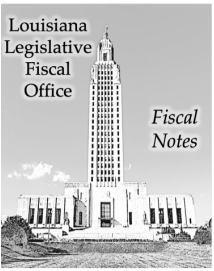


**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **HB 555** HLS 23RS 656
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 23, 2023 3:40 PM **Author:** PHELPS
Dept./Agy.: Office of Motor Vehicles **Analyst:** Patrice Thomas
Subject: LA Office of Motor Vehicles Amnesty Act of 2023

MTR VEHICLE/OFFICE OR DECREASE SG RV See Note Page 1 of 2
 Establishes an amnesty program for fines, fees, and assessments imposed by the office of motor vehicles

Proposed law establishes the LA Office of Motor Vehicles Amnesty Act of 2023, which is to take place over 2 years and is conducted on a geographical basis. Proposed law requires the initial amnesty program to start in Shreveport on 8/01/2023 and last for 90 days. Proposed law requires the Department of Public Safety and Corrections, Public Safety Services, Office of Motor Vehicles (OMV) to do the following: (1) ensure every debtor has an opportunity to participate in the amnesty program; (2) recall all debt from the LA Department of Revenue (LDR), Office of Debt Recovery (ODR) and remove the collection fee; (3) establish amnesty installment agreements with debtors for the amnesty period and, if the requested debtor, replace old installment agreements with new amnesty installment agreements; and (4) refer all debt back to the ODR upon expiration of the amnesty program. Under proposed law, if a debtor has multiple debts due to multiple violations, the total amnesty amount is capped at \$850, \$1,075, and \$250 for persons over the age of 65.

EXPENDITURES	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	SEE BELOW	SEE BELOW	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$2,712,188	\$0	\$0	\$0	\$0	\$2,712,188
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

REVENUES	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	INCREASE	INCREASE	\$0	\$0	\$0	\$0
Agy. Self-Gen.	DECREASE	DECREASE	DECREASE	\$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

EXPENDITURE EXPLANATION

To implement the amnesty program, the proposed law will increase one-time administrative and staffing expenditures in the Department of Public Safety and Corrections, Public Safety Services, Office of Motor Vehicles (OMV) by \$2.7 M in FY 24 for overtime and IT costs and \$866,010 within LA Department of Revenue (LDR), Office of Debt Recovery (\$147,349 in FY 24 and \$73,675 in FY 25) for mailings.

CONTINUE ON PAGE 2

REVENUE EXPLANATION

Proposed law could serve to accelerate collections due to an amnesty program that waives collection fees from the Office of Debt Recovery (ODR) within the LA Department of Revenue (LDR) and caps the fees assessed by the Office of Motor Vehicles (OMV). The magnitude of an amnesty program is difficult to predict due to participation rates and the amounts owed by those choosing to apply. The LFO practice has been to include amnesty collections only after classification into the appropriate revenue sources to be incorporated into the revenue forecast as the funds are received. Further, amnesty programs of this length could be considered one-time revenue.

The proposed law requires that OMV recall debt from ODR, which collects debt on behalf of many state agencies. Agencies report the debt that has been final for 60 days to ODR as a lump sum. ODR collects the total amount and sends the proceeds back to the agencies that presumably classify it to its originally intended use. In the collection process, ODR adds up to 25% of the delinquent amount as a collection fee, which would be waived by this proposed law. In FY 22 per the LDR Annual Report, ODR collected \$46,920,547 in delinquent debt referred from OMV, which represented approximately 88% of the total amount of \$53,399,026 collected by the agency. The \$53.9 M collected included \$9.9 M retained by ODR, which provide for the operating expenses of LDR, including ODR. If all OMV debt is recalled from ODR, other means of financing will be required to fund the agency.

The proposed law caps the total amount paid by a debtor with multiple violations under the amnesty program as follows: (1) \$850 for multiple lapses of insurance under LA R.S. 32:863(A)(1) or (2); (2) \$1,075 for multiple vehicles with lapses of insurance under LA R.S. 32:863(A)(2); and (3) \$250 for any over the age of 65. OMV reports 601,158 records that may be eligible for amnesty under this proposed law. If all eligible records participate in the amnesty program, OMV estimates \$66.9 M collected from debtors under the amnesty program and \$151.5 M forgone revenue waived under the amnesty program. Any specific amounts expected to be collected or waived are speculative, and no specific amount is recommended for purposes of this fiscal note.

