

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/14/2019**

Bill/Resolution No.: SB 2251

- 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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
<b>Expenditures</b>				\$200,000		
<b>Appropriations</b>				\$200,000		

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
<b>Counties</b>			
<b>Cities</b>			
<b>School Districts</b>			
<b>Townships</b>			

- 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).*

SB2251 provides the option of a credit or a refund of the unused portion of vehicle registrations when a vehicle is transferred.

- 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.*

SB2251 provides for a credit or refund of the unused portion of vehicle registrations when a vehicle is transferred upon payment of a \$5 fee. A complete revenue impact for this bill cannot be determined at this time. NDDOT has not tracked the number of vehicles transferred and not replaced with another vehicle; we have no way of estimating the number of refunds that might result from this bill because we are unable to determine how many vehicles are transferred without a "replacement" vehicle. Any motor vehicle registration fees refunded under this bill and related NDDOT expenditures would result in a loss of funding to the Highway Tax Distribution fund. The Highway Tax distribution fund is distributed between NDDOT (61.3%), cities (12.5%), counties (22%), townships (2.7%), and the transit (1.5%); accordingly, those jurisdictions would realize an undetermined reduction in their revenues from the Highway Tax Distribution Fund. NDDOT would incur a onetime programming cost of \$200,000.

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.*

A complete revenue impact for this bill cannot be determined at this time. NDDOT has not tracked the number of vehicles transferred and not replaced with another vehicle; we have no way of estimating the number of refunds that might result from this bill because we are unable to determine how many vehicles are transferred without a "replacement" vehicle. The bill does provide for a \$5 fee to accompany the application for credit transfer or refund. Any motor vehicle registration fees refunded under this bill would result in a loss of funding to the Highway Tax Distribution fund. The Highway Tax distribution fund is distributed between NDDOT (61.3%), cities (12.5%), counties (22%), townships (2.7%), and transit (1.5%); accordingly, those entities would realize an undetermined reduction in their revenues from the Highway Tax Distribution Fund.

- 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.*

NDDOT Motor Vehicle Division will incur a one time cost of approximately \$200,000 for computer programming.

NDDOT would also incur staffing costs for expanding processing times related to the processing of registration refunds. At this time, we are unable to determine the level of staffing that would be necessary to support this process. Therefore, we cannot provide detail for those additional expenditures.

- 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.*

NDDOT Motor Vehicle Division will incur additional one-time costs of approximately \$200,000 for computer programming. These additional costs were not included in NDDOT's appropriation request for the 2019-2021 biennium.

**Name:** Lindi Michlitsch

**Agency:** NDDOT

**Telephone:** 328-2734

**Date Prepared:** 01/14/2019

**2019 SENATE TRANSPORTATION COMMITTEE**

**SB 2251**

# 2019 SENATE STANDING COMMITTEE MINUTES

Transportation Committee  
Lewis and Clark Room, State Capitol

SB 2251  
1/24/2019  
31390

- Subcommittee  
 Conference Committee

Committee Clerk: Liz Stenehjem

## Explanation or reason for introduction of bill/resolution:

A bill relating to the transfer of a registered vehicle; and to provide a contingent effective date.

Minutes:

2 Attachments

**Senator Sorvaag:** See Attachment #1 for testimony.

**Senator Clemens:** I'm not sure if I fully understand the registration fee part of it. Is that anytime you pay your registration fee with that vehicle, you know, you renew your plates or your tabs, is that what you're referring to as the registration fee?

**Senator Sorvaag:** Yes, when you renew it you renew it for a year. So if you sell it two years you can get a credit. This just says now you can get your money back.

**Senator Clemens:** So in your testimony it says, deals with registration fees paid when you purchase your vehicle. This would be any year after that too, correct?

**Senator Sorvaag:** That's my intent of the bill. I apologize, that is an error in my testimony. The intent is whenever. If the committee sees that there needs to be changes made in the bill, then I'm fine. The intent of it is, it's their money, they should be able to get it back. Like I said with the new software there should be capabilities of doing that.

**(6:02) Lindi Michlitsch, Motor Vehicle Division Director, North Dakota Department of Transportation:** See Attachment #2 for testimony.

**Chairman Rust:** Is that going to be done in the new system, or would that have to be done?

**Ms Michlitsch:** Our current system tracks the credits as the current law reads. The way this bill is proposed we would have to create a tracking mechanism to allow a credit or a refund. We have refunds that are allowed in our current system, but not on this process, with unused registration.

**Senator Dwyer:** So the \$200,000 is your computer software change, but it doesn't reflect the amount of money that when there's no credit it just goes into the fund. So if you did a refund of that, we don't know what that amount is. You say in your testimony you don't know.

**Ms Michlitsch:** That is correct, we don't have any way to estimate what the refund amount would be. We just know there would be an increase. It would take staff time to determine whether to process the credit or a refund.

**Senator Dwyer:** Is there a chart the would show what the registration fees generate a year, do you have such a thing?

**Ms Michlitsch:** I can get that information for you. Can I just clarify? You want to know the amount of revenue that is generated just from registration, correct?

