

FISCAL NOTE

SENATE, No. 4062

STATE OF NEW JERSEY

219th LEGISLATURE

DATED: DECEMBER 2, 2021

SUMMARY

**Synopsis:** Exempts honorably discharged veterans from payment of passenger motor vehicle registration fee; requires notification of eligible motorists.

**Type of Impact:** Annual State revenue reduction; Annual State cost increase.

**Agencies Affected:** New Jersey Motor Vehicle Commission; New Jersey Department of Military and Veterans Affairs.

Executive Estimate

Fiscal Impact	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
State Revenue Decrease	\$13.8 million	\$27.6 million	\$27.6 million
State Cost Increase	Indeterminate	Indeterminate	Indeterminate

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
State Revenue Decrease	\$18.8 million to \$37.5 million
State Cost Increase	Indeterminate

- The Office of Legislative Services (OLS) finds that the Executive estimate for a \$27.6 million reduction in annual State revenue falls within the range of plausible outcomes, which the OLS determines to be between \$18.8 million and \$37.5 million per year. This revenue loss constitutes between 10 percent and 20 percent of projected FY 2022 passenger vehicle registration fee revenues. The Executive’s estimate for a \$13.8 million revenue loss in FY 2022 assumes the bill will be in effect for six months of the current fiscal year.
- The OLS also concurs with the Executive that the Motor Vehicle Commission (MVC) may incur an indeterminate amount of information technology and administrative costs under the bill, although the OLS expects these costs to be marginal.

- The State may also realize nominal costs for the Department of Military and Veteran Affairs to notify veterans of their eligibility for the registration fee exemption and to determine the manner and form of application for the exemption. These costs should be nominal due to the existing outreach infrastructure in place to communicate with veterans living in the State.

## **BILL DESCRIPTION**

This bill exempts honorably discharged veterans from being charged a fee for the registration of a passenger vehicle. The bill also requires the chief administrator of the MVC, after consultation with the Adjutant General of the Department of Military and Veterans' Affairs, to determine the manner for application and the documentation that an honorably discharged veteran is to use to provide proof of eligibility for the registration fee exemption. The bill requires the adjutant general, in consultation with the chief administrator, to notify all eligible veterans of the availability of the fee exemption.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

The Executive estimates that the bill would have sizeable impacts on the MVC budget, as well as the State as a whole. The estimate finds that the bill will result in a revenue loss of \$13.8 million in FY 2022, assuming a bill enactment in January 2022, and an annual revenue loss of \$27.6 million thereafter. This estimate is built off a veteran population of 329,000 in the State each registering 1.5 vehicles at a registration cost of \$62.25. The annual registration cost estimate was built by averaging the four most common weight classes. The Executive notes that the estimate could be low depending on the scope of the legislation and the class of vehicles subject to the bill, noting that if most vehicles are class 8, the revenue loss would increase to \$35 million per year.

The Executive estimate notes that the dollar value of the estimate does not include impacts to duplicate registration or transfer fees, which could increase the fiscal impact by about \$1 million per year if those fees are also exempted. The estimate identifies information technology development and administrative costs as a cost factor in implementing the bill that will require further research to quantify.

The Executive estimate notes that of the revenues impacted under the bill, roughly 34 percent are dedicated to the MVC, 60 percent to the General Fund, and six percent to other agencies. It is also noted that \$10.29 of every class 7 annual registration fee supports inspection services, and \$7 supports operations and security.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS finds that the Executive estimate for a \$27.6 million reduction in annual State revenue falls within the range of plausible outcomes, which the OLS determines to be between \$18.8 million and \$37.5 million per year. This revenue loss constitutes between 10 percent and 20 percent of projected FY 2022 passenger vehicle registration fee revenues. The estimated range is derived from a series of assumptions regarding the size of the honorably discharged veteran population, the passenger vehicle ownership characteristics of that population, and an estimate of the annual average registration fee from which the vehicles would be exempt.

Information from the U.S. Department of Veterans Affairs indicates that the State has a veteran population of about 350,000 people, compared to the Executive estimate of 329,000 people. Federal data also shows that about 80 percent of veterans are honorably discharged, leaving an eligible veteran population of roughly 280,000 people. In the OLS analysis, the assumption is that all of these veterans have a driver's license. For the lower bound of the range of the estimate, the OLS assumed one vehicle per household would be registered in the name of a veteran and exempt from the registration fee. For the upper bound, the OLS assumed two vehicles per household would be registered in the name of a veteran and exempt from the fee, or 560,000 vehicles. The Executive estimate used the middle of the range, or 1.5 vehicles. The OLS also calculated a weighted average registration fee of \$67 per year based in part on the most common classes of vehicles in the State and the associated registration fees, compared to a flat average used by the Executive which generated an average fee of \$62.25. The OLS scenario yields an annual revenue loss between \$18.8 million and \$37.5 million, representing a reduction between 10 percent and 20 percent of total motor vehicle registration fee revenue projected for FY 2022.

In forming the upper and lower bounds of this estimate, it was assumed that either one or two vehicles per household would be registered in a veteran's name. However, some households could have three or more such vehicles while others will have none. For instance, about 35% of the veteran population is over the age of 75. Within this cohort, driving and vehicle ownership begins to decline and declines further with age so it is reasonable to assume that at least some of these veterans would register fewer vehicles or none at all, which would skew the fiscal impact toward the lower end of the range. Moreover, some in the veteran population may be disabled or otherwise unable to drive, which would further lessen the fiscal impact of the bill. Conversely, the bill incentivizes the registration of vehicles in a veteran's name and so it is reasonable to assume that some households will choose to register all vehicles in that person's name, which would skew the fiscal impact toward the higher end of the estimate. These and other factors will ultimately determine where on the range the annual fiscal impact of the bill will fall.

The bill also requires the Department of Military and Veterans Affairs to establish a documentation standard for veterans to provide in order to claim this registration exemption and to ensure that the State's veteran population is informed about it. There is already an outreach infrastructure in place through Veterans Service Offices and other departmental outreach programs for the State to communicate with the veteran population. It is likely that the outreach efforts of the registration fee exemption will be administered in the same manner as other federal and State benefit programs at a marginal cost to the department.

The MVC notes an expected increase in information technology development and administrative costs will likely be required under the bill. The nature of those costs are unclear, given that establishing eligibility for the exemption will likely simply involve displaying the appropriate federally issued credential at the time of registration, which can then be recorded in the commission's system as a new class of registration fee exempt vehicle. The OLS does not expect such a change to commission operations to have a significant impact on operating costs or for implementation.

*Section: Authorities, Utilities, Transportation and Communications*

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).