

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 299** SLS 16RS 279

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 28, 2016 9:05 AM	Author: MILKOVICH
Dept./Agy.: Public Safety/Office of Motor Vehicles	Analyst: Zachary Rau
Subject: Final Delinquent Debt Collections, Dispositions of Collections	

MOTOR VEHICLES OR DECREASE SG RV See Note Page 1 of 2
Provides relative to fees, charges, penalties, and fines for certain traffic violations.(gov sig)

Proposed law amends definitions associated with debt in present law, and requires the Office of Motor Vehicles (OMV) issue notices of violations associated with reinstatement fees and fines by certified mail and that the debt must be 90 days or more past due to be declared final. Proposed law makes referral of final debts by the Office of Motor Vehicles (OMV) to the Office of Debt Recovery (ODR) discretionary, and that OMV must notify persons of payment arrangements and that the debtor has no right to judicial review. Proposed law reduces fines and reinstatement fees associated with failure to appear violations, lapsed insurance violations, and false affidavit violations. Proposed law credits all fines and reinstatement fees associated with the aforementioned violations to the state general fund. Proposed law makes OMV liable for storage and wrecker fees if a vehicle is impounded for lacking insurance, but is actually insured.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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>	<u>\$0</u>
Annual Total						
REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Ded./Other	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

Proposed law will increase expenditures for the Dept. of Public Safety, Office of Motor Vehicles (OMV) by an indeterminable amount. The proposed legislation requires OMV to mail notices associated with lapsed insurance violations, failure to appear violations, and false affidavit violations by certified mail. The U.S. Postal Service issues certified mail at a rate of \$3.30 per mailing. Conventional postage costs \$0.47 per mailing. Subtracting the cost of conventional postage (\$0.47) from the cost of certified mail (\$3.30) yields a per-unit cost increase of \$2.83 (\$3.30 - \$0.47). Multiplying the per-unit cost by an average of 750,000 violations with up to three certified mail notices each yields an annual cost increase of approximately \$6.37 M (\$2.83 * 750,000 * 3). The cost estimate associated with mailing notices may be mitigated to the extent persons comply to the first and second notifications. However, because the number of violation notices OMV may issue in a given year varies, the exact cost increase is indeterminable. **(Expenditure Explanation cont. on Pg. 2)**

REVENUE EXPLANATION

Proposed law will decrease agency-self generated revenues for the Office of Motor Vehicles (OMV) and the Office of Debt Recovery (ODR), as well as revenues for the statutorily dedicated Real-Time Insurance Verification Fund by an indeterminable amount. Furthermore, proposed law will increase revenues for the state general fund in an amount equal to the decrease of agency self-generated and statutorily dedicated revenues. However, the proposed legislation also reduces reinstatement fee amounts associated with failures to appear, compulsory insurance lapses, and filings of false affidavits. As a result, amounts being diverted from SGR collections and the Real-Time Insurance Verification Fund ("Insurance Verification Fund") to the state general fund will be reduced compared to historical actual deposits to SGR and the fund.

Office of Motor Vehicles/Dept. of Public Safety Impact

Proposed law reduces the following reinstatement fees and penalties by the following amounts: failure to appear reduced by \$75, from \$87.50 to \$12.50 (86% reduction); compulsory insurance lapse of 1-30 days by \$75, from \$100 to \$25 (75% reduction); compulsory insurance lapse of 31-90 days by \$200, from \$250 to \$50 (75% reduction); compulsory insurance lapse of 90 days or more by \$400, from \$500 to \$100 (80% reduction); 1st violation of filing a false affidavit by \$225, from \$250 to \$25 (90% reduction); 2nd violation of filing a false affidavit by \$450, from \$500 to \$50 (90% reduction); 3rd violation of a filing a false affidavit by \$900, from \$1,000 to \$100 (90% reduction). **(Revenue Explanation cont. on Pg. 2)**

Senate Dual Referral Rules House

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|--|---|
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input checked="" type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

Evan Brasseaux

Evan Brasseaux
Staff Director

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CONTINUED EXPLANATION from page one:

(Expenditure Explanation cont. from Pg. 1) The Dept. of Public Safety & Corrections (DPS) also anticipates a \$7,791 increase in expenditures associated with updating the Office of Motor Vehicles' mainframe to update changes in fees, timelines, certified mail notices, authenticate debt, and handle reporting issues associated with the proposed legislation. The Office of Technology Services would perform this work with an estimate of approximately 240 man-hours needed to complete it. The Legislative Fiscal Office believes that any additional IT work associated with this legislation can potentially be accomplished utilizing existing resources. To the extent that numerous pieces of legislation are enacted that require additional programming efforts, DPS may require additional resources.

