

# Office of the Inspector General

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## **Review of Motor Carrier Road Use Fee Collections by the South Carolina Department of Motor Vehicles**

Administrative Note: This report was updated to reflect final reconciled RUF collections for September 2020.

## I. Executive Summary

In May 2020, the SIG initiated a review of the collection of road use fees (RUF) by the South Carolina Department of Motor Vehicles (SCDMV) due to a reported shortfall in collections as compared to the estimated fees set forth in a Statement of Estimated Fiscal Impact prepared by the South Carolina Revenue and Fiscal Affairs Office (RFA) as part of the South Carolina General Assembly's passage of Act No. 40 in 2017. The SIG initiated this review at the request of a member of the General Assembly and the RFA. The scope and objectives of the review were to determine the SCDMV's implementation of Act No. 40; determine any shortfall in RUF collections; and identify any reason or reasons for the shortfall in RUF collections.

Prior to 1/1/2019, motor carriers (MCs) operating large commercial vehicles were subject to the motor carrier property tax collected by the South Carolina Department of Revenue (SCDOR). The MCs filed their MC property tax returns with the SCDOR and paid taxes based on each vehicle's Fair Market Value (FMV). All SC-registered MCs that operated on an intrastate basis, as well as SC-registered MCs that operated on an interstate basis, including MCs registered in other states that owned or leased real property in SC were subject to the MC property tax.

On 5/10/2017, the General Assembly ratified Act No. 40 with an effective date of 7/1/2017, which eliminated the MC property tax and replaced it with the RUF. Through Act No. 40, the responsibility for collecting the RUF shifted to the SCDMV with a commencement date of 1/1/2019. In addition to collecting the RUF from MCs previously subject to the property tax, the SCDMV was required to collect the RUF from interstate MCs (out-of-state) not previously subject to the MC property tax that operated its vehicles on South Carolina and registered in other states and Canadian provinces (jurisdictions).

These out-of-state MCs were members of the International Registration Plan (IRP), which is a reciprocal agreement among states and some Canadian provinces created to avoid the requirement of MCs registering in every jurisdiction in which they operated. The MCs provided detailed information to the IRP on a monthly basis that included the mileage driven by their vehicles in all jurisdictions. Each jurisdiction collected fees on vehicles registered in their jurisdictions, as well as fees of the other jurisdictions for the mileage driven in the other jurisdictions. The fees owed or payable among the jurisdictions were netted and settled through the IRP Clearinghouse, including South Carolina.

In preparing the 2017 Statement of Estimated Fiscal Impact, the RFA made two calculations for the RUF, one based on the MC property taxes previously collected by the SCDOR identified as "in-state," and one that estimated future RUF collections from MCs not previously subject to the property tax, identified as "out-of-state." The RFA estimated \$25,115,000 would be collected from the "in-state" MCs in the first full year of collections (calendar year 2019), and \$9,268,000 would be collected from "out-of-state" MCs for an estimated total of \$34,383,000. (See Table A)

**Table A**

<b>Summary of RFA Estimates of Road Use Fee Collections</b>			
<b>Time Period</b>	<b>In-State Vehicles</b>	<b>Out-of-State Vehicles</b>	<b>Total RUF Collections</b>
Calendar Year 2019	\$ 25,115,000	\$ 9,268,000	\$ 34,383,000
Fiscal Year 2019	12,558,000	4,634,000	17,192,000

However, the SCDMV only collected \$16,591,889 in calendar year (CY) 2019, or \$7,089,810 for the second half of fiscal year (FY) 2019 when the RUF program went active. This resulted in a corresponding shortfall of \$17,791,111 for CY2019, and a shortfall of \$10,102,190 for FY2019 based on the RFA projections. (See Table B)

**Table B**

<b>RFA Road Use Fee Estimates Compared to Actual DMV Collections</b>				
<b>Time Period</b>	<b>RFA Estimate</b>	<b>Actual DMV Collections</b>	<b>Shortfall in Collections</b>	
Calendar Year 2019	\$ 34,383,000	\$ 16,591,889	\$ 17,791,111	
Fiscal Year 2019	17,192,000	7,089,810	10,102,190	

The SIG determined from a review of SCDMV records the RFA received the net totals (\$7,802,991) for the 2016 out-of-state registration fees instead of the gross totals (\$21,734,327) when it estimated future RUF collections. This resulted in an underestimation of RUF collections for the RFA’s six-year projection. The RFA recalculated its 2017 estimate utilizing the correct information. This resulted in an RUF estimate of \$25,815,994 from the out-of-state MCs instead of \$9,268,000 for CY2019. The SIG confirmed this revised estimate would have produced an estimate for RUF collections in FY2019 of \$25,369,000. As a result, the revised RUF collections shortfall increased to \$18,279,190 for FY2019 when compared to the revised estimate.

