

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: H.B. 1566

SHORT TITLE: Temporary Motor Vehicle Lien Filing

SPONSOR(S): Rep. Cole

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>
REVENUES					
Highway Fund	325,000	780,000	780,000	780,000	780,000
EXPENDITURES					
Highway Fund	305,066	129,290	129,290	129,290	129,290
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: The Department of Transportation, Motor Vehicles Division.					
EFFECTIVE DATE: February 1, 2001.					

BILL SUMMARY: Under current law a manufacturer's statement of origin or a certificate of title is needed when transferring ownership in a vehicle. The bill provides alternative methods of transfer when the manufacturer's statement of origin or an existing certificate of title is not available in a timely fashion. Under the bill, when these documents are not available, a licensed motor vehicle dealer can transfer title by certifying in writing to DMV that 1) all prior perfect liens on the vehicle have been paid and 2) despite "reasonable diligence" these documents are unavailable. Similarly, a dealer who is the first lienholder may file a notarized copy of an instrument creating and evidencing a security interest in the vehicle with the DMV. The notation of security interest is time limited. The DMV can charge a fee of up to \$10.00 for each notation of security interest filed. Finally the bill authorizes a dealer to issue a second thirty day temporary plate if the vehicle has been sold, a temporary lien has been filed, and the dealer is unable to obtain the vehicle's statement of origin or certificate of title, making the dealer unable to perfect the lien.

ASSUMPTIONS AND METHODOLOGY: Under federal law titles and statements of origin must be transferred within 20 days to remain valid and enforceable. According to industry experts, automobile dealers and others transferring a vehicle are often unable to transfer the

appropriate paperwork within that time period. The temporary lien system in the bill is an attempt to address this issue.

Tennessee has a temporary lien program similar to that developed in the bill. The Tennessee Secretary of State’s office that administers the program estimates that they process between 200 and 250 temporary lien applications a day, or approximately 52,000 to 65,000 per year.

According to the U.S. Department of Transportation, North Carolina has approximately 50% more registered vehicles than Tennessee. Using this percentage as a proxy suggests that North Carolina could expect to see approximately 300-375 temporary lien applications each day. The lower estimate of 300 per day or 78,000 per year is used for a revenue estimate.

Assuming the \$10.00 fee is charged for each application, the bill will generate approximately \$780,000 annually.

The Division of Motor Vehicles believes they will need one additional staff person (Grade 57) to implement the provisions of the bill. They also suggest that a high-speed scanner, personal computer, software and associated hardware are needed. The MIS Division also estimates that three (3) additional FTEs will be needed in 2000-01 to rewrite their STARS database, plus \$14,880 to cover ITS charges. DMV’s total estimated costs are as follows:

	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05
DMV Personnel	9996	23990	23990	23990	23990
Scanner & other software and equipment	60315				
MIS Personnel	176000				
ITS Charges	14880				
TOTAL	261191	23990	23990	23990	23990

In addition, DMV reports that they would contract with the local tag agents to process the applications. The Department believes they will pay the tag agents \$1.35 per temporary lien or \$105,300 per year.

The overall anticipated revenues and expenditures are as follows:

	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05
Revenues					
Application Fees @ \$10.00 each	325,000	780,000	780,000	780,000	780,000
Expenditures					
DMV and MIS Start-up Combined	261,191	23990	23990	23990	23990
Tag Agent Fees	43,875	105300	105300	105300	105300
Total Expenditures	305,066	129290	129290	129290	129290
NET REVENUES	19,934	650,710	650,710	650,710	650,710

While Tennessee’s permanent personnel costs are significantly higher (their program uses twelve full time equivalents) Fiscal Research Appropriations staff believes North Carolina’s use of tag agents makes the lower personnel cost estimates from DMV reasonable.

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