(Revenue Explanation cont. from Pg. 1) Proposed law also limits the maximum reinstatement fees associated with insurance lapses and failure to appear violations OMV may levy prior to the department declaring debts final and referring them to the Office of Debt Recovery. The maximum reinstatement fee under the proposed law is \$500, a decrease of \$350 from the current \$850. Furthermore, the maximum reinstatement fee OMV may levy for persons 65 years-old or older pursuant to proposed law is \$200, a reduction of \$50 from the present maximum of \$250. Proposed law also limits a maximum reinstatement fee associated with the filing of false affidavits to \$500 for persons under the age of 65 and \$200 for persons 65 or older, reductions of \$575 and \$50 from the present respective amounts of \$1,075 and \$250. Proposed law also repeals a \$25 administrative fee the department currently levies.

The proposed legislation will decrease revenues by an indeterminable amount for OMV. The number of violations persons may have, as well as which violations are referred to ODR as final debt, is indeterminable. However, based upon historical collections obtained from OMV, the potential revenue impact is significant. In FY 15, OMV collected approximately \$8.12 M from failure to appear violations, \$60.2 M from lapsed insurance violations, \$1.32 M from maximum reinstatement fees, and \$7.88 M in administrative fees, a total of approximately \$77.52 M in revenues. A portion of revenues from insurance lapses are diverted to the Insurance Verification Fund by statute, with the remainder funding the Dept. of Public Safety as SGR. These revenues would no longer be classified as statutorily dedicated or agency SGR under the auspices of proposed law, but would now be classified as SGF.

The Insurance Verification Fund received revenues of approximately \$37.16 M from insurance lapse penalties in FY 15 and had total budget authority of approximately \$11.34 M. The balance of revenues from these sources were classified as agency self-generated revenue, a total of \$40.36 M. DPS' total agency SGR appropriation in FY 15 was approximately \$131.03 M, with the \$40.36 M in SGR representing approximately 31% of the total appropriation. These revenues represented approximately 19% of DPS' FY 15 budget. If proposed law is enacted, DPS would likely need resources to supplant revenues that would now flow to the state general fund. The amount of potential resources needed is indeterminable because the amount of revenues the department receives from these sources varies annually. However, based upon historical figures, the additional resources potentially needed to fully fund DPS may be significant.

Note: OMV does not anticipate a revenue reduction associated with the loss of fines associated with persons presenting false affidavits, as the department rarely receives funds from this source due to a number of legal challenges associated with collecting the fines.

Office of Debt Recovery Impact

Proposed law will decrease self-generated revenues for the Office of Debt Recovery (ODR) by an indeterminable amount. Presently ODR is allowed to retain an amount equal to 25% of debts referred to the office. Currently there is no maximum with respect to the number of OMV violations a person can accrue, meaning reinstatement fees may exceed the \$500 limit provided for in proposed law. The proposed legislation caps the amount ODR may retain as a total of referred debt from OMV at \$125 (\$500 * 25%). As a result, revenues for ODR will decrease as a result of the proposed legislation. However, the exact revenue decrease is indeterminable, as the number of violations a person may have attached to their record varies.

State General Fund Impact

Proposed law will increase revenues for the state general fund by an indeterminable amount. The proposed legislation reduces fees for failure to appear violations by 86% (reduction of \$6.98 M, from \$8.12 M to \$1.14 M), lapsed insurance violations by an average of 78.3% (reduction of \$47.14, from \$60.2 M to \$13.06 M), and maximum reinstatement fees by an average of 30.5% (reduction of \$399,609, from \$1.32 M to \$920,391). Applying these average reductions for each of the individual revenue categories results in an overall reduction of approximately \$63.32 M compared to current collections, from \$77.52 M to \$14.2 M. These revenues would be deposited in the state general fund, but would be less than historical actuals as a result of the fee decreases. However, because the number of violations that may occur in a given year varies, the revenue increase for the state general fund is indeterminable.

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13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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