The SCDMV failed to fully implement the RUF collection process on 1/1/2019 as set forth in Act No. 40. The SIG determined this was the primary reason for the shortfall in RUF collections. The SCDMV identified multiple reasons for its phased implementation of the RUF collection process that included the IRP 120-day testing/implementation period, multiple Act No. 40 requirements affecting the agency at the time, and difficulties in adapting computer systems to accommodate all the changes.

Between 1/15/2019 and 8/26/2019, the SCDMV only collected from SC-registered intrastate MCs that paid their RUF and registration fees to the county treasurers. On 8/27/2019, the SCDMV began collecting RUF from interstate MCs whose vehicles were SC-registered. The SCDMV did not finalize its RUF schedule and notify the IRP until 11/27/2019, with an effective date of 12/1/2019. Due to a 120-day testing/implementation period required by the IRP, the RUF collection process was not fully implemented until April 2020.

The SCDMV’s collections from SC-registered MCs (intrastate and interstate) averaged approximately \$2.1 million per month. Full implementation of the RUF collection program began in April 2020, the fourth quarter (Q4) of FY2020, and resulted in RUF collections of \$14,488,290. Beginning in April 2020 and through June 2020, the average collections doubled to \$4.8 million per month once the SCDMV fully implemented the RUF program. This trend continued into the first quarter of FY2021 (July 2020 – September 2020) when the monthly RUF collections averaged \$4.3 million.

The first full year of RUF collections occurred in FY2020, at which time the SCDMV collected \$31,031,398. By comparison, the first six months of FY2020 (July 2019 – December 2019) increased 34% over the final six months of FY2019 (January 2019 – June 2019) when the RUF program was partially implemented. This trend continued as the SCDMV completed its system modifications and IRP jurisdictions implemented the SCDMV’s final RUF schedule. The final six months of FY2020 (January 2020 – June 2020) increased 127% over the preceding six-month period.

The SIG determined the SCDMV’s RUF collection program, once it was fully implemented, complied with the statutory requirements of Act No. 40, as well as the legislative intent to collect RUF from the thousands of large commercial vehicles transiting South Carolina roads to contribute to the upkeep of the state’s roads.

The SIG wishes to express its appreciation to the SCDMV, the SCDOR, and the RFA for their cooperation and assistance with this review.

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## **II. Background**

### **A. Predicate**

In May 2020, the SIG initiated a review of the collection of road use fees (RUF) by the South Carolina Department of Motor Vehicles (SCDMV) due to a reported shortfall in RUF collections as compared to the estimated fees set forth in a 2017 Statement of Estimated Fiscal Impact prepared by the South Carolina Revenue and Fiscal Affairs Office (RFA). The RFA prepared the Statement of Estimated Fiscal Impact for the South Carolina General Assembly's consideration of H.3516, also known as the SC Infrastructure and Economic Development Reform Act (Act No. 40). The SIG initiated the review at the request of a member of the General Assembly and the RFA.

### **B. Scope and Objectives**

The scope and objectives of this review were the following:

- Determine the SCDMV's implementation of the Act No. 40 statutory requirements for the RUF;
- Determine any shortfall in RUF collections based on the 2017 RFA estimates; and
- Identify any reason or reasons for a shortfall in RUF collections.

### **C. Methodology**

The methodology utilized in this review included interviews of employees and officials of the SCDMV, the South Carolina Department of Revenue (SCDOR), and the RFA. The SIG reviewed various statutes and documentation associated with the RUF and the motor carrier property tax, and conducted an analysis of reports and data from the SCDMV and the SCDOR. Available information on motor carrier operations was studied to understand the motor carrier property tax assessment process, as well as the International Registration Plan (IRP)<sup>1</sup> process as it relates to in-state and out-of-state motor carriers. Act No. 40 also required the assessment of RUF on alternative-fueled vehicles. This review addressed only the RUF assessed on motor carriers operating large commercial vehicles. In addition to the RUF, Act No. 40 required motor carriers to register trailers and semi-trailers and pay a one-time registration fee of \$87. The one-time trailer fees were not included in this review.

