

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 384** HLS 24RS 56
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action: **W/ SEN FLOOR AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: May 9, 2024 6:04 PM **Author:** KNOX
Dept./Agy.: Public Safety, Office of Motor Vehicles **Analyst:** John McKay
Subject: Reinstatement Fees

MTR VEHICLE/VIOLATIONS REF -\$216,125 RV See Note Page 1 of 2
 Extends the grace period applicable to penalties for lapse of compulsory motor vehicle liability security

Proposed legislation extends the period prohibiting the imposition of reinstatement fees for the lapse of insurance coverage from 5 days or less to 10 days or less.

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						
REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	(\$86,450)	(\$86,450)	(\$86,450)	(\$86,450)	(\$86,450)	(\$432,250)
Ded./Other	(\$129,675)	(\$129,675)	(\$129,675)	(\$129,675)	(\$129,675)	(\$648,375)
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	(\$216,125)	(\$216,125)	(\$216,125)	(\$216,125)	(\$216,125)	(\$1,080,625)

EXPENDITURE EXPLANATION

Proposed legislation will create a minimal expenditure impact to the Office of Motor Vehicles (OMV) associated with updates and testing. OMV estimates the proposed measure will require a one-time SGF expenditure of \$3,855 to implement changes. The Office of Technology Services (OTS) would perform this work at an estimated 40 hours of overtime by a Senior Developer (40 hours x \$95 per hour = \$3,800 x 1.45% Medicare Tax = \$55; a total of \$3,855). The Legislative Fiscal Office believes that any additional IT work associated with this measure will be incremental in nature, and that the department can potentially accomplish these tasks utilizing existing resources and budget authority. 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 reduce SGR and Statutory Dedications out of the Real Time Insurance Verification System Fund 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


This measure is anticipated to reduce annual revenues in the OMV by \$216,125. Proposed law will decrease self-generated revenue in the Department of Public Safety, Office of Motor Vehicles (OMV) by \$86,450 as well as revenues in the statutorily dedicated Real Time Insurance Verification System Fund by \$129,675 as a result of eliminating reinstatement penalties on first time insurance cancellations from 6 - 10 days. 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.

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 6 - 10 days. Based on actual revenue collections from the prior 10 fiscal years (FY 15 - FY 24), the proposed law would eliminate reinstatement fees on an average of 1,729 insurance cancellations that have insurance lapses from 6 - 10 days with an average revenue collection of \$216,125 (1,729 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.

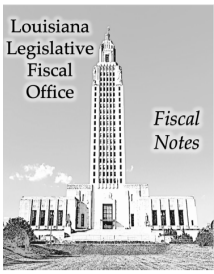
REVENUE EXPLANATION CONTINUED ON PAGE TWO

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}


Patrice Thomas
Deputy Fiscal Officer

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CONTINUED EXPLANATION from page one:
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	Known Cancellations (1-5 days)	Current Fee	Revenue Collections
FY 14-15	1,750	\$125	\$218,750
FY 15-16	1,815	\$125	\$226,875
FY 16-17	1,545	\$125	\$193,125
FY 17-18	1,508	\$125	\$188,500
FY 18-19	1,442	\$125	\$180,250
FY 19-20	872	\$125	\$109,250
FY 20-21	1,945	\$125	\$243,125
FY 21-22	1,776	\$125	\$222,000
FY 22-23	2,390	\$125	\$298,750
<u>FY 23-24</u>	<u>2,248</u>	\$125	<u>\$281,000</u>
Average	1,729		\$216,125

Unknown Cancellations - 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.

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