

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 1250
SHORT TITLE: Privatize All DMV Tag Offices
SPONSOR(S): Senator Horton

FISCAL IMPACT:

Expenditures:	Increase (X)	Decrease (X)
Revenues:	Increase ()	Decrease (X)
No Impact ()		
No Estimate Available ()		

FUND AFFECTED:

General Fund ()	Highway Fund (X)	Local Govt. ()
Other Funds ()		

BILL SUMMARY: The bill requires that all registration plates, registration cards, and certificates of title issued by the Division of Motor Vehicles, except those issued by mail, be issued by contract agents. The bill requires that the DMV-operated registration offices in Raleigh and Charlotte be closed no later than July 1, 1997.

EFFECTIVE DATE: Upon Ratification.

FISCAL IMPACT

	<u>FY</u> 1996-97	<u>FY</u> 1997-98	<u>FY</u> 1998-99	<u>FY</u> 1999-00	<u>FY</u> 2000-01
HIGHWAY FUND (Millions)					
REVENUES	(\$0.1)	(\$0.1)	(\$0.1)	(\$0.1)	(\$0.1)
EXPENDITURES					
Close Raleigh and Charlotte Offices	\$0.0	(\$0.718)	(\$0.718)	(\$0.718)	(\$0.718)
Prepare Branch Agent Personnel	<u>\$0.211</u>	<u>\$0.211</u>	<u>\$0.114</u>	<u>\$0.0</u>	<u>\$0.0</u>
Net Expenditures	\$0.211	(\$0.507)	(\$0.604)	(\$0.718)	(\$0.718)

POSITIONS: (46)

ASSUMPTIONS AND METHODOLOGY:

REVENUES

The Raleigh and Charlotte offices collect approximately \$100,000 a year in fees for the notarization of title documents. If all title transactions were performed by branch agents, these fees would be paid to the branch agents rather than the Division and there would be a loss of revenue to the Highway Fund.

EXPENDITURES

Close Raleigh and Charlotte Offices

Most registration and title transactions are conducted by contract branch agents, rather than by staff of the Division of Motor Vehicles. The Division does maintain two State-run offices, one in Raleigh and the other in Charlotte, which conduct title and registration transactions. These offices also conduct several types of transactions that are not conducted by contract branch agents.

Earlier this year, the Division of Motor Vehicles conducted a study of the cost of transactions at the Raleigh and Charlotte offices compared to the those of branch agents. Comparing the cost of registration and title transactions, the study showed that transactions conducted at the Raleigh office cost an average of \$0.75 more than those conducted by branch agents, and that transactions at the Charlotte office cost an average of \$1.45 more than those conducted by branch agents. The branch agent cost against which the State-run office costs were compared included the cost of the \$1.20 per transaction payment to the branch agents. Based on the 1995 volume of title and registration transactions conducted by the Raleigh and Charlotte offices, an annual savings of \$556,909 and 34.8 positions would be realized by having the transactions conducted by branch agents.

The Division's cost comparison did not take account of the cost of having the branch agents perform work related to the International Registration Plan (IRP), the issuance of for-hire plates, and the issuance of confidential plates. As a result, the savings and costs associated with transferring these responsibilities to the branch offices must be determined. The study showed that 11.2 positions and \$283,518 are used to perform IRP work. At the 1995 level of 94,144 transactions, \$112,973 would be required to compensate branch agents for performing the same level of work. This would result in a net savings of \$170,545.

The Raleigh and Charlotte offices perform several functions, such as certifying records and pursuing claims on bad checks, that would not be transferred to the branch agents under the bill. The Division's cost comparison study excluded the costs of the positions that perform these functions when comparing the costs of the Raleigh and Charlotte offices to the branch agents, but did not exclude the costs of space and utilities for these positions. As a result, an amount must be deducted from the savings associated with privatizing the Raleigh and Charlotte offices to account for the costs of retaining space for the personnel at those offices who perform functions other than titling and registration. Based on the space and utility costs in the Division's cost comparison report, and additional \$9,044 would be required to accommodate the personnel who would be retained.

Prepare Branch Agent Personnel

Because the branch agents would be taking on significant new duties under the bill, additional training would be required for branch agents prior to their assumption of the new duties. The Division estimates that a three week training class would be required for each branch agent employee. Each class could accommodate a maximum of ten students, and would cost the

Division \$6,800 per class. If it is assumed that a maximum of three employees per branch agent office will be trained, approximately 38 classes would need to be conducted. Assuming that only one class could be run at a time, this training would need to be spread over at least 114 weeks, given that holidays and vacations would affect the timing of classes. The total cost for training of \$248,400 would be spread over three years. This training would be a non-recurring cost because branch agents would receive the training only once and would be responsible for training replacements for employees who leave.

In addition to the training, the Division would need to make a two-week site visit to each of the 130 branch agent offices after training is complete, as is now done for all new branch agents, in order to assist with the implementation of new responsibilities. Each site visit would cost the Division \$2,130, for a total cost of \$276,900 over three years.

SOURCE OF DATA: Division of Motor Vehicles

TECHNICAL CONSIDERATIONS: The effective date for the closure of the Raleigh and Charlotte offices is July 1, 1997, but the training needed to allow all branch agents to be able to perform all of the duties of the Raleigh and Charlotte offices could not be completed until at least January 1999.

FISCAL RESEARCH DIVISION
733-4910

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DATE: June 5, 1996



Signed Copy Located in the NCGA Principal Clerk's Offices