**Senator Dwyer:** I would be interested in that.

**Chairman Rust:** Is it possible to get the amount of revenue that is generated just from vehicle registration and what the cost is of doing it?

**Ms Michlitsch:** Since we are funded at the top, we don't really track what it takes just to process registrations. I will see what information we have though.

**Senator Bakke:** In order to get this refund, it would have to be at the request of the individual, correct? How do we let people know about this?

**Ms Michlitsch:** How the process works is when you sell your vehicle and it is retitled to somebody else, that credit; the registration just goes to a credit state, then it's retitled and reregistered to the new owner. So that credit just sits there; so if you have nine months left of your registration, it just sits there and it decreases each month until it expires.

**Senator Bakke:** Would you then, when you do this new programing of your system to do what this bill is asking would there be an opportunity to have a letter go out telling them about their credit and providing instructions for a refund?

**Ms Michlitsch:** That is a possibility, we did not discuss that with our IT staff when we proposed this. What our thought process was, based on the understanding of how the bill was written is that the owner would have to ask for the refund.

**Chairman Rust:** So generally speaking you don't have that credit when you trade a vehicle with an automobile dealer. However, you would have that problem if you sell your vehicle outright, now you're going to have some credit left on those tabs. Then if you have nine months left there would be a credit and that could be applied to a new vehicle, but if there wasn't another vehicle purchased every month the credit decreases by 1/12<sup>th</sup>.

**Ms Michlitsch:** That is correct.

**Senator Bakke:** So basically, if they buy a new vehicle and the new vehicle is going to cost them more, we send them a letter saying you have to pay more. But, if it creates a credit we're not telling them they have a credit, we just expect them to know they have a credit. I'm just saying from a consumer's stand point, if we're going to contact them and say this vehicle has more fees on it than your previous vehicle, therefore, you owe this much more for your registration. I think it's only right that we then contact them and say, at this point you have a credit; so that they can know the process for getting that credit. Is that how it works right now?

**Chairman Rust:** You don't get a letter saying you owe more.

**Ms Michlitsch:** The credit only applies if you don't replace that vehicle. Most of the time your plates stay with you and it transfers with you.

**Chairman Rust:** Doesn't it just get taken care of by the dealer when you buy the vehicle, it's all right there in your contract, right?

**Ms Michlitsch:** Yes. A lot of it is a timing issue too, so sometimes if the vehicle I sold or traded-in, which ever I do with it; sometimes that can be titled before the title work arrives for my new vehicle. So there could be, where we would send a letter saying that there is a credit but in fact there isn't, because their title work just hasn't arrived in our office yet. So there's a lot of movement of credits and credits being used. So that's why we weren't able to determine how many credits or refunds would be applicable to give you guys kind of an idea on what the fiscal impact was. Because it's a moving target, it all depends on who gets the paperwork to us first.

**Senator Dwyer:** How many vehicles, or how many tabs/registrations are there in North Dakota?

**Ms Michlitsch:** As of the end of the year, we had 1.1 million registered vehicles.

**Chairman Rust:** How many motorcycles?

**Ms Michlitsch:** 40,700 motorcycles.

**Chairman Rust:** 1.1 million registered vehicles in North Dakota, does that include the motorcycles?

**Ms Michlitsch:** That is correct.

**Senator Patten:** I'm trying to get the testimony from Senator Sorvaag, in here he says registration fees paid when you purchase your vehicle and then sell it before the end of the registration period, that he would like the refund. I want to make sure that the registration fee you pay when you purchase your vehicle is the same as what you would pay on an annual license fee, correct? It isn't a different or higher fee?

**Ms Michlitsch:** That is correct, this applies only to the registration fee.

**Senator Patten:** That's why I'm looking at it, because there's a little bit of conflict in the testimony. Would this refund apply only if you apply for it the first year after you purchase it like this says, or would it apply any year after the purchase when you've paid your registration fee on an annual basis? So you could get that back any year?

**Ms Michlitsch:** My understanding, based on how the current law works, or how we are applying it, it only applies to that current year's registration. So it's not your first year, because most of us keep our vehicle for more than a year, not everybody, but the majority of us. So it would only apply for that current registration period.

**Senator Patten:** Is this a very expensive fix for a small amount of money, or is there a lot of money involve when we look at this?

**Ms Michlitsch:** I can't answer that question. I don't know what the impact is. We tried to run some reports on credits and different things, but like I said it's so fluid from people buying and selling that we just couldn't get an actual picture on what the impact would be.

**Chairman Rust:** I'm a little confused about Section 2. "This Act becomes effective upon receipt by the legislative council of the certification by the director of the department of transportation attesting that all necessary technological components and systems are capable and ready for implementation of this Act." Somehow or another, I had the feeling we are upgrading the computer system, and as we upgrade the computer system we're going to put into this the capability of giving a refund. Now all of a sudden, I'm beginning to wonder if it's a separate issue with regards to refunds and it's \$200,000 to do it, or is that \$200,000 already going to be spent since we are upgrading the system?

**Ms Michlitsch:** We are not currently upgrading our system; we already did in 2016. So this is just to do what was asked in this bill.

