

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 666 (First Edition)

SHORT TITLE: Contract Agency Compensation

SPONSOR(S): Representatives Sutton; and Cole

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>
REVENUES					
EXPENDITURES					
<u>Highway Fund</u>					
Programming	\$45,600				
Other ITS costs	\$6,840				
Contract Agent Compensation	\$911,408	\$929,636	\$948,229	\$967,193	\$986,537
TOTAL	\$963,848	\$929,636	\$948,229	\$967,193	\$986,537
POSITIONS:					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Division of Motor Vehicles; Highway Fund					
EFFECTIVE DATE: July 1, 2003					

BILL SUMMARY: The bill amends G.S. 20-63(h) to change the methodology by which contract agents are compensated by the Division of Motor Vehicles (DMV) for handling title, registration, and other transactions with the public.

ASSUMPTIONS AND METHODOLOGY: DMV paid contract agents \$14,042,104 in calendar 2002 under the current compensation schedule, which lists ten transactions. Section I of the bill groups transactions into four categories and lays out the following new compensation schedule:

Title Transactions	\$2.97
Registration Transactions	\$1.38
Customer Service Transactions	\$1.48
International Registration Plan and Motor Carrier Transactions	\$1.64

According to DMV, contract agents would be paid only once for a transaction, i.e., if a customer received a title and registration the contractor would be paid \$2.97 for the Title Transaction, rather than \$2.97 for the Title plus an additional \$1.38 for the registration for a total of \$4.35. Under the DMV interpretation, contract agents would have received an additional \$893,537 in 2002, an increase of 6.4%, based on the number of transactions in that year. The calculation is as follows:

Title	2,229,767 transactions x \$2.97=	\$6,622,408
Registration	408,888 transactions x \$1.38=	\$7,457,365
Customer Service	569,441 transactions x \$1.48=	\$842,773
IRP/MC	7,985 transactions x \$1.64=	\$13,095

TOTAL PROPOSED COMPENSATION	\$14,935,641
Actual Compensation in 2002	\$14,042,104
Difference	\$ 893,537
Percentage Difference	6.4%

The proposed compensation is assumed to grow by 2% per year as the number of transactions increases. The increased expense in FY2003-04 would be \$911,408, etc.

According to DMV, extensive programming would be necessary to change the current compensation method. Changes to the State Titling and Registration System (STARS) would include reclassification of transaction categories for compensation purposes and modification of the compensation process to treat stand-alone registration services differently than those done in conjunction with a title. DMV estimates that 570 hours of professional time would be required at a cost of \$80 per hour for a total of \$45,600. In addition, there would be additional computer charges of \$6,840 for a total Information Technology cost of \$52,440.

SOURCES OF DATA: DMV

TECHNICAL CONSIDERATIONS: DMV notes that the amount of programming required would mean that a July 1, 2003 implementation date could not be met.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Bob Weiss

APPROVED BY: James D. Johnson, Director, Fiscal Research Division

DATE: June 10, 2003



Signed Copy Located in the NCGA Principal Clerk's Offices