

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 1252** HLS 14RS 2316

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action: **w/ #2 SEN COMM AMD**

Proposed Amd.:

Sub. Bill For.:

Date: May 28, 2014	1:57 PM	Author: FOIL
Dept./Agy.: Public Safety		Analyst: Matthew LaBruyere
Subject: Drivers' Licenses		

MTR VEHICLE/DRIVER LIC RE2 +\$10,100,000 SD RV See Note
Provides that drivers' licenses be renewed every six years

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Present law provides that a Class "D" and "E" driver's license expires on the anniversary of the birthday of the applicant which is nearest to a period of four years subsequent to the issuing of the license. Proposed law changes the 4 year period to a 6 year time period. Present law provides that a Class "A", "B", and "C" commercial driver's license shall expire on the anniversary of the birthday of the applicant which is nearest to a date of four years subsequent to the issuing of the license.

Proposed law changes the 4 year period to a 6 year period. Proposed law changes the motorcycle endorsement from the 4 year period to a 6 year period. Proposed law increases the fees of all licenses to reflect a 6 year period. Proposed law increases the handling fee for Class "D" and "E" licenses and the fee that local governing authorities can levy for OMV offices not fully funded by the state. Proposed law creates the "Office of Motor Vehicles Driver's License Escrow Fund" and the "Office of Motor Vehicles Handling Fee Escrow Fund", each to receive 4 years of state revenue increases resulting from extending license periods by 2 years. Those funds are then to be used to finance operations in the 5th and 6th years of the renewal cycle when total receipts will be less than they otherwise would be. Effective July 1, 2015

EXPENDITURES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total		\$0	\$0	\$0	\$0	\$0

REVENUES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$10,100,000	\$10,100,000	\$10,100,000	\$10,100,000	\$40,400,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$1,100,000</u>	<u>\$1,100,000</u>	<u>\$1,100,000</u>	<u>\$1,100,000</u>	\$4,400,000
Annual Total	\$0	\$11,200,000	\$11,200,000	\$11,200,000	\$11,200,000	\$44,800,000

EXPENDITURE EXPLANATION

The Department of Public Safety indicates the proposed law may require approximately 320 hours of overtime for the Information Services Section at an average cost of \$32 per hour (\$32 x 320 = \$10,240) plus associated Medicare expenses (\$10,240 x 1.45% = \$148), or a total of \$10,388 in personal services. The legislation will require modifications to the Driver's License Issuance system and transaction and batch processes, as well as modifications to issue a driver's license for 6 years and prevent a renewal for not less than 6 years. Additional IT workload associated with this legislation is incremental in nature and will be accomplished utilizing existing resources and budget authority. To the extent that numerous pieces of legislation are enacted that require additional programming efforts, the Department may require additional resources.

The monies from the Office of Motor Vehicles Driver's License Escrow Fund and the Office of Motor Vehicles Handling Fee Escrow Fund will be used in future fiscal years to fund OMV expenses related to driver's licenses during renewal gap years.

The card stock on which driver's licenses are printed may also need to be updated since the current life of the cards ranges from 5 to 7 years. However, any cost in purchasing new cards is unknown at this time.

REVENUE EXPLANATION

By increasing the cycle to 6 years, there will be a 2 year gap in which driver's licenses are not renewed. By increasing the driver's license fees, the proposed legislation will result in the same amount of revenue collections in a 12 year period. The driver's license fee will remain at the same annualized amount. For illustrative purposes, a Class E driver's license renewal of \$21.50 for 4 years equates to \$5.375 per year. Under the proposed legislation, a Class E driver's license renewal of \$32.25 for 6 years equates to the same \$5.375 per year.

