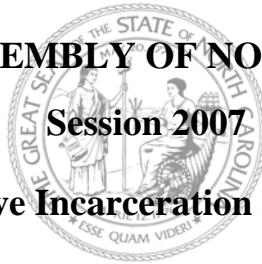


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Incarceration Fiscal Note

(G.S. 120-36.7)

BILL NUMBER: House Bill 679 (Third Edition)
SHORT TITLE: Safety/Emission Inspection Changes.-AB
SPONSOR(S): Representative Cole

	FISCAL IMPACT				
	Yes (X)	No ()		No Estimate Available ()	
	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>
REVENUES:	\$0	\$1,302,067	\$1,736,089	\$1,736,089	\$1,736,089
Estimated revenues generated from increased compliance for vehicle emissions and safety inspections; these revenues are credited to various accounts, as prescribed by law – see “Assumptions and Methodology.”					
EXPENDITURES:					
DMV IT System	\$441,560				
DMV Contract w/ Vendor	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000
* DMV’s contract for communications equipment to be installed at current inspection stations is estimated at <u>\$11,611,000</u> . DMV anticipates paying \$1,800,000 over 6.5 years for this equipment and service.					
LPA Reimbursement (stickers to stations)	-	(\$80,066)	(\$106,755)	(\$106,755)	(\$106,755)
Safety & Emission Stickers Purchased	-	(\$258,972)	(\$345,296)	(\$345,296)	(\$345,296)
TOTAL DMV COST:	\$2,241,560	\$1,460,962	\$1,460,962	\$1,460,962	\$1,460,962
**This total sums the new costs and savings; this amount does not include the new revenues shown above since those revenues go into various accounts and it is not known how much of the funds will be available to DMV to offset these new costs.					
Fee increase paid by customers to stations for safety-only inspections	\$12,959,676	\$12,959,676	\$12,959,676	\$12,959,676	\$12,959,676
Judicial Correction	No significant impact anticipated; however, the exact amount cannot be determined.				
PRISON BEDS (cumulative):	Minimal impact anticipated.				
POSITIONS (cumulative):	0	0	0	0	0
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Transportation, Division of Motor Vehicles (DMV); Judicial Branch; Corrections.					
EFFECTIVE DATE: October 1, 2008.					
*This fiscal analysis is independent of the impact of other criminal penalty bills being considered by the General Assembly, which could also increase the projected prison population and thus the availability of prison beds in future years. The Fiscal Research Division is tracking the cumulative effect of all criminal penalty bills on the prison system as well as the Judicial Department.					

BILL SUMMARY: This act amends G.S. 20-183.4 to require that vehicle inspection stations' personnel transmit information on safety and emissions inspections to the Division of Motor Vehicles (DMV) electronically. The safety inspection stations will be required to have the appropriate communications equipment necessary to transmit information electronically provided by a vendor contracted by the Division of Motor Vehicles. This act requires that an electronic authorization will occur in lieu of a physical sticker affixed to the vehicle's windshield. That electronic authorization information will be maintained and connected to the Vehicle Identification Database managed by DMV through contractual services.

A vehicle's safety inspection and registration term will expire together during the same month annually and the inspection must be completed prior to a vehicle registration renewal is allowed.

Effective October 1, 2008, the fee amount charged to customers for a safety-only inspection will be increased from \$8.25 to \$12.75. This fee is the inspection station's payment for inspection services paid for by the customer.

The third edition (House committee substitute) makes the following changes to the second:

- Modifies proposed G.S. 20-183.4(b)(4) (safety inspections) to:
 1. Provide that the station must have software as well as equipment, and
 2. Provide that during the initial implementation of the electronic inspection process, the vendor must provide the equipment and software at no cost to a station that holds a license on October 1, 2008.
- Modifies proposed amendments to G.S. 20-183.4A(b)(3) (emissions inspections) to:
 1. Provide that the station must have software as well as equipment, and
 2. Provide that during the initial implementation of the electronic inspection process, the vendor must provide the software (but not equipment) at no cost to a station that holds a license on October 1, 2008.
- Modifies proposed amendments to G.S. 20-183.4C(a) by providing that an out-of-state emissions inspection is allowed for a vehicle located outside NC when its inspection becomes due as long as the inspection meets specified federal standards.
- Authorizes the Division of Motor Vehicles (DMV) to utilize its current emissions vendor to implement the act and requires DMV to report by May 1, 2008, on its progress in implementing the act to the Joint Legislative Transportation Oversight Committee.
- Makes technical corrections by updating the version of G.S. 20-183.4A being amended.
- Makes technical and conforming changes to G.S. 20-183.7 and GS 20-183.7B.
- Changes the effective date from January 1, 2009 to October 1, 2008.

