

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 309** HLS 14RS 529

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: March 26, 2014 10:15 AM	Author: SMITH, PATRICIA
Dept./Agy.: Public Safety/Revenue	Analyst: Deborah Vivien
Subject: Allows for an economic hardship license for state debtors	

REVENUE DEPARTMENT

EG DECREASE GF RV See Note

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Requires the issuance of an economic hardship license under certain circumstances if a driver's license has been suspended or denied renewal for failure to pay individual income taxes

Current law provides that an economic hardship driver's license will not be issued for suspensions and denials due to delinquent income tax debt. The fee for obtaining an economic hardship license is \$21.50.

Proposed law allows for the issuance of an economic hardship driver's license if a suspension or denial of the license has been due to delinquent income tax debt. After a required investigation, if the applicant is deemed by the Department of Public Safety in conjunction with the Department of Revenue to require a driver's license to earn a livelihood, the hardship license is granted. it will allow driving only if it is involved in earning a livelihood. The restriction shall be attached to the license. The economic hardship license fee is unchanged.

EXPENDITURES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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						

EXPENDITURE EXPLANATION

The Department of Public Safety anticipates a substantial increase in expenditures and positions in order to conduct the investigations of economic hardship claims as required by this bill, including 10 positions at a cost of roughly \$500,000 per year considering personal services, supplies, and equipment in the early stages of the process. With 37,200 suspensions currently in place due to income tax debt, it is expected that 10 full time positions (salary of \$35,000) will be required to conduct investigations if all suspended licensees request a hardship license and each investigation takes about 35 minutes. However, LDR reports that 12,100 suspensions were requested in FY 13. Once the backlog of applicants is reduced, it may require only 3 positions and a cost closer to \$150,000 per year to carry out annual investigations. With increased efforts to detect outstanding debt being undertaken at LDR, the number of economic hardship requests could increase in the future which may result in higher costs than these estimates.

It is likely that economic hardship license fees will not generate enough non-dedicated revenue to fund the investigations, especially in the early years as the anticipated backlog of applicants is working through the process. Thus, SGF revenue will be necessary in some or all years to fund the investigations required by this bill. Using the cost estimates provided by DPS, each investigation will cost about \$14, assuming a 35 minute average. The available SGR generated per license granted is \$13.50, or roughly the same as the cost, but it is not expected that each investigation will result in a license being granted, which is the only way the fee is generated. To the extent that licenses granted are fewer than licenses investigated, SGF revenue will be required to conduct the investigation. As an example, if half the applicants at 18,600 are not eligible for the license, DPS would require an additional \$260,000 in funding to complete the investigations (18,600*\$14).

REVENUE EXPLANATION

Since the refusal to grant an economic hardship license for income tax debt appears to have been an effective tool for collecting outstanding tax debt since 2004, it is expected that general fund revenue could decrease due to this bill. The bill would likely hamper the suspension or denial of a driver's license as an income tax collection tool since the availability of the economic hardship license will remove a significant consequence of income tax delinquency. The Revenue Department reports that 12,100 suspensions were requested in FY 13 and \$11.8 M in individual income tax debt was collected in association with license reinstatements. To the extent that these taxes were collected in part because the driver's license of the debtor was suspended or denied and that driver will now be granted an economic hardship license that discourages a payment on the debt, state general fund revenue will decrease. However, there are other collection tools, such as refund garnishment and even legal remedies, that are also responsible for these collections and will still be available to employ. Some material general fund collections loss is likely, possibly some material portion of the \$11.8 million associated with license reinstatements, but it is not likely that all of these collections are due solely to license suspension or denial nor is it expected that all economic hardship license requests will be granted.

The bill is also expected to result in an increase in self-generated and local revenue as economic hardship license and handling fees will be collected from those found to be eligible for the license, though the fees generated are not expected to fully fund the cost of the investigations. It is likely that additional funding will be required to fulfill the obligations of this bill. The fee for obtaining an economic hardship license is \$13.50 which is used in the DPS budget and the handling fee of \$8 is used as debt service (\$5.50) and dedicated to the Treasury Tech Fund (\$2.50). Though all applicants would be eligible to apply for the economic hardship license and would face no penalties for being denied the license, it is reasonable that many will apply, require investigation but not obtain the license or pay the fee.

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| Senate | Dual Referral Rules | House | <input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | <input checked="" type="checkbox"/> 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S} | |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} | |

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