

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 683** HLS 24RS 51

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action: **W/ SEN FLOOR AMD**

Proposed Amd.:

Sub. Bill For.:

Date: May 21, 2024	8:48 AM	Author: OWEN, CHARLES
Dept./Agy.: Office of Motor Vehicles/Revenue		Analyst: John McKay
Subject: Implementation of Reinstatement Relief Program		

MTR VEHICLE/OFFICE REF SEE FISC NOTE SG RV See Note Page 1 of 2
Requires the office of motor vehicles to process reinstatements in person at all field locations

Proposed law extends the number of days that constitutes "Delinquent debt" from 60 to 180 days. Proposed law allows for "final debt" to be negotiable. Proposed law creates the Reinstatement Relief Program for persons who owe reinstatement fees imposed pursuant to present law for having a lapse in insurance coverage. Proposed law specifies that after the debt becomes final but before it is transferred to the office of debt recovery (ODR), the office of motor vehicles (OMV), through the commissioner, may compromise and settle the debt upon satisfactory showing of substantial compliance with the law. Proposed law retains present law but makes it optional for the office of motor vehicles to refer any unpaid balance due under the installment agreement to the Dept. of Revenue, office of debt recovery, for collection. Proposed law requires the OMV to process reinstatements in person at all field locations.

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	\$0	\$0	\$0	\$0	\$0	\$0
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.	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

EXPENDITURE EXPLANATION

Proposed law may create a minimal expenditure impact to OMV associated with software updates. DPS estimates a one-time SGF cost of \$48,189 to make coding changes. The Office of Technology Services (OTS) would perform this work at an estimated 500 hours of overtime by an IT Senior Developer (500 hours x \$95 per hour = \$47,500 x 1.45% Medicare tax = \$689; total of \$48,189). Currently, OMV offers in-person reinstatement in 59 of the 79 field locations. As the IT modernization project progresses, reinstatement will be offered in-person at all 79 locations.

OMV indicates current staffing levels will not be impacted by transferring delinquent accounts to OMV for collection. OMV reports that 45 employees are currently processing these accounts and that the agency has 40 existing vacancies that can be filled if additional staff is needed. Additionally, OMV reports that system updates will enable individuals to complete reinstatements online by the end of the year, reducing the need for individuals to interact directly with staff.

ODR has indicated that it will maintain current staffing levels and rededicate work efforts toward collecting other state debts due. ODR anticipates no operational impact. **However, the LFO has concerns about ODR's ability to maintain current operational levels given that OMV debt collections represents approximately 88% of ODR's total collections.**

REVENUE EXPLANATION

Proposed law will have an indeterminable impact on SGR and statutorily dedicated Real Time Insurance Verification System Fund collections from reinstatement fees in the Department of Public Safety, Office of Motor Vehicles (OMV), and an indeterminable SGR decrease in the Office of Debt Recovery (ODR) within the Department of Revenue (LDR). 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.

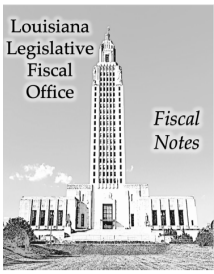
Proposed law allows OMV to recall final delinquent debt from ODR. Proposed law is retroactive, which means final delinquent debt from 1989 or earlier may be included. The fiscal impacts provided assume proposed law will impact existing uncollected reinstatement fees as well as revenues for prospective violations.

Under present law, OMV reports the debt (insurance lapse/reinstatement fees) that has been finalized to ODR at the maximum amount. In the collection process, ODR adds up to 25% (15% on debt referred on or after 1/01/2024) of the delinquent amount as a collection fee. Thus, 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, and (3) \$500 per violation over 90 days. All reinstatement fees are subject to a \$25 administrative fee. When OMV sends finalized debt to ODR, the amount owed would be subject to the maximum penalty of \$525 plus the 25% fee ODR retains, resulting in a total of \$656.25 (\$525 x 25% = \$131.25 + \$525). There is also no limit on the number of insurance lapse fines a person can accrue. **CONT'D ON PAGE 2**

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

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CONTINUED EXPLANATION from page one:

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Revenue explanation continued from page 1

In public testimony in the House Committee on Transportation, Highways and Public Works on the original version of this legislation, OMV testified that \$470 M of final delinquent debt would be recalled from ODR and reduced to the actual amount owed of \$254 M. The proposed law authorizes OMV to "compromise and settle the debt" as well as negotiate and implement a new Reinstatement Relief Program.

This fiscal note assumes the proposed law will impact existing uncollected reinstatement fees recalled from ODR as well as revenues for prospective violations. The proposed law may accelerate the payment of reinstatement fees as OMV will be able to negotiate the debt amount and offer a new Reinstatement Relief Program based on the debtor's income, financial obligations, and other factors that affect the ability to repay. Over the past five fiscal years, on average, ODR has recovered \$45 M of OMV debt annually. **The new Reinstatement Relief Program may or may not result in adequate revenue to replace the \$45 M recovered by ODR and submitted to OMV, which covers the normal operations of OMV and State Police.**

The revenue impact of the proposed law is difficult to predict due to the participation rates of debtors in the new Reinstatement Relief Program and the amounts of negotiated reinstatement fees. Therefore, any specific amounts expected to be collected would be speculative, therefore, no specific amount can be identified in this fiscal note. Longer-term collections are expected to decline due to lower fees charged if compliance remains typical.

Office of Debt Recovery

Proposed law will significantly decrease SGR in ODR by eliminating the 25% fee on revenue on collection efforts. Due to the permissive nature of the bill, some debt may still be referred to ODR for collections but such referral is not mandatory.

For informational purposes, in FY 22, ODR collected \$53.4 M, which generated \$9.9 M of SGR utilized by the agency to operate. Of the \$53.4 M debt collected, \$46.9 M was finalized debt from OMV, which represents 88% of debt recovered from all sources. Thereby, in future fiscal years, any debt recalled and/or not sent by OMV is anticipated to significantly impact the SGR collected and utilized by ODR to operate.

Senate

Dual Referral Rules

House

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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