ASSUMPTIONS AND METHODOLOGY:

I. ELECTRONIC INSPECTION AUTHORIZATION

Department of Transportation, Division of Motor Vehicles:

- There will be a contract by DMV and the vendor to provide the current inspection stations with electronic communications equipment necessary for electronic stickers and upgrade the vendor's existing system. The Division and current vendor for emission inspections transmissions estimate this amount to be \$11,611,000. This analysis assumes contract with the vendor to cost \$1,800,000 beginning in FY2007-2008 and would continue for approximately 6.5 years. The Division intends to pay the vendor out of receipts generated by emissions

inspections and paid into the “Telecommunications” account established in law and paid for through fees by the customer. That account currently generates \$1.75 per emissions inspection, of which \$1.30 covers the cost to transmit current data from emissions inspections stations. The difference of .45 cents will be used to fund the contract with the vendor to automate the safety-only inspections.

- There will be costs associated with information technology upgrades and reprogramming for the proposed changes to the VID system managed by DMV. Most of the IT charges will occur in the first year in anticipation of issuing electronic authorizations for vehicle inspections in October 2008. The above costs show 75% of the one time charges in FY2007-2008 for 25% of those charges in FY2008-2009.
- There will be savings to DMV for discontinuing the purchase of the paper stickers from a vendor. This represents a savings of \$345,296 annually for no longer purchasing the paper stickers. The FY2008-2009 amount above is prorated based on October 2008 effective date.
- There will be savings to DMV for discontinuing the reimbursement to local tag agents for the provision of the paper stickers to the inspection stations. The DMV will no longer reimburse license plate agents at \$1.43 per transaction for this service. The annual savings is \$106,755 and the prorated amount is reflected in FY2008-2009 based on the October 1, 2008 effective date.
- It is assumed that the compliance rate for vehicle emissions and safety-only inspections will increase as a result of linking the requirement for the inspection to the vehicle registration. DMV estimates that compliance will increase to 97% for both inspections. This will result in increased revenues of approximately \$1,736,089 annually. Those fees go into the Highway Fund, Emissions Program, Telecommunication Account, Volunteer Rescue/EMS, Rescue Squad Workers Relief fund, and Division of Air Quality.
- The increase in the inspection fee amount from \$8.25 to \$12.75 will be borne by the customer who will pay the amount to the inspection station; there will be no fiscal impact to the DMV for this fee increase. DMV estimates that 97% compliance for safety-only inspections would produce 2,879,928 vehicles inspected annually; the increase in the fee of \$4.50 would generate \$12,959,676 for safety inspection stations.

II. INFRACTIONS & CRIMINAL OFFENSES

By amending G.S. 20-183.8 to accommodate the proposed electronic inspection authorization process, H.B. 679 alters the scope of infractions and offenses for violations of inspection requirements. Specifically, the inclusion of electronic inspection authorizations, inspection receipts, or issuance thereof, expands several (subdivisions (1) through (3)) Class I felony offenses within subsection (c):

(c)(1): Makes it a Class I felony to forge an inspection receipt.

(c)(2): Makes it a Class I felony to issue a forged inspection sticker, or to buy, sell, issue, or possess a forged electronic inspection authorization.

(c)(3): Makes it a Class I felony to buy, sell, issue, or possess an electronic inspection authorization, other than through certain means/conditions.

However, based on the small number of charges and convictions under current G.S. 20-183.8(c)(2) – twenty-one (21) defendants charged in CY 2006, and no (0) convictions in FY 2004/05 – and present lack of offense codes for offenses under subdivisions (c)(1) and (c)(3), Fiscal Research does not anticipate a significant number of additional criminal charges or convictions due to this legislation.¹

¹ The Administrative Office of the Courts currently does not maintain offense codes for the offenses listed in G.S. 20-183.8 (c)(1) or (c)(3); such lack of offense code may indicate that these offenses are infrequently charged and infrequently result in conviction.

Similarly, because this proposal would require an individual to obtain a current inspection for vehicle registration, the Division of Motor Vehicles expects the number of infractions (G.S. 20-183.8) and civil penalty assessments (G.S. 20-183.8A) to decrease by an unknown amount; however, the numbers of Type I, II, or III violations (sections 13 and 16) for which civil penalties may be assessed under G.S. 20-183.8B are expected to remain constant. **Consequently, the proposed changes should not have a significant impact on Corrections or the Courts.**

SOURCES OF DATA: Department of Transportation, Division of Motor Vehicles; N.C. Sentencing and Policy Advisory Commission; and the Administrative Office of the Courts.

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DATE: July 26, 2007



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