**Chairman Rust:** So in order to enact this bill it is a \$200,000 cost?

**Ms Michlitsch:** That is correct. When Senator Sorvaag asked us what the time frame was, we just explained there would be a lot of testing because there are so many different registration fees. That it would take us a little bit longer to get it tested properly before we could be in production with this process.

**Chairman Rust:** So you are not able to issue a refund now?

**Ms Michlitsch:** We can do refunds when they are requested. We cannot do them through the credit process. When there's a credit on the account we don't have the refund capability.

**Senator Bakke:** So it isn't an automatic function of your computer process to generate that refund, it's something you're having to do manually at this point when people request a refund?

**Ms Michlitsch:** There are only a few scenarios where we would allow registration refunds currently, one of them is if the vehicle is salvaged. Then we allow for a refund, but they

have to apply for it. So yes, registration refunds are a completely manual process. It's not built in, because we never did it before it's always just been a credit and then that credit would run out.

**Senator Dwyer:** The mainframe update Glenn talked about earlier; that's a whole separate thing, for driver's license?

**Ms Michlitsch:** That is correct, that is completely separate from this.

**Chairman Rust:** I was led to believe, I guess; that this is really not a problem, because they're in the process of doing that anyway and when that happens we can do the refund.

**Senator Dwyer:** It's totally separate.

**Senator Bakke:** When I looked at the fiscal note that's where the \$200,000 came up and I'm assuming for the upgrading of your computer system, to accommodate this bill.

**Ms Michlitsch:** That is correct.

**Chairman Rust:** Upgrading of the computer system to accommodate only this bill, that \$200,000.

**Ms Michlitsch:** That is correct.

**Chairman Rust:** Closed hearing on SB 2251. Adjourned meeting.

**General Discussion.**

# 2019 SENATE STANDING COMMITTEE MINUTES

Transportation Committee  
Lewis and Clark Room, State Capitol

SB 2251  
1/25/2019  
31493

- Subcommittee
- Conference Committee

Committee Clerk: Liz Stenehjem

## Explanation or reason for introduction of bill/resolution:

A bill relating to the transfer of a registered vehicle; and to provide a contingent effective date.

Minutes:

1 Attachment

**Chairman Rust:** Opened discussion on SB 2251. General discussion about bill. Email was sent to Lindi Michlitsch at the Department of Transportation, see **Attachment #1** for that email.

**Senator Bakke:** What does it say in our Century Code about government maintaining a credit from a citizen? Is there a limit on how long? Let's say they over paid something else to the government. I know that there's certain regulations for credit cards or for businesses that if they have a credit they have to return it in a certain amount of time. Is there anything like that for us?

**Chairman Rust:** I don't know. I'm not aware of that. Remember what we did with credit card companies, there used to be a time when they would subtract a certain amount all the time; then we passed a law that said they can't do that anymore. That they had to honor whatever the balance is.

I guess I thought it would accomplish the follow; the seller wouldn't lose their credit in less than a year. Because that's what happens.

**Senator Patten:** Using that \$200,000 cost, and I'm just going to use the example that you used, a \$120 registration fee and it was sold three months later; so there's a \$90 balance remaining. It would take 2,200 of these transactions for this to essentially pay for itself. Again, we're giving the money back, but that's how many vehicles that would need to be out there to say okay, finally our taxpayers have gotten to the point where the \$200,000 was paid back to them. I tried to get an idea on the number of vehicles it would take. In other words, it's a \$200,000 computer fix and we're sending out \$20,000 in refunds it takes a long time to get that recovered. You don't recover it, but to have that value there for our taxpayers.

**Chairman Rust:** On the side of the general public, if you sell a vehicle and you get a \$90 credit isn't your feeling, I should get that money? Right? I don't think any one of us here feels that the general public is really happy with, too bad it's just going to go away. I mean, after a period of time it's just going to disappear and we're going to take it. I don't think the general public would like that.

**Senator Patten:** Depends on which general public. The one that sold the vehicle, or the rest of the general public that says, you mean we spent \$200,000 to fix a \$10,000 problem?

**Chairman Rust:** That's true. I was just looking, is there another alternative?

**Senator Dwyer:** Don't you think about 99.9% of vehicles that are sold are replaced with another vehicle and so they do get the credit?

**Chairman Rust:** yes. They do.

**Senator Dwyer:** You can get a credit manually. If you are going to sell a vehicle and you've got \$90 coming you can ask them.

**Chairman Rust:** Did she say they would do that?

**Senator Dwyer:** Yes. So since 99.9% are just changing vehicles and they're getting the credit. The argument would be if they are able to get it manually there is a mechanism for them to receive their money. We would probably need to confirm that, if somebody come up to the DOT and says I want my money and they can do that manually.

**Chairman Rust:** If you didn't have to do a lot of dollars to the computer system, and they could get a credit, and the next time you go to renew a license that gets subtracted off of there. I don't know why that wouldn't be even better than what it currently is.

