Fiscal Considerations for 8-Year Operator's Licenses

The charts below are illustrative, hypothetical examples based on preliminary assumptions, not precise license data from DMV. These should not be interpreted as formal fiscal estimates.

1. Switching all driver's licenses to 8-year would generally increase revenue in the near term during the first renewal cycle, then revenues would drop off significantly in the back half of the 8-year period.

2. If all else is equal, aggregate revenue would decrease by eliminating the 2-year registration because the 2-year registration generates more annualized revenue than the 4-year (upon which the 8-year is proposed to be pro-rated from). But what about expenses?

    a. 2-year = $19.50/year; 4- and 8-year = $15.50/year

    b. Is this offset by material/supply savings for DMV from lower volumes of license issuance?

To illustrate the high level effects - Let's assume no behavior change-e.g., same numbers of licenses issued annually, no switching between 2 year and 4 year licenses, everyone put onto 8 year license beginning FY 2026, nobody moving in/out of Vermont…

What if everyone was required to obtain an 8-year license beginning with FY 2026 renewals?

units	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036	FY 2037
2 Year - $39	44,555	43,579	44,000	44,000	44,000												
4 Year - $62	111,337	102,603	105,000	105,000	105,000												
8 Year - $124						44,000	44,000							44,000	44,000		
						105,000	105,000	105,000	105,000					105,000	105,000	105,000	105,000

FY 2021 and FY 2022 data from 2023 fee analysis and only reflect operator's licenses per 23 VSA 608(a). Other items are estimates for illustrative purposes pending more precise data from DMV. <u>Figures in the table are to show an example of the renewal cycles</u> and should not be interpreted as fiscal estimates, and do not convey an assumption that zero 8-year licenses would be issued in any given year.

For illustrative purpose only - not fiscal estimates

FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036	FY 2037
$ 8,640,539	$ 8,060,967	$ 8,226,000	$ 8,226,000	$ 8,226,000	$ 18,476,000	$ 18,476,000	$ 13,020,000	$ 13,020,000	$ -	$ -	$ -	$ -	$ 18,476,000	$ 18,476,000	$ 13,020,000	$ 13,020,000

3. Alternatively, providing an <u>option</u> to obtain an 8-year license could mitigate some of the severity of the revenue fluctuations in future years - but the fluctuation will not be eliminated.

4. Under an optional system, cyclical revenue flucutations tend to lessen as time goes on. Some universe of 2-year and 4-year holders would likely switch to the 8-year whenever they are up for renewal (and vice versa), some will stay as-is. But how many?

5. T-Fund revenues are very limited with minimal margin for fiscal risk. Further modeling is required to prepare a fiscal estimate for transitioning to 8 year licenses and requires detailed analysis of DMV licensure data.

6. Outstanding policy questions:

    a. Optional or mandatory?

    b. Just driver's licenses or other forms of DMV-issued identification?

    c. Should certain populations be exempted from 8-year licensure?

    d. Experiences in other states?

    e. Any operational concerns/time constraints for implementation?

Remember - actual data fluctuates from year to year. The population of license holders is not static or linear over time. These examples do not imply precision in estimates.

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