

FISCAL NOTE
Requested by Legislative Council
01/25/2021

Bill/Resolution No.: SB 2312

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2019-2021 Biennium		2021-2023 Biennium		2023-2025 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(35,413,924)	\$(3,278,991)	\$(35,413,924)	\$(3,278,991)
Expenditures				\$247,056		\$247,056
Appropriations				\$247,056		\$247,056

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2019-2021 Biennium	2021-2023 Biennium	2023-2025 Biennium
Counties		\$(54,352)	\$(54,352)
Cities		\$(30,882)	\$(30,882)
School Districts			
Townships		\$(6,671)	\$(6,671)

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill would remove the inclusion of insurance company deductible in the credit calculation for purchase price. It would also allow for a credit to purchase price for the amount the replaced vehicle was sold for.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 2 # 3 removes the insurance deductible amount from the credit calculation amount allowed on a total loss.

Section 2 #5 allows for a credit against the purchase price of a replacement vehicle in an amount not to exceed the amount the person received for the sale of the vehicle they are replacing.

2 additional FTEs would be needed to research and process the additional workload resulting from the credit allowance in #5.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The majority of the revenue impact of this bill involves the General Fund (-\$35,413,924) and the State Aid Distribution Fund (-\$3,374,602; classified as a component of "Other Funds in part 1A above). However, since additional costs will be incurred by NDDOT MV division as a result of the bill (\$247,056), and these additional costs will reduce the revenues available for distribution through the Highway Tax Distribution Fund as MV costs are funded off the top of the Highway Tax Distribution Fund, this will also result in a negative revenue impact to counties (22%), cities (12.5%), townships (2.7%), public transit (1.5%), and the State Highway Fund (61.3%; classified as another component of "Other Funds" in part 1A above). Additionally, since the revenue coverage for Motor Vehicle Fund costs come off the top of the Highway Tax Distribution fund revenues, the Motor Vehicle Fund (another "Other Fund" component in part 1A) will realize additional revenue equal to the amount of the additional MV expenditures (\$247,056). Therefore, the amount shown as a reduction to Other Funds in part 1A above (\$3,278,991) consists of the following: revenue reduction to State Aid Distribution Fund (-\$3,374,602), the State Highway Fund revenue

reduction for 61.3% share of Highway Tax Distribution fund for MV expenditure coverage (-\$151,445), the Motor Vehicle Fund revenue addition for MV expenditure coverage (+\$247,056).

Section 2 # 3 removes the insurance deductible amount from the credit calculation amount allowed on a total loss. For the calculation, a \$750 deductible was used as an average between \$500 and \$1000. Calendar year 2019 and 2020 data was used. The 2019 data was adjusted to account for implementation of HB1292 that went into effect July 1, 2019. The net impact of removing the deductible amount from the credit calculation results in an increase of \$138,263.

Section 2 #5 allows for a credit against the purchase price of a replacement vehicle in an amount not to exceed the amount the person received for the sale of the vehicle they are replacing. The calculation for this section was completed by using vehicle sales data for calendar year 2019 and 2020 excluding dealer sales and sales with other tax exemptions. Dealer sales were excluded as a credit is already granted for traded-in (replaced) vehicles. The remaining vehicle sales for this period resulted in \$93,227,008 in excise tax collected. Assuming replacement purchases are for at least 50% more than the replaced vehicle was sold for, the result is a decrease in excise tax collected of \$38,926,788 due to the credit allowed. The net result of Section 1 assuming replacement purchases are for at least 50% more than the amount the replaced vehicle was sold for is a decrease of \$38,788,526 per biennium.

The DOT assumed 48,087 vehicles out of the total 177,238 would require research and validation for purchase price credit eligibility. Assuming a 5 minute research and validation time per transaction, an additional 2 FTEs would be required to implement this change. Subsection c allows the credit to be claimed for up to 3 years from the date of sale. This will result in additional staff time to research and validate eligibility and will increase refund requests which also must be vetted on an individual basis.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

2 additional FTEs would be needed to research and process the additional workload resulting from the credit allowance in #5. The estimated total cost for the 2 FTE's with benefits would be about \$247,056 per biennium.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

The additional costs were not included in the executive budget. Accordingly, NDDOT would require an addition to its appropriation in the amount of \$247,056 and two additional FTEs.

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