Note: Amnesty programs tend to accelerate some collections that would normally occur in subsequent years into the amnesty year, which lowers collections in subsequent years, while other collections may come about only because the amnesty is available. The revenue forecast assumes a typical pattern of delinquent collections, and an amnesty program tends to disrupt the pattern between fiscal years, which is why an FY 26 impact is noted. In the past, proceeds from short amnesty programs have been declared non-recurring due to the nature of the program, which could limit the use of the collected funds.

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}

Alan M. Boxberger
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Interim Legislative Fiscal Officer



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CONTINUED EXPLANATION from page one:
EXPENDITURE EXPLANATION (Continued from Page 1)

Office of Motor Vehicles

To implement the amnesty program, OMV reports the increased workload will result in overtime costs of \$2,212,583. The agency anticipates it will take approximately 30 minutes to manually recall an insurance cancellation record and adjust fees for each eligible person to participate in the program. There are 226,691 people with insurance cancellation records that are eligible under the amnesty program. The average salary of an OMV employee is \$40,000, which result in a cost of \$9.62 for 30 minutes. Therefore, the cost of overtime to process all eligible insurance cancellation records is \$2,180,767 (226,691 people x \$9.62 per 30-minute salary of OMV employees).

OMV reports the Office of Technology Services (OTS) would perform the programming changes to the OMV legacy IT systems at an estimated 160 hours of overtime by an IT Management Consultant 1 Senior Developer (160 hours x \$85 per hour = \$13,600 x 1.45% Medicare tax = \$197; Total of \$13,797). Other one-time costs include creating an amnesty installment plan of \$486,000. OMV reports needing \$2,000 for advertising the amnesty program. The Legislative Fiscal Office (LFO) believes the agency can utilize public service announcements and other forms of free advertising; therefore, this fiscal note does not include any expenses for paid advertising.

Table with 2 columns: Expenditures, FY 2024. Rows include Overtime (\$2,180,767), Related Benefits (\$31,624), Personal Services Sub-Total (\$2,212,391), IAT to OTS (\$13,797), Installment Program (\$486,000), and Total Expenditures (\$2,712,188).

Note: The proposed law does not directly fund any OMV agency administrative expenses associated with implementing the amnesty program. Revenue collected from insurance lapse cancellations is used to support certain functions within the Department of Public Safety, specifically a portion of LA State Police trooper salaries and the general operating costs of OMV. To the extent the legislature continues to fund activities, the LFO presumes revenue collections from the amnesty program will be available to OMV and the State Police as supplemental appropriation to mitigate any decrease to the base expenditures. It is not clear how much an amnesty program will distort OMV collections for the two ensuing fiscal years due to the acceleration of collections into the amnesty period. Even if the amnesty program participation is high, OMV could lose significant funding due to the waiver of fees that are not replaced.

Office of Debt Recovery

Although the proposed law does not require ODR to implement any part of the amnesty program, ODR reports implementation costs of \$221,024 for mailing notifications. ODR will distribute notification letters to all persons with OMV debt at the start of the amnesty program. Also, ODR reports needing to send a second notification letter to all persons with OMV at the end of the 90-day amnesty period for each region. Mailing costs for sending 226,691 people notification letters of \$147,349 at the start of the amnesty program (226,691 x \$0.65). If half of the 226,691 participate in the amnesty program, ODR will have to send a second notification letter at the end of the amnesty program at a cost of \$73,675 (113,346 x \$0.65).

Note: The proposed law does not directly impact expenditures within ODR, it does eliminate a significant portion of the \$9.9 M retained by ODR from its debt collection activities. This funding is utilized by LDR and ODR to provide for operating expenses. To the extent that the legislature continues to fund activities in LDR and ODR supported by these revenues at the same level in the two ensuing fiscal years, the funding sources supporting the base expenditures must be replaced by SGF or another revenue source to supplant the loss of SGR.

After the end of the amnesty program, the proposed law states OMV "shall transfer funds in an amount equal to the collection fees not assessed by the office of debt recovery, on the debts actually satisfied during the amnesty periods." Based on OMV estimates, the LFO presumes a transfer of approximately \$20 M (\$10 M per year) to ODR; however, the total amount transferred will depend on the amount of debt that was eliminated during the amnesty program.

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

House
[X] 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}

Signature of Alan M. Boxberger
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