**Senator Dwyer:** I have a problem with spending \$200,000.

**Chairman Rust:** You notice that the bill says this doesn't go into effect until they're able to do that.

**Senator Clemens:** If we force the Department of Transportation to spend \$200,000 on this program, where do you think they are going to get that \$200,000? They're going to increase registration fees.

**Chairman Rust:** They can't though, unless we do it.

**Senator Clemens:** I just don't see where we're going. We're trying to help the DOT by raising fees and then we're going to require them to spend another \$200,000.

**Chairman Rust:** I'm with you I don't want to see the \$200,000 expenditure. But, if we can add another caveat in here that might be okay to do without a cost of some kind, is that worth exploring?

**Senator Dwyer:** I don't really like the idea of DOT carrying credits for ten years. I mean at the end of a year if a person hasn't asked for their refund, I think it should just go back.

**Senator Patten:** The question would be, if without any computer costs can they carry a credit? Right now their carrying it as decreasing monthly. Can they leave it in place and then at the end of twelve months or the end of the year; whatever the point the credit is gone.

**Senator Bakke:** This is a question for Senator Patten. Would this be a problem when they have an audit, the fact that they would be carrying credit balances?

**Senator Patten:** Not necessarily. But if you let that thing ride forever, I mean like you said it's going to be a ten-year thing. I would agree with the one year, if they're not going to claim it in a year. There might be an additional challenge if you were to say that the next time they bought one and they would automatically qualify for that. I don't know if their system could handle that type of a transaction either.

**Chairman Rust:** I was just exploring what the possibilities might be if a credit were given and it could be used at a later time, not necessarily within eight, nine months, four months or whatever the amount is, or eleven months. I've done that, how many of you have done that where you renew the tabs only to trade the car a month later.

**Senator Dwyer:** I could see though eliminating the 1/12<sup>th</sup> reduction and just say the full credit lasts until the end of the year.

**Chairman Rust:** That might take a computer program too.

**Senator Bakke:** I was just going to ask how much that computer fix would cost. Because, it sounds to me like they automatically in their system have 1/12<sup>th</sup> of it taken off every month, and I have a problem with that. I agree with you, I think it should stay in there as the full credit balance and at the end of a certain period of time it should be returned to the person who paid it.

**Senator Patten:** That's a different computer issue than the one she talked about, where you have to go in and say we're going to have it automatically issue a check. They might be able to change an X to a Y or something in their commands.

**Chairman Rust:** I would like to try to get an answer to my question before we make a decision on this bill.

**Senator Patten:** I think there would be some value to all of us here if we could find out if that change could be made within the existing system with no cost, that would allow that credit to stay there for a period of time. If they say yes, then that would be a decision of what that period of time would be and would we actually want to let it.

**Chairman Rust:** Or if we can just get rid of taking that 1/12<sup>th</sup> monthly. But I think we are in need of more information right now. Unless we are all in agreement that what we have is likable and let's stay with it.

# 2019 SENATE STANDING COMMITTEE MINUTES

Transportation Committee  
Lewis and Clark Room, State Capitol

SB2251  
1/31/2019  
31885

- Subcommittee
- Conference Committee

Committee Clerk: Liz Stenehjem

## Explanation or reason for introduction of bill/resolution:

A bill relating to the transfer of a registered vehicle; and to provide a contingent effective date.

**Minutes:**

1 Attachment

**Chairman Rust:** Discussed bill status of all bills assigned to the committee along with plan for the day. Brought discussion to SB 2251. See **Attachment #1** for email with information. So what we're doing right now is fairly consistent with the states around us.

**Ms Michlitsch:** Correct.

**Chairman Rust:** I found some information that the state does give some refunds. However, if you were to look at 39-04-39.2, there are no refunds except for improperly registered or destroyed vehicles. So we give a refund, but in the law it specifically says no refunds except, and it lists two things. So if you were to give a refund you would have to change that law. Another one is 39-04-39.4 which says they will give a refund if the vehicle is returned to the manufacturer. Then there is 39-04-44 and I'm not sure why that one is in there because it says, permanently and involuntarily destroyed; which should have been covered in the previous law, but it's also stated in there. So, to me it looks like in the law right now if you're going to give a refund you; you would have to change this, it's if it's improperly registered, destroyed or returned to the manufacturer. Those are the only three reasons for giving a refund. Am I reasonably correct on that?

**Ms Michlitsch:** Yes, you are correct.

**Chairman Rust:** There is in this bill an approximate \$200,000 to modify the system. Continued reviewing **Attachment #1**.

**Senator Dwyer:** The full refund only applies to improperly registered or destroyed vehicles.

**Ms Michlitsch:** Correct.

**Chairman Rust:** Continue reviewing **Attachment #1**. Basically what we have here is about, I don't know 99% of the time probably, somebody sells or trades-in a vehicle and what is left over just goes to the next registration, right?

**Ms Michlitsch:** We have no way of tracking that. Our thought process is that most people do buy a replacement vehicle. So this wouldn't apply to them.

**Senator Bakke:** In looking at this is the \$200,000 computer fix worth returning these monies, I guess I'm not sure it's worth it.

