

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 568** HLS 23RS 652

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

| | | |
|--|---------|--------------------------------|
| Date: April 24, 2023 | 8:38 AM | Author: PHELPS |
| Dept./Agy.: Public Safety, Office of Motor Vehicles | | Analyst: Patrice Thomas |
| Subject: Insurance Reinstatement Fees | | |

MTR VEHICLE/VIOLATIONS EG -\$482,845 RV See Note Page 1 of 2
Provides relative to sanctions for a lapse in required vehicle liability security

In present law, if a vehicle has an insurance lapse, the following reinstatement fees apply: (1) \$100 per violation for 1-30 days, (2) \$250 per violation for 31-90 days, (3) \$500 per violation over 90 days. Under proposed law, if it's the insured's first lapse of insurance coverage and the lapse was five (5) days or less, the \$100 reinstatement fee does not apply. Proposed law requires notification of an insurance lapse to be transmitted to the insured through the LA wallet app.

| EXPENDITURES | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 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 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 5 -YEAR TOTAL |
|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|----------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | (\$193,150) | (\$193,150) | (\$193,150) | (\$193,150) | (\$193,150) | (\$965,750) |
| Ded./Other | (\$289,725) | (\$289,725) | (\$289,725) | (\$289,725) | (\$289,725) | (\$1,448,625) |
| 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 | (\$482,875) | (\$482,875) | (\$482,875) | (\$482,875) | (\$482,875) | (\$2,414,375) |

EXPENDITURE EXPLANATION

Proposed law will result in an indeterminable increase within the Department of Public Safety (DPS), Office of Motor Vehicles (OMV) as the result of one-time IT programming changes. DPS reports one-time IT programming costs of \$172,465 (assumed to be SGF). The LFO cannot corroborate the IT programming changes necessitated by this measure will cost the amount detailed by OMV. The LFO believes that the department can potentially accomplish these tasks utilizing existing resources and budget authority as similar changes are enacted annually by legislative instruments and paid from base funding. To the extent that numerous pieces of legislation are enacted that require additional programming efforts, DPS may require additional resources.

While proposed law does not otherwise directly impact state expenditures, it does eliminate a combined \$482,845 (\$193,150 SGR and \$289,725 Statutory Dedications out of the Real Time Insurance Verification System Fund) in revenues used to support certain functions within the Department of Public Safety, specifically a portion of State Police trooper salaries and the general operating costs of the Office of Motor Vehicles. To the extent that the legislature continues to fund activities in the Department of Public Safety supported by these revenues at the same or a diminished level in subsequent fiscal years, the funding sources supporting the base expenditures must be replaced by SGF or another revenue source to supplant the loss of SGR and statutory dedications. These activities would compete for annual SGF resources along with other significant SGF supported services and activities of the state.

REVENUE EXPLANATION

Proposed law will decrease self-generated revenue in the Department of Public Safety, Office of Motor Vehicles (OMV) by \$193,150 as well as revenues in the statutorily dedicated Real Time Insurance Verification System Fund by \$289,725 as a result of eliminating reinstatement penalties on first time insurance cancellations of 5 days or less. Monies from the Real Time Insurance Verification Fund are used within the Office of State Police for trooper salaries. SGR collected by OMV in excess of appropriation is deposited into the SGF. This fiscal note presumes the proposed law will apply only to prospective revenues and not impact existing uncollected reinstatement fees. Also, the fiscal note does not anticipate the impact of any unknown cancellation information. See Revenue Explanation on Page 2.

Under present law, a \$100 reinstatement fee is charged on insurance cancellations less than 30 days plus a \$25 administrative fee. Of the \$100 fee, \$25 is credited to self-generated revenue, and \$75 is credited to the Real Time Insurance Verification System Fund. The proposed law eliminates the \$100 reinstatement fee on insurance cancellations from 1 - 5 days. Based on actual revenue collections from the prior four fiscal years (FY 15 - FY 23), the proposed law would eliminate reinstatement fees on an average of 3,863 insurance cancellations that have insurance lapses from 1 - 5 days with an average revenue collection of \$482,875 (3,863 x \$125) - See table detailing estimates on the following page. The Legislative Fiscal Office presumes the same number of first-time insurance cancellations will remain constant each year.

REVENUE EXPLANATION CONTINUED ON PAGE TWO

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}

Evan Brasseaux
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Interim Deputy Fiscal Officer

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CONTINUED EXPLANATION from page one:
REVENUE EXPLANATION CONTINUED FROM PAGE ONE

| | Known Cancellations (1-5 days) | Current Fee | Revenue Collections |
|-----------|--------------------------------------|-------------|---------------------|
| FY 14-15 | 3,823 | \$125 | \$477,875 |
| FY 15-16 | 3,736 | \$125 | \$467,000 |
| FY 16-17 | 3,266 | \$125 | \$408,250 |
| FY 17-18 | 3,508 | \$125 | \$438,500 |
| FY 18-19 | 3,617 | \$125 | \$452,125 |
| FY 19-20 | 2,109 | \$125 | \$263,625 |
| FY 20-21 | 5,082 | \$125 | \$635,250 |
| FY 21-22 | 4,400 | \$125 | \$550,000 |
| FY 22-23* | <u>5,224</u> | \$125 | <u>\$653,000</u> |
| Average | <u>3,863</u> | | <u>\$482,845</u> |

Unknown Cancellations - According to DPS, an average of 20,218 insurance cancellations with unknown compliance information occurs annually. The department does not have information regarding the circumstances of insurance cancellations (i.e. late reporting by insurance companies or vehicle was traded). With unknown compliance information, the department cannot determine the duration of the insurance lapse until the insured person appears at an OMV office. Any specific amounts of unknown cancellations that will be eliminated under this measure are speculative, and are not incorporated into the fiscal note.

Senate Dual Referral Rules
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House
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