## **III. SIG Review and Analysis**

### **A. The Motor Carrier Property Tax**

Prior to 1/1/2019, motor carriers (MCs) paid property taxes on their vehicles with gross vehicle weights (GVW) in excess of 26,000 pounds. South Carolina assessed MC property taxes on vehicles owned, operated, managed, controlled, or leased by MCs based and registered in South Carolina, as well as out-of-state based MCs that owned or leased real property in South Carolina. These MCs filed property tax returns with the

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<sup>1</sup> The IRP is a reciprocal agreement among states and some Canadian provinces (jurisdictions) created for motor carriers to avoid the requirement of registering in every jurisdiction in which they operate. Motor carriers register in a single jurisdiction and pay the required fees based on the mileage driven in that jurisdiction. The motor carrier provides detailed information to the IRP on a monthly basis for the mileage driven in all jurisdictions. The IRP utilizes this data to calculate the apportioned fee amounts for each jurisdiction based on each jurisdiction's fee schedule. Each jurisdiction receives its apportioned amount through the IRP Clearinghouse by ACH deposit, including South Carolina.

SCDOR by June 30 of each year for all vehicles reported/owned as of December 31 for the preceding year. The SCDOR computed the property tax based on the vehicle's purchase price as adjusted by a depreciation schedule set by statute, and multiplied by the product of an equalization factor, an assessment ratio, and an average statewide millage rate. Additionally, the property tax was adjusted by the South Carolina Apportionment Factor [SC Code § 12-37-2810(J)], which is the ratio of miles operated by a fleet of vehicles in South Carolina to the total miles operated by the fleet. At least 50% of the property tax was due when the MCs filed their returns with the balance due by December 31 of each year.

The SCDOR reported tax collections of \$35.3 million from returns filed for calendar year (CY) 2018. The SCDOR transferred its collections to the State Treasurer's Office (STO), which in turn distributed 100% of the funds to the counties, with each county's portion based on a ratio of the county's state and federal highway miles to the total state and federal highway miles.

### **B. SC Infrastructure and Economic Development Reform Act**

The 2017 SC Infrastructure and Economic Development Reform Act (Act No. 40) enacted a number of changes affecting revenue, the most notable of which was the phased increase in the motor fuel tax (gas tax) over a six-year period. The primary purpose of Act No. 40 was to identify revenue to address the deteriorating condition of the state's road system. Act No. 40 eliminated the MC property tax and replaced it with the RUF.

Act No. 40 placed the responsibility for collecting the RUF on the SCDMV with an effective implementation date of 1/1/2019. The RFA calculated the RUF in the same manner as the MC property taxes by utilizing the same depreciation schedule and other factors used in the property tax calculation, with the exception of the assessment ratio, which was reduced from 10.5% to 9.5%. One significant change was the requirement that the SCDMV collect the RUF on all vehicles operating on South Carolina roads including those MCs based out-of-state that were not previously subject to the MC property tax.

Act No. 40 required the SCDMV to transfer all collections to the STO, less \$400,000 for one-time modifications to the SCDMV's computer systems to accommodate programming changes. The STO was required to distribute 75% of the collections to the counties instead of 100%, as previously done under the MC property tax program. The STO utilized the same distribution formula previously used for the apportionment of the MC property taxes among the counties. The remaining 25% was credited to the Infrastructure Maintenance Trust Fund for use to finance expansion and improvements to existing mainline interstates.

### **C. Revenue and Fiscal Affairs – Statement of Estimated Fiscal Impact (H.3516)**

The RFA's Statement of Estimated Fiscal Impact addressed all 25 sections of H. 3516, of which Section 8 addressed the RUF. The RFA followed a straightforward process in its estimate of the RUF from MCs not previously subject to the MC property tax. The RFA based its estimate on the latest available property tax collection data and a reasonable estimate of its growth.