**Senator Patten:** I move a **Do Not Pass**

**Senator Clemens:** I Second the **Do Not Pass** Motion

**Roll Call Vote Taken: Do Not Pass Motion passes 6-0-0**

**Carrier:** Rust

Date: 1/31/19  
Roll Call Vote # 1

**2019 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO: 2251**

Senate Transportation Committee

Subcommittee

Amendment LC# or Description:

Recommendation:

- Adopt Amendment
- Do Pass     Do Not Pass
- As Amended
- Place on Consent Calendar

Without Committee Recommendation

Rerefer to Appropriations

Other Actions:

- Reconsider

Other Actions:  Reconsider

Motion Made By Patten Seconded By Clemens

Total (Yes) 6 No 0

Absent

Floor Assignment Rust

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**SB 2251: Transportation Committee (Sen. Rust, Chairman)** recommends **DO NOT PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2251 was placed on the Eleventh order on the calendar.

**2019 SENATE APPROPRIATIONS**

**SB 2251**

# 2019 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee  
Harvest Room, State Capitol

SB 2251  
2/8/2019  
JOB 32428

- Subcommittee  
 Conference Committee

Committee Clerk Signature: Alice Delzer and Alicia Larsgaard

## Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact subsection 2 of section 39-04-36 of NDCC, relating to the transfer of a registered vehicle; and to provide a contingent effective date. (Do Pass)

Minutes:

1. Testimony of Senator Sorvaag

**Chairman Holmberg:** Called the Committee to order on SB 2251. Roll call was taken. All committee members were present except Senator Gary Lee. Adam Mathiak, Legislative Council and Larry Martin, OMB were also present.

**Senator Sorvaag, District 45:** Testified in favor of SB 2251 and provided Attachment # 1. Attachment #1 explains the purpose of the bill. If you sell a vehicle and it hasn't gone through the full registration time, there is a credit you get. Say you paid \$400 and you sell it 3 months later, there would be a \$300 credit. Under the present law, you can trade that in and use that credit towards the trade. If you let it sit there, the value of it will be reduced 1/12 every month until the end of the registration time. The bill originally stated that you can just apply for a refund. This bill was brought up years ago and it wasn't allowed to happen. This is your money. We are picking 1/12 of it out of their pocket every month if they do not use it in the way we tell them to use it. The bill itself says they can get the money back at as they wish. I visited with DOT before I put this in. My understanding is that software was being worked on. Now it appears the software isn't being worked on that would allot this to happen. That's part of the \$200,000 fiscal note. If you read the last line on the bill, that was written on purpose to give them enough time. This doesn't go into effect until the software is available at DOT. It doesn't force them to do it in a certain time frame. With the misunderstandings, this still can offset some of that fiscal note because it doesn't require them to do it on any specific day. That is a summary. Most of you heard the debate last Friday. I would appreciate the committees support on this bill.

**V. Chair Krebsbach: Moved a Do Pass on 2251.**

**Senator Dever: Seconded.**

**Chairman Holmberg: Any Discussion?**

**Senator Erbele:** So the \$200,000 would not be spent until the software is developed? If that falls into the next biennium, can we obligate the next legislature on this? Does it go away? Does it stay alive for 4 years?

**Senator Sorvaag:** It would just stay alive. Obviously there would have to be a vote on the appropriation of the money. I think we would still have to appropriate the money.

**Adam Mathiak, Legislative Council:** It's not an appropriation. Depending on a larger budget and other funding needs, they may have flexibility within their existing or future budgets that would allow them to do it without specifically requesting for an appropriation increase or adjustment for the project.

**A Roll Call Vote Was Taken. Yea: 11; Nay: 2; Absent: 1.**

**Motion Carried.**

**Senator Sorvaag will carry the bill.**

**Chairman Homberg: Adjourned the committee.**

Date: 2-8-2019  
Roll Call Vote #: 1

**2019 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 2251**

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description:

Recommendation:	<input type="checkbox"/> Adopt Amendment	<input checked="" type="checkbox"/> Do Pass <input type="checkbox"/> Do Not Pass	<input type="checkbox"/> Without Committee Recommendation
	<input type="checkbox"/> As Amended	<input type="checkbox"/> Place on Consent Calendar	<input type="checkbox"/> Rerrefer to Appropriations
Other Actions:	<input type="checkbox"/> Reconsider		

Other Actions:  Reconsider  \_\_\_\_\_

Motion Made By Krebsbach Seconded By Dever

Total (Yes) 11 No 2

Absent \_\_\_\_\_ /

Floor Assignment Sorvaag

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**SB 2251: Appropriations Committee (Sen. Holmberg, Chairman) recommends DO PASS**  
(11 YEAS, 2 NAYS, 1 ABSENT AND NOT VOTING). SB 2251 was placed on the Eleventh order on the calendar.

**2019 HOUSE TRANSPORTATION**

**SB 2251**

# 2019 HOUSE STANDING COMMITTEE MINUTES

Transportation Committee  
Fort Totten Room, State Capitol

SB 2251  
2/28/2019  
#33021

- Subcommittee  
 Conference Committee

Committee Clerk: Jeanette Cook

## Explanation or reason for introduction of bill/resolution:

A BILL relating to annual permits for vehicles of excessive size or weight; and to declare an emergency.

