



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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*This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.*

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<b>Bill Number:</b>	H. 4151	Introduced on April 6, 2021
<b>Author:</b>	Simrill	
<b>Subject:</b>	DMV - Change in Vehicle Registration Period	
<b>Requestor:</b>	House Education and Public Works	
<b>RFA Analyst(s):</b>	Griffith	
<b>Impact Date:</b>	February 9, 2022	

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### **Fiscal Impact Summary**

This bill changes the registration period for vehicles in Chapter 3 of Title 56 from a biennial period to an annual period. In addition, the bill requires the road use fee for electric and hybrid vehicles to be collected annually instead of biennially.

The expenditure impact on the Department of Motor Vehicles (DMV) is pending, contingent upon a response from the agency.

The bill will decrease Other Funds revenue of the Department of Transportation (DOT) by approximately \$19,588,000 in the first year of implementation. DOT anticipates that revenues will be back to a more normal level in the second year.

Based upon an estimate provided to the South Carolina Transportation Infrastructure Bank (SCTIB) by its financial advisor, the SCTIB will experience a shortfall of \$24,628,000 in motor vehicle fees and \$46,190,000 in truck registration fees in FY 2023-24. The SCTIB indicates that these revenues are pledged to the repayment of debt service on outstanding revenue bonds. Further, the agency expressed a concern that this could cause a potential disruption with pledged revenue, especially the revenue from motor vehicle fees. This could put the SCTIB at risk of not being able to meet the mandatory coverage requirements in the Master Revenue Bond Resolution, could require an EMMA disclosure as required by the Securities and Exchange Commission, and could prompt rating agency reviews, which may jeopardize the credit rating of SCTIB. However, the SCTIB maintains a Revenue Stabilization Fund to ensure that pledged revenue and annual debt service requirements are matched. This fund may alleviate some of the impact from the fee period change; however, this fund is for truck registration fees only. Therefore, the revenue of SCTIB would still decrease by an estimated \$24,628,000 in FY 2023-24.

The bill also requires counties to collect the road use fee at the same time as the registration renewal for an applicable vehicle and requires all counties to enter into a contract with DMV to issue annual revalidation decals and registration cards. Currently, thirty-five counties participate in the County Issuance of Decals and Registration (CIDRs2) program. The South Carolina Association of Auditors, Treasurers, and Tax Collectors (SCATT) must develop a plan for three counties to be added to the program every twelve months. SCATT indicates that any

expenditures related to the development of the plan to add counties to CIDRs2 can be managed with its existing staff and budget. While we anticipate that this bill will have an expenditure impact on county government, specifically the eleven counties that will be required to join CIDRs2, no counties responded to our request for information. Therefore, the expenditure impact on local governments is undetermined.

The bill allows governmental subdivisions that issue revalidation decals pursuant to the provisions of the bill to charge a \$1 fee to defray the expenses associated with the issuance of license plates and revalidation decals. The revenue impact on county governments is undetermined and will depend on the number of license plates and revalidation decals issued by county.

## **Explanation of Fiscal Impact**

### **Introduced on April 6, 2021**

#### **State Expenditure**

This bill changes the registration period for vehicles in Chapter 3 of Title 56 from a biennial period to an annual period. Additionally, the bill requires the road use fee for electric and hybrid vehicles to be collected annually instead of biennially. The expenditure impact on DMV is pending, contingent upon a response from the agency.

#### **State Revenue**

This bill changes the registration period for vehicles in Chapter 3 of Title 56 from a biennial period to an annual period. Currently, motor vehicle registration fees vary by age and handicap status of the individual registrant, type and weight of vehicle, and designation of private-passenger or property-carrying. The fees will still vary, but the bill halves each of the biennial fees to create annual fees, beginning on the first day of the fiscal year following eighteen months after the Governor's approval. Additionally, the bill requires the road use fee for electric and hybrid vehicles to be collected annually instead of biennially, and the fee is half of the biennial fee.

**Department of Transportation.** Pursuant to Section 56-3-260, \$16 of each biennial registration fee is credited to the Infrastructure Maintenance Trust Fund (IMTF), which is Other Funds of DOT. This bill will credit \$8 of each annual registration fee to the IMTF. DOT estimates that this bill will decrease revenue from motor vehicle registration fees by \$18,327,000, will decrease revenue from road use fees by \$1,186,000, and will decrease revenue from trailer registration fees by \$75,000 in FY 2023-24. In total, IMTF revenue will decrease by \$19,588,000 in FY 2023-24. DOT anticipates that revenues will be back to a more normal level in the second year.

**State Transportation Infrastructure Bank.** The remainder of each registration fee is placed into the state highway account of the SCTIB pursuant to Section 56-3-910. Based upon an estimate provided to the SCTIB by its financial advisor, the SCTIB will experience a shortfall of \$24,628,000 in motor vehicle fees and \$46,190,000 in truck registration fees in FY 2023-24. The SCTIB indicates that these revenues are pledged to the repayment of debt service on outstanding revenue bonds per the Master Revenue Bond Resolution and the SCTIB Act.

Further, the agency expressed a concern that this could cause a potential disruption with pledged revenue, especially the revenue from motor vehicle fees. This could put the SCTIB at risk of not being able to meet the mandatory coverage requirements in the Master Revenue Bond Resolution, could require an EMMA disclosure as required by the Securities and Exchange Commission, and could prompt rating agency reviews, which may jeopardize the credit rating of SCTIB. However, the SCTIB maintains a Revenue Stabilization Fund to ensure that pledged revenue and annual debt service requirements are matched. This fund may alleviate some of the impact from the fee period change; however, this fund is for truck registration fees only. Therefore, the revenue of SCTIB would still decrease by an estimated \$24,628,000 in FY 2023-24.

### **Local Expenditure**

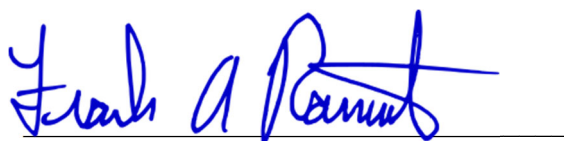
This bill alters the collection of the road use fee from a biennial to an annual period. It also requires counties to collect this fee at the same time as the vehicle is due for a registration renewal. In addition, all counties must be entered into a contract with DMV to issue annual revalidation decals and registration cards. DMV reports that thirty-five of forty-six counties currently participate in the CIDRs2 program. Thus, this bill will require the following eleven counties to join the program: Beaufort, Berkeley, Colleton, Fairfield, Florence, Georgetown, Greenville, Greenwood, Orangeburg, Pickens, and Sumter. SCATT must develop a plan for three counties to be added to the program every twelve months.

The Revenue and Fiscal Affairs surveyed all county governments to determine the expenditure impact of this bill. While we anticipate that the bill will increase expenses of county governments, specifically the eleven counties that will need to join the CIDRs2 program, no counties responded to our request. Therefore, the expenditure impact on local governments is undetermined. We will update this impact statement if we receive responses from county governments.

Additionally, SCATT indicates that any expenditures related to the development of the plan to add counties to CIDRs2 can be managed with its existing staff and budget.

### **Local Revenue**

The bill allows governmental subdivisions that issue revalidation decals pursuant to the provisions of the bill to charge a \$1 fee to defray the expenses associated with the issuance of license plates and revalidation decals. The revenue impact on county governments is undetermined and will depend on the number of license plates and revalidation decals issued by county.



Frank A. Rainwater, Executive Director