The RFA's estimate of RUF revenue was comprised of two calculations – one for "in-state" MCs and one for "out-of-state" MCs. The RFA considered in-state MCs as those MCs subject to the MC property tax and out-of-state MCs as those not previously subject to the MC property tax. The RFA estimated the RUF from in-state MCs at \$25,115,000 for CY2019 with one-half, or \$12,558,000, estimated for the second half of fiscal year (FY) 2019 (January – June 2019). The RFA based the RUF estimate on its analysis of MC property tax collections through the end of CY2016.

The RFA estimate of RUF from out-of-state MCs required an estimation of full-time equivalent (FTE) vehicles. The RFA used data from the SCDMV on IRP participants whose vehicles were SC-registered as the basis for its estimate of the number of out-of-state registered vehicles.

The RFA estimated the number of FTE vehicles by dividing the total out-of-state registration fees collected by the SCDMV for FY2016 (\$7,802,991) by the average in-state registration fee of \$706. This produced an estimated 12,012 FTE out-of-state vehicles with an estimated new vehicle value of \$120,000, which produced a total value of \$1,441,416,000. The RFA used six years as the average vehicle age based on national statistics and discussions with the SC Trucking Association. The total new vehicle value was adjusted to 25% using the statutory depreciation table entry for a six-year old vehicle, which produced a total fair market value (“FMV”) subject to the RUF calculation of \$360,354,000. Using the FMV along with the equalization factor, the assessment ratio, and the average statewide millage, the RFA estimated the out-of-state MC RUF collections at \$4,634,000 for FY2019 or \$9,268,000 for CY2019. *(See Table C)*

**Table C**

<b>Summary of RFA Estimates of Road Use Fee Collections</b>			
<b>Time Period</b>	<b>In-State Vehicles</b>	<b>Out-of-State Vehicles</b>	<b>Total RUF Collections</b>
Calendar Year 2019	\$ 25,115,000	\$ 9,268,000	\$ 34,383,000
Fiscal Year 2019	12,558,000	4,634,000	17,192,000

However, the SIG determined from a review of SCDMV records the RFA received the net totals (\$7,802,991) for the 2016 out-of-state registration fees instead of the gross totals (\$21,734,327). The SIG confirmed with the RFA the gross total for out-of-state registration fees was the correct figure to use in its RUF estimate formula. This resulted in an underestimation of RUF collections for the RFA’s six-year projection.

The RFA recalculated its 2017 estimate with the gross total amount. This resulted in an RUF estimate of \$25,815,994 from the out-of-state MCs instead of \$9,268,000 for CY2019. The SIG confirmed this recalculation would have produced an estimate for RUF collections in FY2019 of \$25,369,000.

**D. SCDMV – Actual Road Use Fee Collections (FY2019)**

Beginning in late 2019 and into 2020, representatives of county governments brought concerns to members of the General Assembly that distributions of RUF funds were significantly below those received from the MC property taxes in the prior year.

In response to a March 2020 RFA inquiry, the SCDMV reported \$7,088,473 in RUF collections for a partial FY2019 from which the SCDMV retained the first \$400,000 to cover the cost of system modifications authorized by Act No. 40. The SCDMV also reported a total of \$11,396,501 in RUF collections for the seven-month period of July 2019 through January 2020. However, a SIG review of SCDMV’s general ledger, postings to the South Carolina Enterprise Information System, and confirmed by the SCDMV chief financial officer the actual FY2019 collections was \$7,089,810, well below the RFA’s original estimate of \$17,192,000. Additionally, the SCDMV’s collections for CY2019 (\$16,591,889) was below the RFA’s original estimate of \$34,383,000. *(See Table D)*



**Table D**

<b>RFA Road Use Fee Estimates Compared to Actual DMV Collections</b>				
<b>Time Period</b>	<b>RFA Estimate</b>	<b>Actual DMV Collections</b>	<b>Shortfall in Collections</b>	
Calendar Year 2019	\$ 34,383,000	\$ 16,591,889	\$ 17,791,111	
Fiscal Year 2019	17,192,000	7,089,810	10,102,190	

Given the revised RFA estimate of \$25,369,000 previously identified, the estimated shortfall in RUF collections for a partial FY2019 was \$18,279,190.