Minutes:

Attachments # 1-2

**Chairman Ruby** opened the hearing on SB 2251.

**Senator Ronald Sorvaag, District 45**, introduced SB 2251. See attachment #1. This bill is so that you can get a cash refund on registration, if you don't trade in your vehicle for another one. The problem is that the software that the Department of Transportation has won't let this happen, but they are working on changes. This bill makes the refund happen when the software is ready. The fiscal note would be the cost to implement this now.

There was no further support for SB 2151.

There was no opposition to SB 2251.

**Lindi Michlitsch, Motor Vehicle Division Director, North Dakota Department of Transportation**, spoke in a neutral position on SB 2251. Written testimony was provided. See attachment #2.

**Chairman Ruby**: Do you have an idea of how many credits are out there?

**Lindi Michlitsch**: We do not track the credits in a reportable form. It is done through calculation in our system. It is based off of the amount of registration that was paid and looking at the dates to calculate the amount.

**Chairman Ruby**: If someone had a credit that wasn't used, you wouldn't know that it expired because it was never presented, correct?

**Lindi Michlitsch**: That is correct.

**Chairman Ruby**: If this was to move forward, we would need to amend 39-04-39.2?

**Lindi Michlitsch:** There would have to include something in regards to the credit. It could be added to the end like "refund in accordance with 39-04-06".

**Chairman Ruby:** The effective date is whenever the Department of Transportation is ready for it. Is this something you are working on? Or is it something that you would do after the bill passes?

**Lindi Michlitsch:** It would be something we would work on if the bill would pass. We are not currently working on this. Any time we have to deal with revenue, it takes time to go through all the testing, and it would take us longer to implement, so we knew we couldn't get it done before August 1<sup>st</sup>.

**Chairman Ruby:** Would it be done this year at all, or this biennium?

**Lindi Michlitsch:** I would have to check with IT. I just know it will take more than a few months. I think that more than likely it would be done within the biennium.

**Representative Kading:** How did you come up with this fiscal note?

**Lindi Michlitsch:** The \$200,000 came from our vendor that does the programming updates. It has to do with the financials. A credit is done on a calculation, but a refund has to be done by going into the financial accounting. It will touch a lot more areas than a credit area does. That is what the IT folks said.

There was no further neutral testimony on SB 2251.  
The hearing was closed on SB 2251.

**Chairman Ruby:** Would this language need to be struck from code?

**Lindi Michlitsch:** We would still need it. We could just add it to the end. We may have to do some research to make sure.

**Representative Weisz:** There must be a reason that the refunds are limited. We may not want to make it open ended.

Discussion.

**Representative Owens moved a DO NOT PASS on SB 2251.**

**Representative Grueneich seconded the motion.**

**A roll call vote was taken: Aye 7 Nay 4 Absent 3**

**The motion carried.**

**Representative Jones will carry SB 2251.**

Date: 2-28-19  
Roll Call Vote #: 1

2019 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. SB 2251

House Transportation Committee

Subcommittee

Amendment LC# or Description: \_\_\_\_\_

Recommendation:  Adopt Amendment  
 Do Pass  Do Not Pass  Without Committee Recommendation  
 As Amended  Rerrefer to Appropriations  
 Place on Consent Calendar  
Other Actions:  Reconsiderer  \_\_\_\_\_

Motion Made By Owens Seconded By Grueneich

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN RUBY		X	REP LAURIEBETH HAGER	X	
VICE CHAIR BECKER		X	REP KARLA ROSE HANSON	A	
REP JIM GRUENEICH	X	X	REP MARVIN NELSON	A	
REP TERRY JONES	X				
REP TOM KADING		X			
REP EMILY O'BRIEN	A				
REP MARK OWENS	X				
REP BOB PAULSON		X			
REP GARY PAUR	X				
REP ROBIN WEISZ	X				
REP GREG WESTLIND	X				

Total (Yes) 7 No 4

Absent 3

Floor Assignment Jones

If the vote is on an amendment, briefly indicate intent:

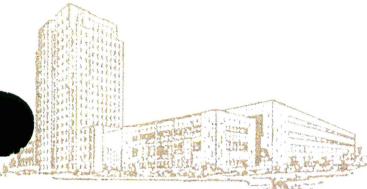
**REPORT OF STANDING COMMITTEE**

**SB 2251: Transportation Committee (Rep. D. Ruby, Chairman)** recommends **DO NOT PASS** (7 YEAS, 4 NAYS, 3 ABSENT AND NOT VOTING). SB 2251 was placed on the Fourteenth order on the calendar.