The proposed legislation increases the basic driver's license fee and handling fee to account for the decrease in revenues for the 2 year renewal gap. The handling fee will increase from \$8.00 to \$12.00. Currently, the basic license fee varies by type of license from \$51 for a Commercial Driver's License for residents of the city of New Orleans to \$8 for a motorcycle endorsement. The basic license fee will increase to \$76.50 for a Commercial Driver's License for residents of the city of New Orleans to \$12 for a motorcycle endorsement. The basic license fee is deposited into multiple funds depending on licensee location. For illustrative purposes, a person who currently renews their Class E driver's license for \$21.50 in FY 16 would renew again in FY 20 and FY 24, thus spending a total of \$64.50 (\$21.50 fee x 3 renewals). Under the proposed law, that person with a Class E license would renew for \$32.25 in FY 16 and renew again in FY 22, spending the same \$64.50 (\$32.25 fee x 2 renewals). **(CONTINUED ON PAGE 2)**

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|--|----------------------------|--------------|--|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S} |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

Gregory V. Albrecht
Chief Economist

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CONTINUED EXPLANATION from page one:

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The handling fee is \$8 with \$5.50 classified as Office of Motor Vehicles SGR and \$2.50 is deposited into the OMV Customer Service and Technology Fund. Under the proposed legislation the handling fee will increase to \$12.00 for Class D and E licenses with \$8.25 classified as Office of Motor Vehicles SGR and \$3.75 is deposited into the OMV Customer Service and Technology Fund.

The current license renewal charge generates \$13.03 M annually. Of the \$13.03 M, \$8.4 M is allocated to the state general fund. Of the balance, \$4.6 M is allocated to the following funds: State Police Pension and Retirement Fund (\$3.4 M), Conservation Fund (\$0.89 M), Motorcycle Safety, Awareness, and Operator Training Program Fund (\$0.22 M), and the Police Pension Fund of the City of New Orleans (\$0.04 M).

The proposed license renewal charge generates \$19.5 annually (except gap years). Of the \$19.5 M, \$12.6 M is allocated to the state general fund. Of the balance, \$6.9 M is allocated to the following funds: State Police Pension and Retirement Fund (\$5.2 M), Conservation Fund (\$1.3 M), Motorcycle Safety, Awareness, and Operator Training Program Fund (\$0.32 M), and the Police Pension Fund of the City of New Orleans (\$0.06 M).

The proposed legislation increases the amount local government subdivisions can charge for each transaction in motor vehicle offices that are not fully funded by the state. Currently, the fee cannot exceed \$3 (\$4 in Orleans Parish). The proposed legislation increases the fee to not exceed \$4.50 (\$6 in Orleans Parish). The current fee generates approximately \$2.2 M annually statewide. To the extent the transactions remain constant, the fee would generate approximately \$3.3 M, an increase of \$1.1 M (\$3.3 M proposed - \$2.2 M current) annually. However, the local governmental subdivisions would not collect this amount in FY 19 and FY 20, just as OMV would not collect driver's license renewals in those years. No special fund mechanism is established for these local receipts to capture collections increases in the first 4-years of the renewal cycle and utilize those collections when receipts are reduced in the 5th and 6th years of the renewal cycle, as is done for the state receipts involved in the bill.

Office of Motor Vehicles Driver's License Escrow Fund will receive one-third (\$6.5 M) of driver's license fees collected by the department annually. The monies collected in fiscal years 16 - 19, totaling \$26.0 M (\$6.5 M x 4 years of collections), will be used to make up the revenues that are not collected in FY 20 and FY 21. Appropriations of one-half of the fund are required in FY 19 (\$13.0 M) and one-half in FY 20 (\$13.0 M). Appropriations are also required in FYs 25, 26, 31, and 32.

The Office of Motor Vehicles Handling Fee Escrow Fund will receive one-third (\$3.6 M) of driver's license handling fees collected by the department annually. The monies collected in fiscal years 16 - 19, totaling \$14.4 M (\$3.6 M x 4 years of collections), will be used to make up the revenues that are not collected in FY 20 and FY 21. The fund will appropriate one-half of funds in FY 19 (\$7.2 M) and one-half in FY 20 (\$7.2 M). The appropriation will also occur in FYs 25, 26, 31, and 32.

The total amount that will be deposited annually into both funds in FY 16-19 is \$10.1 M (\$6.5 M driver's license fees + \$3.6 M handling fees).

NOTE: The fiscal years noted in the bill for appropriations from the Driver's License Escrow Fund and the Handling Fee Escrow Fund are not consistent with the effective date of the bill, which delays the change one year to the FY16 fiscal year. To be consistent with this delayed start date, the appropriation years should be FYs 20 and 21, FYs 26 and 27, and FYs 32 and 33.

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