#### **IV. Timeline – SCDMV Implementation of the Road Use Fee**

##### **A. Motor Carrier Groups – SCDMV Categories**

The SCDMV separated MCs into two broad categories based on the MC’s area of operation – intrastate only (SC-registered) and interstate. The interstate MCs were separated into two groups – MCs licensed by South Carolina and MCs licensed in other IRP jurisdictions. The SCDMV considered those licensed in other IRP jurisdictions as those not previously subject to the MC property tax.

##### **B. Road Use Fee Baseline Established**

The SCDOR reported receiving 8,100 MC property tax returns for CY2018 along with supplemental schedules containing detailed information on 159,000 vehicles. The detailed information included the vehicle’s VIN, make, model year, license tag number, purchase date, and purchase price. The current SCDMV staff stated that previous SCDMV staff requested the data from the SCDOR, but did not receive the information due to statutes preventing the sharing of tax return data. The detailed vehicle data would have provided the SCDMV with the beginning basis for its RUF calculations. The SCDOR staff advised they did not recall receiving a request for the tax return data from the SCDMV and did not consider it confidential. The SCDMV did not provide documentation of a formal request for the tax return data.

In its absence, the SCDMV utilized the Price Digests publication that provided an estimated FMV of the MC vehicles. This practice led to disputes with MCs over the values the SCDMV used to assess RUF. The SCDMV allowed the MCs to provide copies of their prior MC property tax returns or other documentation to substantiate their vehicles’ base values for the RUF calculations.

##### **C. Road Use Fee Management Process**

Two separate areas within the SCDMV’s Vehicle Services office were involved in the management of MC registration and RUF collection. The Motor Carrier Services area managed the MCs that operated on an interstate basis and participated in the IRP. The Titles and Registrations area managed the MCs that operated on an intrastate basis. In addition, the associated MC transactions were processed on two different computer systems. The Motor Carrier Services area utilized an off-the-shelf system also used by other state DMVs. The Titles and Registration area utilized an in-house customized system that, per the SCDMV’s 2019 Annual Accountability Report, went into operation in 2002 and has been subjected to 11,000 modifications. The SCDMV cited difficulties in making modifications to both systems led to delays in the RUF’s implementation.

The RUF fees from interstate MCs registered in South Carolina were collected by the SCDMV while the fees due from interstate MCs registered in other IRP jurisdictions were collected through the IRP Clearinghouse.

The SCDMV received disbursements from the IRP Clearinghouse in the month following their collection by ACH deposit. The county treasurers collected RUF fees directly from intrastate carriers in the same manner as registration fees on personal vehicles and small commercial vehicles with GVWs less than or equal to 26,000 pounds.

#### **D. Phased Implementation of the Road Use Fee**

The SCDMV did not fully implement RUF collection from all MCs on 1/1/2019, as required by Act No. 40. Citing computer system limitations and multiple Act No. 40 changes affecting the agency, the SCDMV advised the only RUF collections received between 1/15/2019 and 8/26/2019 were from MCs registered in South Carolina that only operated on an intrastate basis.

Collections from interstate MCs (SC-registered only) began on 8/27/2019. Additional computer modifications were necessary to allow for the RUF collection from MCs whose vehicles were registered in other IRP jurisdictions. The SCDMV completed these modifications and notified the IRP of its final RUF schedule on 11/27/2019, with an effective date of 12/1/2019. However, further delays occurred with the IRP's collection of RUF due to the requirement of a 120-day period for testing and implementation by the IRP jurisdictions. Most IRP jurisdictions had implemented the RUF collections by March 2020.

The SIG reviewed copies of monthly reports provided to the SCDMV by the IRP for FY2020, which included data on the MC vehicles registered out-of-state. The reports provided useful information including the number of vehicles that actually traveled in South Carolina, as well as the actual registration fees and RUF collected by the IRP. For FY2020, the monthly average for IRP-registered vehicles utilizing the South Carolina road system was 179,549. ([FY2020 Summary-Monthly IRP Post Netting Reports](#))<sup>2</sup>

#### **E. Road Use Fee Revenue (FY2020) – Trend Analysis**

The SCDMV's partial implementation of the RUF collection process began on 1/15/2019 with relatively small amounts collected in January, February, and March 2019. Between April 2019 and August 2019, the RUF collections averaged \$1.6 million per month when the SCDMV only collected RUF from intrastate MCs. After the SCDMV began collecting from SC-registered interstate MCs on 8/27/2019, the monthly average increased to \$2.1 million per month.

