

The Department has reviewed this bill and determined there will be an impact as written. DMV assumes that original registration figures will continue as projected annually. Registration renewal amounts will be significantly reduced resulting in a reduction to amounts distributed to the OHV Commission. Programming costs are estimated in FY23/24 to be \$140,204, for 1,279 hours of work to be accomplished by MSA contractors.

DMV is currently engaged in its "transformation effort" (DTE), to revise business processes, reorganize, and move systems to a cloud solution. This will greatly improve DMV services and allow customer transactions online. DTE project delivery will continue into 2026 and involves over 100 staff and contractors. The proposed effective date will require programing, testing and implementation in the legacy system and DTE. This creates risk and additional work. Due to DTE, DMV is unable to absorb work for changes. Work completed will be done by new contract programmers. Completion of this work will delay implementation of DTE by 4 weeks and increase the final costs of DTE.

Name Angela Smith-Lamb

Title DMV Administrator

GOVERNOR'S OFFICE OF FINANCE COMMENTS

The agency's response appears reasonable.

Date Thursday, March 23, 2023

Name Amy Stephenson

Title Director

BDR /Bill/ Amendment # **43-546**

Agency Name: **Department of Motor Vehicles**

Division Name: **RPM**

Date: **3/2/2023**

Basis for Calculation:

(1) FY22 actuals of 12,124 new OHV registrations and 38,382 renewals were used to project registration counts in FY23-FY27 with growth calculated using the demographer's growth rate.

(2) Renewal revenue will be reduced beginning in FY25. The switch from annual registration to three year registration will result in the first year reflecting a 50% loss, the second year reflecting a 100% loss and the third year reflecting a 50% loss.

(3) MVIT estimates to make code changes in the legacy system to move from annual to three year registrations will take approximately 1,279 hours of MSA Contractor programming, including contractor training. At an hourly rate of \$109.62, the projected cost for programming changes is \$140,203.

(4) Estimated impact to DTE projected to be 110 hours of programming which will result in 4 weeks delay to implementation.

Category	FY 22/23 (Based on FY22 Actuals)	FY 23/24	FY 24/25	Future Biennia (FY26 + FY27)
Reduced revenue collection from renewals	\$ -	\$ -	-404,380.00	-\$1,234,280.00
Programming costs	\$ -	\$ 140,203.98	\$ -	\$0
Totals	\$ -	\$ 140,204	\$ (404,380)	\$ (1,234,280)

Annual Registrations	Actuals			Projected growth using Demographers growth rate				
	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
OHV Registrations	10,191	14,576	12,124	12,282	12,442	12,604	12,768	12,934
New registrations	35,789	36,574	38,382	38,890	39,402	39,920	40,443	40,972
Renewals	45,980	51,150	50,506	51,172	51,844	52,524	53,211	53,906
Total Registrations								

3 Year Registrations (Beginning 1/1/20)	Actuals			Projected growth using Demographers growth rate				
	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
OHV Registrations	10,191	14,576	12,124	12,282	12,442	12,604	12,768	12,934
New registrations	35,789	36,574	38,382	38,890	39,402	19,701	-	19,701
Renewals	45,980	51,150	50,506	51,172	51,844	32,305	12,768	32,635
Total Registrations								

Differences								
OHV Registrations			FY22	FY23	FY24	FY25	FY26	FY27
New registrations			-	-	-	-	-	-
Renewals			-	-	-	(20,219)	(40,443)	(21,271)
						c	d	e

OHV Registration Fees			
Registration Decal Fee Original			\$20.00
Registration Decal Fee Renewal			\$20.00

a

b

Revenue Projections for 3 yr. OHV Registrations			
Demographer's population growth rate			1.30%
Revenue Reduction in Renewals FY24			\$0.00
Revenue Reduction in Renewals FY25 (c*b=f)			-\$404,380.00
Revenue Reduction in Renewals FY26 (d*b=g)			-\$808,860.00
Revenue Reduction in Renewals FY27 (e*b=h)			-\$425,420.00

f

g

h

- 1 - Currently only an average of 77% active OHV registrations renew each year.
- 2 - Assumption for projection that there will be no registration renewal loss in FY24 as all registrations issued in FY23 will be for 12 months and will need to renew in FY24.
- 3 - Registrations (originals and renewals) processed in the first half of FY24 (7/1/23-12/31/23) will receive a 12 month registration requiring renewal in FY25. Registrations (originals and renewals) processed in the second half of FY24 (1/1/24-6/30/24) will receive a 3 year registration requiring renewal in FY27.
- 4 - The first reduction in renewal revenue will be seen in FY25. Under the current structure, DMV would expect to renew 75,230 registrations (the sum of FY24 new registrations and FY24 renewals). With the implementation of three year registrations we DMV anticipates only half of that amount renewing in FY25.
- 5 - With all registrations processed in FY25 receiving a three year registration, no renewals will be processed in FY26.
- 6 - FY27 renewals will account for the first renewal of three year registrations issued in FY24.