



# NORTH CAROLINA GENERAL ASSEMBLY

2023 Session

## Fiscal Analysis Memorandum

**CONFIDENTIAL**

**Requestor:** Rep. B. Jones  
**Analyst(s):** Lisa Hollowell  
**RE:** DMV Proposed Legislative Changes - AB

### SUMMARY TABLE

| FISCAL IMPACT – HB199 – ESTIMATE AVAILABLE (EXCEPT SECTION 19, SEE NOTE) |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | <u>FY 2023-24</u> | <u>FY 2024-25</u> | <u>FY 2025-26</u> | <u>FY 2026-27</u> | <u>FY 2027-28</u> |
| STATE IMPACT   |                   |                   |                   |                   |                   |
| HIGHWAY FUND REVENUE   | 486,564           | 486,564           | 486,564           | 486,564           | 486,564           |
| <u>EXPENDITURES</u>  | <u>-9,724,673</u> | <u>-1,386,327</u> | <u>-1,389,567</u> | <u>-1,389,567</u> | <u>-1,389,567</u> |
| HIGHWAY FUND IMPACT  | 10,211,237        | 1,872,891         | 1,876,131         | 1,876,131         | 1,876,131         |
|  |                   |                   |                   |                   |                   |
| NET HIGHWAY FUND IMPACT  | 10,211,237        | 1,872,891         | 1,876,131         | 1,876,131         | 1,876,131         |

*NOTE: THIS TABLE DOES NOT INCLUDE A COST FOR SECTION 19 REQUIRING ACCEPTANCE OF ELECTRONIC SIGNATURES FROM AUTO DEALERS FOR DMV TRANSACTIONS. THE DIVISION OF MOTOR VEHICLES WOULD NEED TO CONTRACT FOR AN IT SOLUTION TO ALLOW THIS INTERFACE WITH CURRENT DEALER'S SYSTEMS AND THERE IS NO ESTIMATE AVAILABLE.*

### FISCAL IMPACT SUMMARY AND ANALYSIS

**Section 1: Mobile drivers license.** The Division of Motor Vehicles currently issues drivers licenses that are printed in a format specified by statute (G.S. 20-7). Digital versions are not currently authorized. Section 1 would authorize the Division to issue a supplemental digital version of a person's valid drivers license that would be capable of display on a mobile device owned by that person. This authorization would become effective July 1, 2025. Prior to that time, the Division would be directed to study issues related to mobile drivers licenses and develop a plan for implementing their issuance. The Division would be directed to report its findings and recommendations to the General Assembly no later than January 1, 2024.

**Fiscal Analysis – There is no fiscal impact resulting from this change.**

**Section 2: Ignition interlock requirement.** G.S. 20-17.8 requires a person whose drivers license was revoked as a result of a conviction of specified impaired driving offenses to only operate a vehicle equipped with an ignition interlock system as a condition of restoration of the license. Section 2 would add convictions of offenses under the death by motor vehicle statute (G.S. 20-141.4) that include impaired driving as an element to the specified offenses in G.S. 20-17.8 that require ignition interlock as a condition for restoration of a revoked license. This section would become effective December 1, 2023, and would apply to offenses committed on or after that date.

**Fiscal Analysis – The Division of Motor Vehicles projects a one-time cost to make changes to the State Automated Driver License System (SADLS) system and ongoing maintenance of the system through the IT contract. The initial changes to SADLS is estimated to cost \$66,800 and then \$6,680 needed for operations and maintenance annually.**

**Section 3: Increase fee for records requests.** G.S. 20-43.1 authorizes the Division, in accordance with the federal Driver's Privacy Protection Act, to provide vehicle registration and insurance information upon request. The Division is authorized to charge a fee of \$1 per record for such requests. This fee is subject to quadrennial adjustment for inflation under G.S. 20-4.02. Section 3 would increase the fee per record from \$1 to \$5. This section would become effective July 1, 2023.

**Fiscal Analysis – There would be an increase of receipts due to this per-record fee increasing from \$1 to \$5. The projected additional collections is estimated to be \$351,076 annually.**

**Section 4: Replacement of license plates.** Current law requires the Division to replace license plates every seven years. Section 4 would delete this requirement.