Full implementation of the RUF began in April 2020, when the SCDMV began collecting from most interstate MCs licensed in other IRP jurisdictions. For the fourth quarter (Q4) of FY2020 (April 2020 – June 2020), the SCDMV collected an average of \$4.8 million per month. The addition of collections from the MCs licensed in other IRP jurisdictions more than doubled the amount of prior monthly RUF collections. This trend continued through the first quarter (Q1) of FY2021 (July 2020 – September 2020) when the monthly RUF collections averaged \$4.3 million. (*See Table E*)

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<sup>2</sup> Not all IRP jurisdictions collecting registration fees were collecting RUF. Six jurisdictions had not implemented the RUF collections as of the June IRP report. The SCDMV is working with those jurisdictions in their effort to implement and collect the RUF.

**Table E**

<b>Analysis - DMV Monthly Road Use Fee Collections by Time Period and Motor Carrier Group Paying</b>				
<b>Time Period</b>	<b>MC Groups Paying</b>	<b>Average Monthly</b>	<b>Highest Month</b>	<b>Lowest Month</b>
April 2019 - August 2019	Intrastate Only	\$ 1,563,481	\$ 2,494,086	\$ 974,580
September 2019 - March 2020	Intrastate & Interstate-SC Licensed	2,054,604	2,918,353	1,314,876
April 2020 - June 2020	All MC Groups	4,829,430	5,736,369	3,724,848
July 2020 - September 2020	All MC Groups	\$ 4,272,366	\$ 4,609,158	\$ 4,014,079

A full history of monthly RUF collections, beginning with its implementation in January 2019 through September 2020 can be found below in Table F.

**Table F**

<b>DMV Actual Monthly Motor Carrier Road Use Fee Collections</b>			
<b>Month</b>	<b>Fiscal Year 2019</b>	<b>Fiscal Year 2020</b>	<b>Fiscal Year 2021</b>
July		\$ 974,580	\$ 4,609,158
August		1,186,300	4,014,079
September		1,998,616	4,193,862
October		2,247,143	
November		1,314,876	
December		1,780,564	
January	\$ 2,258	1,894,423	
February	398,662	2,228,253	
March	1,032,367	2,918,353	
April	1,695,571	3,724,848	
May	1,466,866	5,736,369	
June	<u>2,494,086</u>	<u>5,027,073</u>	
TOTALS	7,089,810	31,031,398	

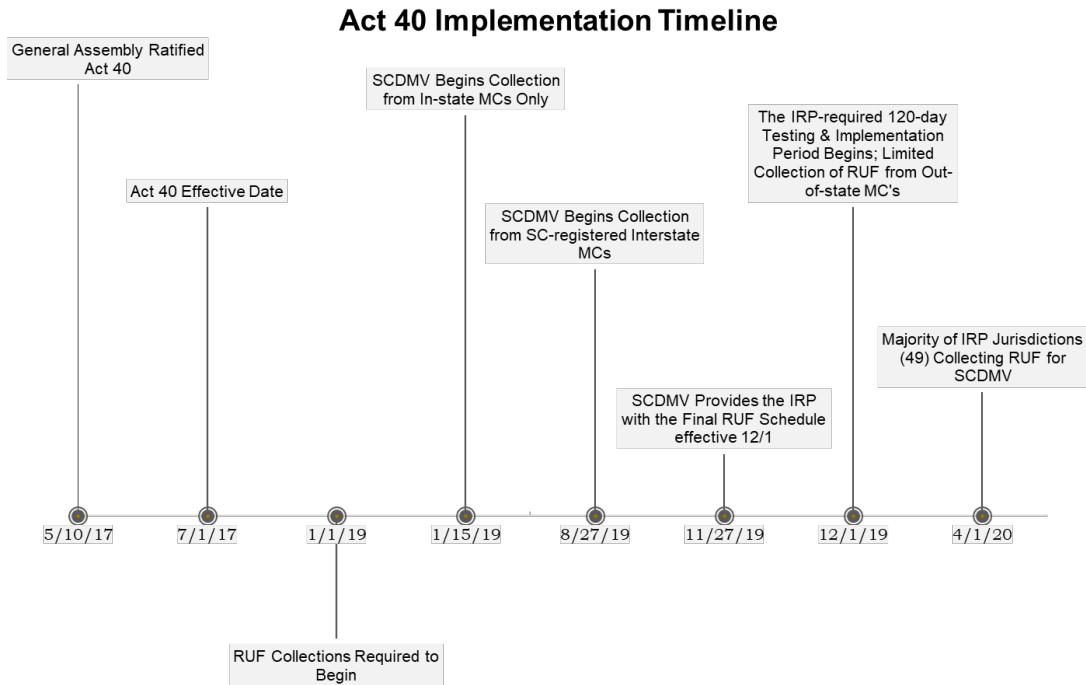
#### **F. Estimated FY2021 Road Use Fee Revenue**

