



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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**Bill Number:** H. 3989 Introduced on March 14, 2017  
**Author:** Jefferson  
**Subject:** Vehicle Inspections  
**Requestor:** House Education and Public Works  
**RFA Analyst(s):** Wren and Gardner  
**Impact Date:** April 25, 2017

**Estimate of Fiscal Impact**

	<b>FY 2017-18</b>	<b>FY 2018-19</b>
<b>State Expenditure</b>		
General Fund	Undetermined	\$0
Other and Federal	Undetermined	\$0
Full-Time Equivalent Position(s)	Undetermined	0.00
<b>State Revenue</b>		
General Fund	Undetermined	\$0
Other and Federal	Undetermined	\$0
<b>Local Expenditure</b>	Undetermined	\$0
<b>Local Revenue</b>	Undetermined	\$0

**Fiscal Impact Summary**

The bill is expected to increase recurring General Fund expenses for the Department of Motor Vehicles (DMV) by \$5,429,000 for fifty-eight FTEs, two new trucks, office equipment leases, and miscellaneous items to implement the licensing program. Non-recurring General Fund expenses are expected to total \$3,578,000 for office furniture and equipment, tools, an estimated five new inspection facilities in smaller counties, web service interface, modifications to the current Phoenix system, and construction of the vehicle inspection administration website. An additional non-recurring expense for five recording software devices is undetermined. The estimated expenses for DMV may increase further depending upon the number of licensed official inspections per county DMV may be required to provide. The average per location would be approximately \$131,400, in recurring expenses and approximately \$500,000 in non-recurring costs. The total increase in Other Funds revenue for DMV is undetermined and dependent upon the details of the regulations promulgated by the department, the number of violations, and amount of civil penalties collected. The bill contemplates DMV retaining fees the department collects to defray the cost of the inspection program, with any excess distributed to the Department of Transportation to maintain the state's highways. Therefore, to the extent such fees are collected, they will offset the program's expenditure impact on the General Fund.

The expenditure impact on Other Funds of the Department of Transportation is undetermined and is dependent upon the intent of the language in the bill in relation to county highway maintenance shops, the number of inspection stations in each county, and the potential need for county maintenance shops to conduct motor vehicle inspections. The bill is not expected to have a revenue impact on the department as DMV is expected to retain all fees to defray its expenses.

The expenditure and revenue impact on local governments is undetermined because the effect of the bill on court caseloads and funds generated from court fines, assessments, and surcharges cannot be estimated.

## **Explanation of Fiscal Impact**

**Introduced on March 14, 2017**

### **State Expenditure**

This bill requires every vehicle registered in this state, except house trailers, to be inspected at least once a year and have displayed at all times a DMV approved certificate of inspection and approval in a practical location approved by the department. DMV must suspend the registration of a vehicle which it determines is in an unsafe condition that constitutes a menace to safety. Further, a vehicle must have an official certificate of inspection and approval before DMV may register and title a vehicle. A motor vehicle may not be sold in the state without having a valid South Carolina inspection stamp affixed before delivery to the buyer.

DMV must designate and approve official inspection stations and is authorized to issue annual licenses upon application. A fee of \$10 must be charged for every official inspection station license issued or renewed. Official inspection stations of the state, county, or other political subdivisions for garages maintained for the upkeep of public-owned vehicles are exempt from the \$10 inspection station license fee. Inspection stations may charge a fee of no more than \$10 for each inspection and the issuance of inspection certificates. Inspection forms must be prepared by DMV and furnished to inspection stations at a cost of \$0.50 each. DMV must supervise inspection stations, inspect the performance of inspections, and the department may suspend or revoke the license issued to the vehicle station or permit issued to an inspector.

Monetary penalties may be imposed upon a vehicle inspection station or a vehicle inspector in lieu of suspension or revocation of the license or permit. The penalties range from \$25 to \$2,000 depending upon whether the violation is a first or subsequent offense. Official inspection stations and vehicle inspectors whose permits are suspended or revoked may request in writing a hearing pursuant to the Administrative Procedures Act. The review may be held by a duly authorized agent of DMV. An inspection station whose agents and employees falsely specify work to be done or parts to be installed must be fined \$100 and the cost of any labor or parts unnecessarily done or installed must be refunded to the vehicle owner. Any portion of the fees collected by DMV that are not used to defray the cost of administering the inspection program must be distributed to the Department of Transportation (DOT) and used to maintain the state's highways.