**Fiscal Analysis – Eliminating the 7-year plate replacement requirement would result in a savings to the Department of Transportation. The estimated first year's savings would be \$10.8 million and \$1.5 million annually, thereafter.**

**Section 5: Increase Division employee notary fees.** Officers and employees of the Division are authorized under G.S. 20-42 to administer oaths and acknowledge signatures, with fees per signature set by statute. Section 5 would increase the statutory fee for signatures from \$2 to \$6 for one signature, from \$3 to \$7 for two signatures, and from \$4 to \$8 for three or more signatures. This section would become effective July 1, 2023.

**Fiscal Analysis- There will be additional receipts resulting from this fee increase. In addition, there will be a cost to alter the State Titling and Registration System (STARS) and ongoing maintenance. The additional fees is estimated to be \$131,988 annually and initial costs of \$5,400 for the STARS system and \$540 ongoing annually.**

**Section 6: LPA Advisory Committee membership.** G.S. 20-63.02 establishes the License Plate Agent (LPA) Advisory Committee, which is directed to work with the Division to ensure excellence and efficiency in services provided by commission contractors. The Committee currently consists of six members appointed by the North Carolina Association of Motor Vehicle Registration Contractors (Association), as well as ex officio Division staff members appointed by the Commissioner. Section 6 would amend the membership of the Committee so that, of the six members that are not ex officio Division staff members, four would be members of the Association appointed by the Association, and two would be commission contractors that are not members of the Association appointed by the Commissioner.

**Fiscal Analysis – There is no fiscal impact resulting from this change.**

**Section 7: Permanent plate eligibility.** The issuance of permanent registration plates is governed by G.S. 20-84. The plates are issuable for vehicles owned by specified entities, including incorporated emergency rescue squads and rural fire departments. In order to obtain the plate, an authorized representative of the entity must provide proof of ownership, proof of financial responsibility, and pay a one-time fee of \$6. Section 7 would amend G.S. 20-84 to add specific eligibility requirements for emergency rescue squads and rural fire departments applying for permanent plates. The entity would be required to establish that it is listed in the Emergency Medical Services System plan for the county it

serves, that it maintains an active provider number, and that it actively provides first responder services. This section would further authorize the Division to require proof of eligibility for all permanent registration plates issued and require it to revoke permanent plates issued to those that do not meet eligibility requirements.

**Fiscal Analysis – There is a cost associated with altering the STARS system for clarifying issuance of permanent license plates to EMS/rescue entities. It is estimated to cost \$9,000 for initial IT costs for STARS and \$900 annually for operations and maintenance of the system.**

**Section 8: Use of transporter plates.** Under G.S. 20-79.2, the Division may issue transporter plates to businesses and dealers to authorize operation of a motor vehicle in limited circumstances, as set out in the statute. The fee for a plate is half the regular passenger vehicle registration fee, is issued for one year, and may be transferred between qualifying vehicles. Section 8 would amend various circumstances listed in G.S. 20-79.2 for which transporter plates may be issued to restrict out of state use, to prohibit use on vehicles towing a vehicle that would qualify for a plate, and to limit the number of plates issued to a person for parades or public events.

**Fiscal Analysis – There is no fiscal impact resulting from this change.**

**Section 9: Study materials used for registration plates.** Currently, aluminum is the raw material used to manufacture registration plates issued by the Division. Section 9 would direct the Division, in consultation with the Department of Adult Correction, to study the use of alternative materials for manufacturing plates. The Division would be required to report its findings and recommendations to the General Assembly no later than January 1, 2024.

**Fiscal Analysis – There is no fiscal impact resulting from this change.**

**Section 10: Odometer disclosure requirement.** In accordance with federal law, North Carolina law requires the transferor of a motor vehicle to provide a written disclosure to the transferee that includes the odometer reading reflecting the mileage on the vehicle or disclosing that the reading does not reflect the actual mileage and should not be relied on. G.S. 20-347(d) provides that the disclosure is not required for vehicles that are 10 years old or older. This exemption is no longer in compliance with federal requirements. Beginning January 1, 2021, federal regulations require the odometer disclosure for a vehicle any time it is transferred in its first 20 years. Exemption from the requirement applies after 20 years if the vehicle is model year 2011 or newer, while model year 2010 or older vehicles are subject to the prior 10-year requirement and are therefore exempt (49 C.F.R. § 580.17). **Section 10** would amend the statutory exemption from the odometer disclosure requirement to comply with the federal requirement. Vehicles that are model year 2010 or older would be exempt from the requirement, but vehicles that are model year 2011 or newer would only be exempt after 20 years.