With the addition of RUF collections from MC vehicles licensed in other IRP jurisdictions and the full implementation of the Act No. 40 RUF requirements, RUF collections during the April 2020 – September 2020 period were 16% greater than the prior fifteen months combined. More important, the actual RUF collected for FY2021-Q1 (\$12,817,099) is 41% of the entire FY2020 totals (\$31,031,398). Based on this information, the SIG calculated a conservative estimate in FY2021 RUF revenue of \$47,881,757. ([Estimated FY2021 Road Use Fee Revenue](#))

#### **V. Summary**

The SCDMV did not fully implement the RUF collection process on 1/1/2019 when the passage of Act No. 40 eliminated the MC property tax. The SCDMV cited the multiple requirements of Act No. 40 required for implementation as the cause for the delay, along with the challenges of modifying its computer systems, one of which was a legacy system put in place in 2002.

Another challenge was the assessment of RUF on MCs participating through the IRP not previously subject to the MC property tax and whose vehicles were registered in other IRP jurisdictions. These other IRP jurisdictions were responsible for collecting the RUF, which required their cooperation and an educational effort on the part of the SCDMV. The IRP also required a 120-day period for the other jurisdictions to test and implement any new fees. (See Act No. 40 timeline below)



The partial implementation of the RUF collection process resulted in actual RUF collections of \$7,089,810 for the second half of FY2019. Based on the original 2017 RFA estimate of \$17,192,000 for FY2019 the RUF collections shortfall was \$10,102,190.

However, the SIG determined the RFA based its original 2017 RUF estimate utilizing the “net” totals for out-of-state registration fees instead of the “gross” totals. The SCDMV’s records identified \$21,734,327 in gross totals for the out-of-state registrations fees. The RFA re-calculated its 2017 RUF estimate with the gross total amount that resulted in a revised RUF estimate of \$25,369,000 for FY2019 collections. As a result, the RUF collections shortfall increased to \$18,279,190.

The first full year of RUF collections occurred in FY2020, at which time the SCDMV collected \$31,031,398. By comparison, the first six months of FY2020 (July 2019 – December 2019) increased 34% over the final six months (January 2019 – June 2019) of FY2019 when the RUF program was partially implemented. This trend continued as the SCDMV completed its system modifications and IRP jurisdictions implemented the SCDMV’s final RUF schedule. (See Table F, page 9)

The final six months of FY2020 (January 2020 – June 2020) increased 127% over the preceding six-month

period. Full implementation of the RUF collection program began in April 2020 (FY2020-Q4), and resulted in RUF collections of \$14,488,290. This trend continued through the first quarter of FY2021 (July 2020 – September 2020) with RUF collections of \$12,817,099. The first six months of full RUF implementation (April 2020 – September 2020) totaled \$27,305,389, which represented 88% of the entire FY2020 RUF revenue.

The SIG determined the SCDMV's RUF collection program, once it was fully implemented, complied with the statutory requirements of Act No. 40, as well as the legislative intent to collect RUF from the thousands of large commercial vehicles transiting South Carolina roads to contribute to the upkeep of the state's roads.

The SIG wishes to express its appreciation to the SCDMV, the RFA, and the SCDOR for their cooperation and assistance with this review.

**ADMINISTRATIVE NOTE:** This report is an updated version of the prior version to reflect the final reconciled RUF receipts for September 2020.