**2019 TESTIMONY**

**SB 2251**

SB 2251  
1/24/19 #1  
pg 1



## NORTH DAKOTA SENATE



STATE CAPITOL  
600 EAST BOULEVARD  
BISMARCK, ND 58505-0360

### Senator Ronald Sorvaag

District 45  
3402 Birdie Street North  
Fargo, ND 58102-1201  
701-361-2156  
[rsorvaag@nd.gov](mailto:rsorvaag@nd.gov)

**COMMITTEES:**  
Appropriations

January 24, 2019

Chairman Rust and Members of the Senate Transportation Committee,

SB2251 deals with Registration Fees paid when you purchase your vehicle and sell it before the end of its registration period.

Today if you sell that vehicle before the end of the period and you have a credit due, you can use that towards the purchase of another vehicle. All though, the amount of you credit you have is reduced 1/12 for every month you don't use it.

What SB2251 simply allows the individual to ask for a refund of their credit amount.

In the past this has not been an option with DOT software, but with the new software changes coming to the Department of Transportation they should be capable of doing this.

The language in Section 2 delays the implementation date to a time when the Department of Transportation has the capable and ready for refunds.

Since these funds belong to the individual they should be able to use them however they choose, including receiving a refund.

Chairman Rust and committee thank you for your time, and I would be glad to stand for any questions.

A handwritten signature in black ink, appearing to read "Ronald Sorvaag".

Sen. Ronald Sorvaag

District 45

**Senate Transportation Committee**  
**January 24, 2019 – 10:30 a.m. – Lewis and Clark**

**North Dakota Department of Transportation**  
**Lindi Michlitsch, Motor Vehicle Division Director**  
**Senate Bill 2251**

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Mr. Chairman and members of the committee, I am Lindi Michlitsch, Motor Vehicle Division Director at the North Dakota Department of Transportation. Thank you for giving me the opportunity to present information to you today.

NDDOT is not taking a position on this bill. However, we would like to discuss the process if this bill were to pass. This bill would permit NDDOT to refund the unused portion of registration fees on vehicles transferred to another owner but not replaced with another vehicle.

Currently when a vehicle is sold and another vehicle is purchased, DOT allows a credit on the registration fees of the new purchase equal to the time left on the registration of the vehicle sold. If no replacement vehicle is purchased, that credit is lost.

This bill provides a mechanism by which the DOT could refund the unused portion of the registration if the vehicle is sold during that registration period and NOT replaced by another vehicle.

SB 2251 states:

1. A fee of \$5 must be paid as required currently when credit is transferred
2. An owner may receive a credit or refund for the unused portion of their registration
3. A credit or refund of 1/12 of the annual fee for each month remaining in the registration period

This bill makes no mention of the plates being returned to DOT when a refund is requested; thereby we have no proof that the vehicle is not being driven on the roadways. In addition, clarity needs to be given as to the timeframe in which they can request the refund.

Motor Vehicle registration fees are deposited into the Highway Tax Distribution Fund for use by the DOT, counties, cities, townships, and transit. This legislation would reduce the money available for distribution to these entities. We are unaware of the amount of revenue that would no longer be available for distribution as DOT currently does not track the number of vehicles transferred but NOT replaced with another vehicle. Consequently, we have no way to reasonably estimate the amount of refunds and loss of revenue that might result from this bill.

This bill would have an impact on Motor Vehicle operations by increasing the processing times related to registration refunds. There would be IT computer programming costs of approximately \$200,000 to modify the system to make such transactions possible.

Mr. Chairman, I would be happy to answer questions at this time.

From: Rust, David S. drust@nd.gov  
Subject: SB 2151  
Date: Jan 25, 2019 at 5:25:55 AM  
To: Michlitsch, Lindi J. ljmichlitsch@nd.gov

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Lindi:

The current law (I believe NDCC 39-04-06 states: "One-twelfth of the annual fee must be credited or refunded for each month of the registration period remaining after the month in which the transfer is made. The credit may not extend beyond the original expiration of the registration."

~~SB 2151~~ is attempting to provide for a "refund" which would involve an update to the DOT's computer system.

If the law were changed to eliminate that one-twelfth per month reduction, could the DOT's computer system keep carrying that credit indefinitely (or possibly place a time limit—say 10 years) for a further claim when that seller buys/registers another vehicle?

This would accomplish the following:

1. The seller wouldn't lose his credit in less than a year.
2. The credit could be claimed later.
3. The DOT would not have to update its system.
4. No refund would ever be given to the seller if s/he didn't buy another vehicle and register it in ND. At some point in time (probably death or a possible time limit—say 10 years) those dollars would be unclaimed, just as those dollars now do when the original expiration of the registrations occurs.

SB2251 #1  
1/31/19 pg 1

From: Michlitsch, Lindi J. [ljmichlitsch@nd.gov](mailto:ljmichlitsch@nd.gov)  
Subject: SB2251

Date: Jan 30, 2019 at 4:20:49 PM

To: Rust, David S. [drust@nd.gov](mailto:drust@nd.gov)

Cc: Nelson, Mark A. [mnelson@nd.gov](mailto:mnelson@nd.gov)

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Senator Rust –

Good afternoon! Below is the information requested.