**Fiscal Analysis – There is no fiscal impact resulting from this change.**

**Section 11: Special registration plates for State government officials.** State government official special registration plates are currently authorized and issuable to State government officials listed in G.S. 20-79.5 for the regular registration fee plus the \$10 special registration plate fee. The statute assigns specific numbers to specific elected and appointed officials. Section 11 would allow a State official who is eligible for a plate to obtain multiple plates for multiple vehicles registered in his or her name. The plates would be differentiated by adding a hyphen and distinguishing letter after the official's assigned number.

**Fiscal Analysis – There is no fiscal impact resulting from this change.**

**Section 12: Increase penalty for violation involving temporary registration plate.** Under G.S. 20-111(2), it is unlawful to display, permit to display, or possess a registration card or plate knowing it to be fictitious, revoked, or altered, or to willfully display an expired plate knowing it to be expired. Violation is a Class 3 misdemeanor, for which punishment ranges from a fine only to 20 days of community, intermediate, or active punishment, depending on prior conviction level. G.S. 20-79.1 makes violation of that and other registration provisions equally applicable to temporary registration plates, which are authorized to be issued by dealers to purchasers of motor vehicles. Section 12 would make violation of G.S. 20-111(2) a Class I felony when it involves a temporary registration plate. Punishment for a Class I felony ranges from 3 months of community punishment to 24 months of intermediate or active punishment, depending on prior record level. This section would become effective December 1, 2023, and would apply to offenses committed on or after that date.

**Fiscal Analysis – There is no fiscal impact resulting from this change for the Department of Transportation. The fiscal impact on the criminal justice system from the newly-created Class 1 misdemeanor is not considered here.**

**Section 13: Print-on-demand temporary registration plate system.** Section 13 would direct the Division to implement a new statewide system to allow issuers of temporary registration plates to print the plates on-site at the time of issuance in a manner that allows the vehicle owner's information to be electronically associated with the plate and transferred to the Division. The system would have to be implemented no later than January 1, 2024. Mandatory participation by issuers of temporary registration plates would be required beginning October 1, 2024. The Division would be directed to enter into contracts with qualified vendors for establishment and support of the system, and new statutory provisions in G.S. 20-79.1B would provide minimum standards for the system.

**Fiscal Analysis – There is a cost associated with altering the STARS system to allow on-site plate printing by issuers and ongoing maintenance of the STARS system. The initial IT cost would be \$970,600 and then \$97,060 annually for operations and maintenance of the STARS system.**

**Section 14: Authorize Division to own vehicles.** General law requires State agency-owned vehicles to be transferred to and maintained by the Department of Administration, with a limited number of exceptions set out in G.S. 143-341(8)i.3. Section 14 would provide an additional exception to allow the Division to own and maintain custody and control over vehicles used in specialized investigative operations.

**Fiscal Analysis – There is no fiscal impact resulting from this change.**

**Section 15: Headlamp requirements.** Part 9 of Article 3 of Chapter 20 of the General Statutes sets out equipment requirements for motor vehicles, including lighting requirements, and makes it unlawful to operate a vehicle on the highway without required equipment. Specific requirements for headlamps are set out in G.S. 20-131. Section 15 would add a requirement to G.S. 20-131 that headlamps modified or installed on a vehicle after initial manufacture must comply with Federal Motor Vehicle Safety Standard (FMVSS) 108. FMVSS 108 specifies performance requirements for original and replacement lamps applicable to manufacturers of vehicles and vehicle equipment.

**Fiscal Analysis – There is no fiscal impact resulting from this change.**

**Section 16: Service of process fees.** G.S. 1-105 provides for service of process on nonresident drivers via the Commissioner of Motor Vehicles in actions arising from accidents involving nonresident drivers

on highways in this State. The fee to be provided the Commissioner for service is \$10. Section 16 would increase the fee to \$20 and would require a deposit of \$100 for service on a defendant outside the United States. This section would become effective July 1, 2023, and would apply to service on or after that date.

**Fiscal Analysis – There will be additional receipts resulting from the increase of the fee from \$10 to \$20. It is estimated this increase will generate an additional \$3,500 annually.**

**Section 17: Clarify notification process for lien enforcement.** G.S. 44-4 sets out the process for enforcement of a lien on personal property by sale of the property subject to the lien. The lienor is required to provide notice to the owner of the property. If the property is a motor vehicle required to be registered, the lienor may either provide notice to the Division, which will then notify the owner, or the lienor may provide notice to the owner on a form approved by the Division. Section 17 would make clarifying changes to the notice provisions and allow notice by certified mail with electronic tracking as an alternative to certified mail with the traditional return receipt postcard.

