



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 972** HLS 22RS 1868
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.: **w/ PROP HSE COMM AMD**
 Sub. Bill For.: **REVISED**

Date: May 15, 2022 5:27 PM	Author: PHELPS
Dept./Agy.: Revenue/Office Motor Vehicles	Analyst: Deborah Vivien
Subject: Amnesty for OMV and ODR fees and penalties	

FEES/LICENSES/PERMITS OR -\$10,000,000 GF RV See Note Page 1 of 2
 Establishes an amnesty program for fines, fees, and assessments imposed by state agencies

Current law requires agencies without a collection contract with the Attorney General to transfer all final debt 60 days or older to the Office of Debt Recovery (ODR) in the Department of Revenue (LDR). ODR is authorized to assess an additional 25% fee on all debt owed that was made final. The ODR fee is in addition to any other outstanding obligations.

Proposed law directs LDR to develop and implement a state debt recovery amnesty program to waive all amounts of final debt submitted by the Office of Motor Vehicles (OMV) to ODR for lapsed automobile insurance in excess of the initial fine, including OMV accelerated fines and ODR fees. The program will be open from November 1, 2022, through January 31, 2023, to anyone paying the initial liability with no amnesty application necessary. LDR is authorized to retain state general fund (SGF) up to \$10M from state tax collections (SGF) including a mandatory transfer to OMV of up to \$2.1M for foregone fees. Eff. 7/1/22.

This note is for the proposed amendment (#4378) to the substitute bill adopted as a committee amendment (#3503) but not engrossed

EXPENDITURES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	\$10,000,000	\$0	\$0	\$0	\$0	\$10,000,000
Agy. Self-Gen.	(\$9,471,380)	\$0	\$0	\$0	\$0	(\$9,471,380)
Ded./Other		\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$528,620	\$0	\$0	\$0	\$0	\$528,620

REVENUES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	(\$10,000,000)	\$0	\$0	\$0	\$0	(\$10,000,000)
Agy. Self-Gen.	DECREASE	DECREASE	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total			\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

LDR indicates that amnesty implementation will cost \$528,620, including staff, advertising or third party administration and will require a SGF appropriation in FY 23, which will increase SGR expenditures by that amount. OMV indicates the need for staff overtime to clear the rush of paid accounts the amnesty is expected to create at a cost of approximately \$2.1 M IAT in FY 23. LDR will retain up to \$7.9M in SGF to replace foregone fees which will decrease SGR and increase SGF by that amount. LDR is also authorized to retain \$2.1M for transfer to OMV for amnesty expenses which is reflected within the \$10 M increase in SGF in the table above (\$7.9 M + \$2.1 M = \$10 M).

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REVENUE EXPLANATION

The bill will reduce state general fund revenue in the amount of the retention by LDR of 25% of amnesty collections up to \$7.9M (the amount of the current ODR fees) and in the amount of foregone fees from OMV up to \$2.1M for a total exposure of \$10 M. The fiscal note assumes that amnesty participation will authorize the maximum retention of the state general fund due to the generosity of the amnesty program and the intensity of the testimony regarding taxpayers' need for this relief. The fiscal note assumes the retained SGF is appropriated as such for the Department of Revenue (as shown in the table above) with \$2.1M sent by IAT to OMV.

OMV will receive payment equal to the initial obligations of \$125 per violation from amnesty seekers and forego any accelerated penalties. The maximum potential amount of OMV collections is estimated at \$79.8 M (631,634 accounts * \$125) as shown in the table on page 2. In a typical year, pre-Covid, OMV received about \$57 M from ODR collections. Because the amnesty program occurs midyear, it is not possible to determine the distorting impact on typical OMV collections for the remaining 3/4 of the fiscal year (see NOTE). **Without a supplemental revenue source, participation in the amnesty program could leave some portion of OMV and LA State Police unfunded mid-year because foregone fees may not be collected or reimbursed that are currently spent in these agencies' budgets.**

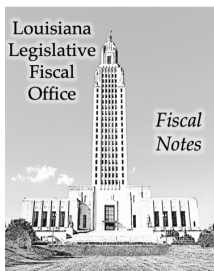
It is expected that ODR will continue to collect on OMV debt using other collection tools, such as bank garnishment, refund capture, etc. during the FY 23 year. To the extent ODR collects OMV debt outside the amnesty period, the impact of the amnesty on normal annual ODR and OMV fee collections may be partially offset or made whole.

NOTE: Amnesty programs tend to accelerate some collections into the amnesty period, which lowers collections in subsequent time periods, while other collections may come about only because amnesty is available. The revenue forecast assumes a typical pattern of delinquent collections, and an amnesty program tends to disrupt that pattern between fiscal years, which is why a FY 24 anticipated decrease in fees is noted.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION (Continued)

None of OMV agency expenses are directly funded by the bill since all retained revenue is replacement for foregone fees waived through amnesty that are already appropriated in the pending FY 23 budget.

The ODR fees provide for operating expenses of LDR, including the Office of Debt Recovery. The OMV fees provide for OMV operating expenses (35%) and the Office of State Police through the Insurance Verification Fund Account (65%).

Per the LDR Annual Report, OMV received about \$57 M annually from ODR (pre-COVID) from a liquidation rate of about 26%. It is not clear how much amnesty will distort OMV collections for the remainder of the fiscal year and beyond due to acceleration of collections into the amnesty period. Even if the amnesty program participation is high, OMV could lose significant funding from this bill due to the waiver of fees that are not replaced. Through this bill, OMV is only receiving \$2.1 M plus the initial liability of \$125 per participating account to cover amnesty and departmental expenses normally funded through the \$57 M in typical collections.

LFO cannot predict amnesty participation with any degree of certainty. Below are estimates of fees waived (25% ODR fee and accelerated OMV fees) and fees collected (\$125 per account for OMV), given the current pipeline of delinquent OMV debt referred to ODR:

<u>Participation Rate</u>	<u>ODR Fees Waived</u>	<u>OMV Fees Waived</u>	<u>OMV Fees Collected</u>
10%	\$8,380,142	\$16,048,775	\$798,109
20%	\$16,760,284	\$32,097,550	\$3,192,435
30%	\$25,140,426	\$48,146,325	\$7,182,979
40%	\$33,520,568	\$64,195,100	\$12,769,740
50%	\$41,900,709	\$80,243,875	\$19,952,719
60%	\$50,280,851	\$96,292,650	\$28,731,915
70%	\$58,660,993	\$112,341,425	\$39,107,329
80%	\$67,041,135	\$128,390,200	\$51,078,960
90%	\$75,421,277	\$144,438,975	\$64,646,809
100%	\$83,801,419	\$160,487,750	\$79,810,875
Avg Annual	\$8,000000		\$57,000,000

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