An individual who makes, gives, sells, displays, or possesses an imitation or counterfeit certificate of inspection is guilty of a misdemeanor and upon conviction must be fined \$50 to \$10,000, or imprisoned thirty days to two years. Punishment varies according to prior convictions.

On the recommendation of the county legislative delegation, DMV must maintain at the county highway maintenance shop in each county an inspection station and must inspect and issue

certificates at the shop at the same cost to the vehicle owner as is charged by private garages. If it is not feasible to use the maintenance shop, then another suitable facility in the county may be used. However, this provision applies only when there are less than five licensed inspection stations in a county.

A person whose vehicle registration has been suspended or an official inspection station or mechanic whose license has been suspended or revoked may apply to the circuit court of the circuit in which the person or station is located to determine if the action taken by DMV is lawful.

DMV is authorized to promulgate regulations for the administration and enforcement of this article. For the purpose of administering and enforcing the provisions of this article, DMV may hire necessary personnel and purchase the necessary equipment and vehicles. A person violating the provisions of this article must be punished in the same manner as provided for in Section 56-5-6190, unless otherwise provided.

**Department of Motor Vehicles.** The agency indicates that this bill will increase General Fund expenses by up to \$9,007,000. Of this amount, \$5,429,000 is recurring for fifty-eight FTEs, two new trucks, office equipment leases, and miscellaneous items. Non-recurring expenses are expected to total \$3,578,000 for office furniture and equipment, tools, five new facilities in smaller counties, web service interface, modifications to the current Phoenix system, and construction of the vehicle inspection administration website. An additional non-recurring expense for five recording software devices is undetermined. The estimated expenses may change depending upon the number of licensed official inspection stations per county.

The amounts above include the department's estimate of the cost to operate inspection stations when requested by a county legislative delegation of a county with less than five licensed inspection stations. It is not known how many requests will be made, but DMV estimates the recurring annual cost to provide this service for five facilities is \$657,000. This amount covers expenses for five mechanic supervisors, five general mechanics, and two relief mechanics, relief mechanic travel, leases on two maintenance trucks, facility maintenance, and courier services. The average recurring cost per facility is \$131,400 each fiscal year. Non-recurring expenses for five new stations are estimated to total approximately \$2,500,000 for space and equipment, or approximately \$500,000 each.

The ultimate impact on the General Fund will also depend upon the amount of fees collected by DMV and retained to defray costs of the inspection program.

**Department of Transportation.** The agency indicates that this bill could increase Other Fund expenses if Section 56-5-5490 intends for inspection stations to be located in DOT county highway maintenance shops when a county has less than five licensed inspection stations and county legislation delegations make that recommendation. However, any increase in expenses is undetermined and would depend upon the number of official inspection stations in each county and the need for county inspection stations to conduct motor vehicle inspections.

**Judicial Department.** This bill gives the Department of Motor Vehicles the authority to require certain vehicles undergo an annual inspection, provides a fee for such inspections, and institutes penalties for violations. The bill also creates new offenses related to producing, transferring, displaying, or possessing a fraudulent inspection certificate. Official inspection stations and vehicle inspectors whose licenses or permits are suspended or revoked may request a hearing with the Administrative Law Court. Appeals of the Administrative Law Court decision regarding the status of a license or permit may be made to the circuit court. There is no data available to indicate the number of additional hearings or trials that may be heard in summary, general sessions, and common pleas courts as a result of the bill. Should the number of new cases be significant, it may lead to a backlog for the circuit court as a whole. However, the department expects to manage any costs associated with increased caseloads within current resources.