**Fiscal Analysis – There is no fiscal impact resulting from this change.**

**Section 18: Rental car company recovery of vehicle license and registration fees.** Article 28 of Chapter 66 regulates advertising and rental agreements by rental car companies in the business of providing vehicles to the public, including how certain fees are disclosed and advertised. The Article defines "vehicle" as a private passenger type primarily intended for transport of persons, and therefore does not cover light cargo trucks and vans used primarily to transport property. The Article defines "vehicle license and registration fees" as those imposed on a rental transaction to recoup the costs incurred by the company to license, title, inspect, and register rental vehicles, and further requires certain disclosures if those fees are charged and a good faith effort to ensure that fees collected for that purpose do not exceed the actual costs incurred by the rental car company. If the company collects more than its actual cost in a calendar year, it must retain the excess amount, apply it to costs incurred the next calendar year, and adjust the amount collected in the next calendar year accordingly. Section 18 would define "rental vehicles" to include light cargo vehicles in the Article only for purposes of requiring rental car companies that rent that type of vehicle to make a good faith effort to recover only actual vehicle license and registration fees for those vehicles in the same manner as is required for rental vehicles used to transport people.

**Fiscal Analysis – There is no fiscal impact resulting from this change.**

**Section 19: Remote electronic notarization and electronic signatures for motor vehicle transactions.** Article 2 of Chapter 10B of the General Statutes governs remote electronic notaries and notarial acts in North Carolina. Article 40 of Chapter 66 of the General Statutes governs electronic transactions and electronic signatures related to transactions. **Section 19** would define "notarization" to include remote electronic notarization and "signature" to include electronic signature, when they conform with the laws governing them, for purposes of Chapter 20 motor vehicle laws. It would also amend the requirement that an assignment of title be executed in the presence of a person authorized to administer oaths to also allow execution of the assignment in a manner that conforms with the Article governing electronic transactions. It would also specifically authorize electronic signatures, notarizations, and submission of documents to the Division by motor vehicle dealers. This section would become effective July 1, 2023.

**Fiscal Analysis – There is no estimate available. The Division of Motor Vehicles would need to contract with a vendor to allow acceptance for electronic signatures and it is not known what the cost will be for this IT solution.**

**Section 20: Extend duration of temporary registration plates issued by dealers.** Motor vehicle dealers issue temporary registration plates to purchasers of motor vehicles as authorized by G.S. 20-79.1. Unless the purchaser is a nonresident removing the vehicle from the State, a dealer must first obtain an application for title and registration from the purchaser and must mail or deliver the application for processing within 20 days of issuing the temporary registration plate. Temporary registration plates expire 30 days after the date of issuance or upon receipt of the regular registration plate or rescission of the purchase contract, whichever occurs first. Section 20 would extend the duration of temporary registration plates issued under G.S. 20-79.1 from 30 days to 60 days. It would also extend from 20 to 60 the number of days within which a dealer has to mail or deliver a vehicle purchaser's title and registration application for processing after issuing the purchaser a temporary registration plate. This section would become effective July 1, 2023.

**Fiscal Analysis – There is a cost associated with altering the STARS system and ongoing maintenance, since the Division doesn't track second 30-day temporary tag issuances. The initial IT cost would be \$3,600 and then \$360 annually for operations and maintenance of the STARS system.**

## **TECHNICAL CONSIDERATIONS**

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N/A.

## **DATA SOURCES**

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DEPARTMENT OF TRANSPORTATION, DIVISION OF MOTOR VEHICLES AND NORTH CAROLINA GENERAL ASSEMBLY, LEGISLATIVE ANALYSIS DIVISION

## **FISCAL ANALYSIS MEMORANDUM – PURPOSE AND LIMITATIONS**

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This document is a fiscal analysis of a bill, draft bill, amendment, committee substitute, or conference committee report that is confidential under Chapter 120 of the General Statutes. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts. This document is not an official fiscal note. If a formal fiscal note is requested, please email your request to the Fiscal Research Division at [FiscalNoteRequests@ncleg.net](mailto:FiscalNoteRequests@ncleg.net) or call (919) 733-4910.