Here is what we found from our neighboring states:

- South Dakota – same as ND
- Minnesota – refunds are limited to certain circumstances similar to ND
- Montana – no credits or refunds

Information regarding refunds of registration:

- All Motor Vehicle Revenue, including registration, is distributed monthly. When issuing a refund, the funds are deducted from the distribution.
- The Motor Vehicle System was designed to refund full registration, not partial amounts which would be required by this bill.
- In order for us to process a registration refund, a registration correction would have to be completed in the system. The registration correction would not prorate the partial amount of registration fees. It would recognize the entire amount of the registration. To get the correct amount of the refund, a manual override of the credit amount would be required. Since this would be a manual process, it increases staff time and a greater risk for human error.

Average number of weekly refunds is 270. The majority of our refunds are overpayments and renewed in error.

I will be testifying tomorrow morning on SB2321 if you have further questions for me. Thanks!

*Lindi J. Michlitsch*  
Motor Vehicle Division  
701-328-2734  
[ljmichlitsch@nd.gov](mailto:ljmichlitsch@nd.gov)



## NORTH DAKOTA SENATE

STATE CAPITOL  
600 EAST BOULEVARD  
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### Senator Ronald Sorvaag

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701-361-2156  
[rsorvaag@nd.gov](mailto:rsorvaag@nd.gov)

**COMMITTEES:**  
Appropriations

February 5, 2019

Chairman Holmberg and Members of the Senate Appropriations Committee,

SB2251 deals with Registration Fees paid when you purchase your vehicle and sell it before the end of its registration period.

Today if you sell that vehicle before the end of the period and you have a credit due, you can use that towards the purchase of another vehicle. All though, the amount of you credit you have is reduced 1/12 for every month you don't use it.

What SB2251 simply allows the individual to ask for a refund of their credit amount.

In the past this has not been an option with DOT software, but when new software changes coming to the Department of Transportation they should be capable of doing this.

The language in Section 2 delays the implementation date to a time when the Department of Transportation has the capable and ready for refunds.

Since these funds belong to the individual they should be able to use them however they choose, including receiving a refund.

Chairman Holmberg and committee thank you for your time, and I would be glad to stand for any questions.

A handwritten signature in black ink, appearing to read "Ronald Sorvaag".

Sen. Ronald Sorvaag

District 45

SB2251  
2-28-19  
#1



## NORTH DAKOTA SENATE

STATE CAPITOL  
600 EAST BOULEVARD  
BISMARCK, ND 58505-0360



### Senator Ronald Sorvaag

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**COMMITTEES:**  
Appropriations

February 28, 2019

Chairman Ruby and Members of the House Transportation Committee,

SB2251 deals with Registration Fees paid when you register your vehicle and sell it before the end of its registration period.

Today if you sell that vehicle before the end of the period and you have a credit due, you can use that towards the purchase of another vehicle. Although, the amount of you credit you have is reduced 1/12 for every month you don't use it.

What SB2251 simply allows the individual to ask for a refund of their credit amount.

In the past this has not been an option with DOT software, but when new software changes come to the Department of Transportation they should be capable of doing this. The language in Section 2 delays the implementation date to a time when the Department of Transportation has the capable and ready for refunds.

Since these funds belong to the individual they should be able to use them however they choose, including receiving a refund.

Chairman Ruby and committee thank you for your time, and I would be glad to stand for any questions.



Sen. Ronald Sorvaag

District 45

SB 2251  
2-28-19

# 2

**House Transportation Committee**  
**February 28, 2019 – 2:45 p.m. – Fort Totten**

**North Dakota Department of Transportation**  
**Lindi Michlitsch, Motor Vehicle Division Director**

**Senate Bill 2251**

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Mr. Chairman and members of the committee, I am Lindi Michlitsch, Motor Vehicle Division Director at the North Dakota Department of Transportation (NDDOT). NDDOT is not taking a position on this bill. Thank you for giving me the opportunity to present information to you today.

Currently, when a vehicle is sold and another vehicle is purchased, Motor Vehicle allows for a credit on the registration fees of the new purchase equal to the time left on the registration of the vehicle sold. If no replacement vehicle is purchased, that credit is lost. This bill provides a mechanism by which Motor Vehicle could refund the unused portion of the registration if the vehicle is sold during that registration period and not replaced by another vehicle.

The Motor Vehicle software system is designed to refund registration in its entirety and not refund partial registration amounts, which would be required by this bill. There would be IT computer programming cost of approximately \$200,000 to allow for the new partial registration refund process.

Motor Vehicle registration fees are deposited into the Highway Tax Distribution Fund for use by the NDDOT, counties, cities, townships, and transit. Motor Vehicle processes an average of 270 refunds weekly, mostly for overpayments and vehicles renewed in error. The proposed refunds on unused registration from this bill would reduce money available for distribution to these entities and increase the number of refunds. NDDOT does not currently track the number of vehicles transferred and not replaced by another vehicle. Consequently, there is no way to reasonably estimate the amount of refunds, or loss of revenue that might result from this bill.

It appears that this bill might conflict with NDCC 39-04-39.2, refunds of registration fees which states “No refunds of registration fees may be made, except when the vehicle has been improperly registered or when the vehicle has been destroyed.”

Mr. Chairman, I would be happy to answer questions at this time.