### **State Revenue**

This bill requires every vehicle registered in this state, except house trailers, to be inspected at least once a year and have displayed at all times a Department of Motor Vehicles (DMV) approved certificate of inspection and approval in a practical location approved by the department. DMV must designate and approve official inspection stations and is authorized to issue annual permits upon application. A fee of \$10 must be charged for every official inspection station permit issued or renewed. Official inspection stations of the state, county, or other political subdivisions for garages maintained for the upkeep of public-owned vehicles are exempt from the \$10 inspection station permit fee. Inspection stations may charge a fee of no more than \$10 for each inspection and the issuance of inspection certificates. Inspection forms must be prepared by DMV and furnished to inspection stations at a cost of \$0.50 each. DMV must supervise inspection stations and may suspend or revoke an inspection station's license or the permit issued to the vehicle inspector. Monetary penalties may be imposed upon a vehicle inspection station or a vehicle inspector in lieu of suspension or revocation of the permit. The penalties range from \$25 to \$2,000 depending upon the offense. An inspection station whose agents and employees falsely specify work to be done or parts to be installed, must be fined \$100 and the cost of any labor or parts unnecessarily done or installed must be refunded to the vehicle owner. Any portion of the fees collected by DMV that are not used to defray the cost of administering the inspection program must be distributed to the Department of Transportation (DOT) and used to maintain the state's highways. An individual who makes, gives, sells, displays, or possesses an imitation or counterfeit certificate of inspection is guilty of a misdemeanor and upon conviction must be fined \$50 to \$10,000 depending upon the offense, or imprisoned thirty days to two years depending upon the offense.

Based upon data from the U.S. Bureau of Labor Statistics, there were 2,100 private automotive repair and maintenance shops in 2015 in South Carolina. If all automotive repair and maintenance shops become official inspection stations, then revenues would increase by \$21,000 annually. However, the number of actual inspection stations may depend upon the details of the regulations promulgated by DMV. Until DMV has promulgated the regulations, the revenue impact is undetermined.

Based upon the most current data available in DMVs Active Registration by County-Plate Class-Vehicle Type report, there are currently 4,145,023 registered motor vehicles in the state. Since

the bill allows DMV to charge inspection stations \$0.50 per inspection form, Other Funds revenues will increase by approximately \$2,073,000 annually.

The bill allows DMV to retain revenue derived from the fees associated with this bill to defray the costs of administering the inspection program. Revenue in excess of the costs to administer the inspection program must be allocated to DOT and used to maintain the state's highways. Based upon the estimated expenses provided by DMV and our revenue estimates, we assume DMV will retain all revenue derived from the inspection program. Therefore, we do not expect an increase in Other Funds revenue for DOT.

The bill allows for monetary penalties in lieu of suspension or revocation of permits for vehicle inspection stations and vehicle inspectors in which inspections are not conducted properly. Since the bill does not state the allocation of the monetary fines, we assume that DMV will retain revenue generated from the fines, pursuant to Section 56-5-5430(G). However, the amount of revenue associated with the penalty is undetermined because data is not available to estimate the number of violations or amount of penalties that may be imposed.

Fines, assessments on fines, and applicable surcharges on convictions of the new misdemeanor would be distributed in accordance with existing law among the General Fund, specified state agencies and programs, and local government. Since data is not available to estimate the number of convictions or specific fines that may be imposed, the revenue impact of this bill on the General Fund and Other Funds is undetermined as it relates to the new misdemeanor.

#### **Local Expenditure**

The bill creates a new misdemeanor for the offense of making, giving, selling, displaying, or possessing an imitation or counterfeit official certificate of inspection for motor vehicles and provides for punishment by fines or imprisonment, or both. Since data is not available to estimate the number of offenses that may be prosecuted, the expenditure impact on local governments as it relates to court proceedings is undetermined. In addition, the expenditure impact on detention facilities is undetermined, because the number of convictions and punishment imposed cannot be estimated.

#### **Local Revenue**

The bill creates a new misdemeanor for the offense of making, giving, selling, displaying, or possessing an imitation or counterfeit official certificate of inspection for motor vehicles and provides for punishment by fines or imprisonment, or both. Fines, assessments on fines, and applicable surcharges on convictions would be distributed in accordance with existing law among the General Fund, specified state agencies and programs, and local government. Since data is not available to estimate the number of convictions or the specific fines that may be imposed, the revenue impact of this bill on local governments is undetermined.



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Frank A. Rainwater, Executive Director